BIHL GROUP

BOTSWANA INSURANCE HOLDINGS LIMITED

BIHL

Integrated Annual Report

2017

Engineering - Legacies

Bifm Botswana Life LEGAL GUARD

ABOUT THIS REPORT

WE ARE LEGACY ENGINEERS

What does it mean to build a legacy? For the BIHL Group, it is not only about looking back, about the heritage we continue to build upon. Rather, it is an act of looking ahead, at proactively working with thousands of Batswana, indeed thousands of Africans, to build their future legacies. It is a responsibility that we are passionate about and wholeheartedly dedicated to. It is not, however, pure luck of the draw that we have the skill and experience to do what we do. It is years of crafting, working diligently, and refining our skill. It is, in many ways, a science. We engineer legacies every day. With precision and with care.

If we were to describe what it is that we do, we would call ourselves Legacy Engineers. It is not simply a concept or a theme; it is the state of mind of our team, the essence of our Group; and the core of what we are about. It is the perfect juxtaposition of humanness and teamness of 'Tomagano' interwoven with the sheer mastery of our trade. Planning; design; calculated effort and a clear and decisive, indeed divisive, means of carving out and engineering the positive futures we envision for our clients and our stakeholders.

At our very core, we are a business about people, and is through skill and contrivance that we have the privilege, honour and foresight to be able to engineer legacies of the future. Legacies of a young couple looking to secure their retirement; of a mother ensuring her children are looked after upon the time of her passing; of a young student planning his tertiary adventure; and of the pensioner looking to benefit from a different kind of investment vehicle.

Throughout this **Integrated Annual Report,** you will see that **Legacy Engineers** is not simply an identity that we have fashioned for ourselves. Rather, it is our calling, our proven track record, and the innate persona that will continue to allow us to do what we do and to do it well. We are Legacy Engineers, and we continue to dedicate ourselves to our people and our craft, buttressed by our heritage, and yet propelled forward into an ambitious future.

CORPORATE INFORMATION

ADMINISTRATION

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

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

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

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

Company Secretary
Haig Ndzinge

Statutory Actuary
Edwin Splinter

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

"Failing to plan is planning to fail" - Benjamin Franklin.

This is a core belief of ours at BIHL.
We are in the business of predicting the future.
This can only be done if we craft that future.

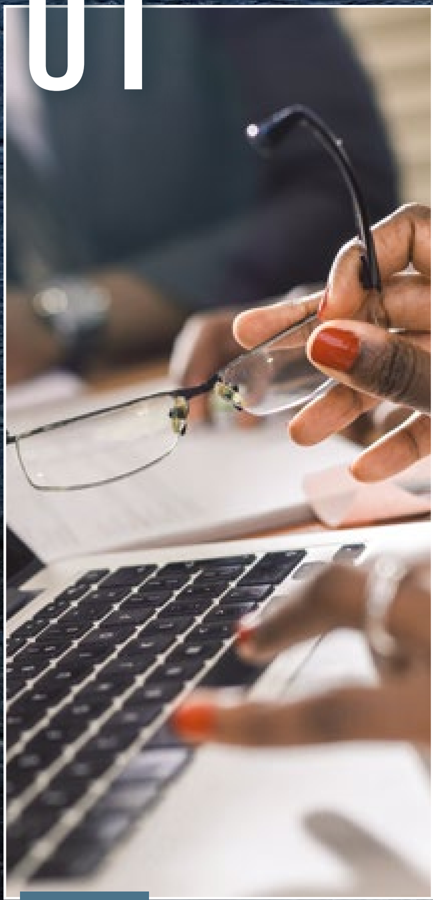
Botswana Life Insurance Limited
Block A: Fairgrounds Office Park
Private Bag 00296
Gaborone
Tel: +267 3645100; Fax: +267 3906386
www.botswanalife.co.bw

Botswana Insurance Fund Management Limited
Block A: Fairgrounds Office Park
Private Bag BR 185
Gaborone
Tel: +267 3951 564; Fax: +267 3900 358
www.bifm.co.bw

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

CONTENTS

01

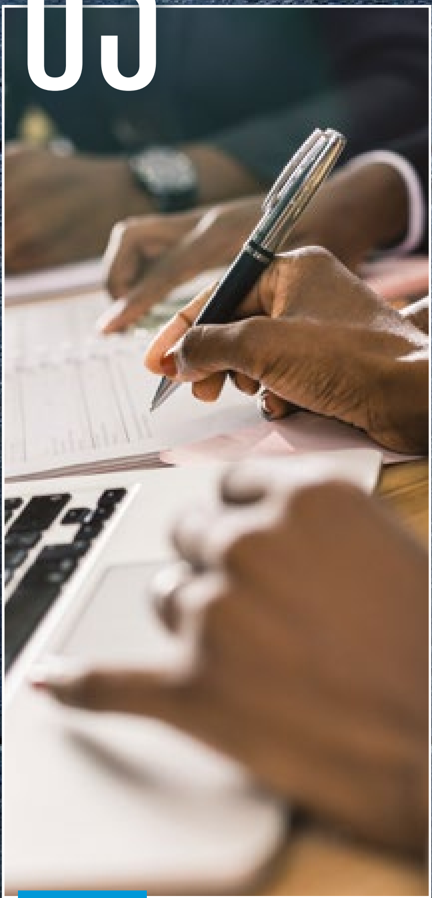


02

Introduction to the Group 02 - 23

Operations Review 24 - 55

03



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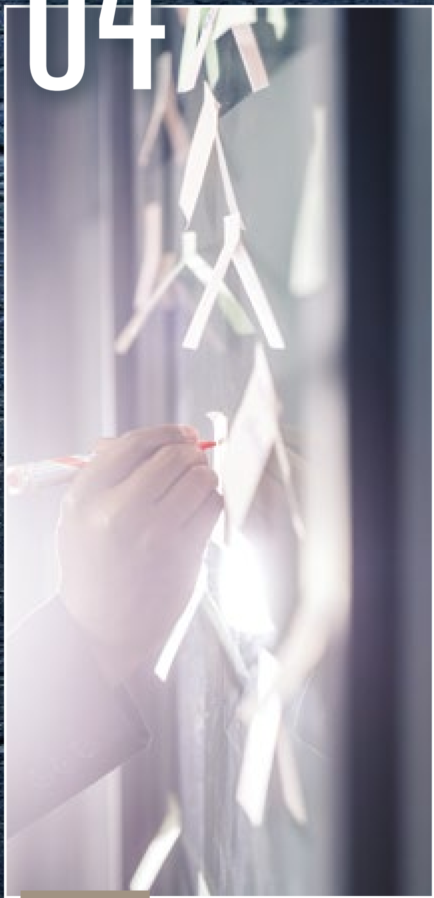


05

RESULTS AT A GLANCE

Operating profit remained flat at
P333 mil

Assets under management increased by **3%** to
P26.7 bn

Embedded Value decreased by **1%** to
P4.31 bn

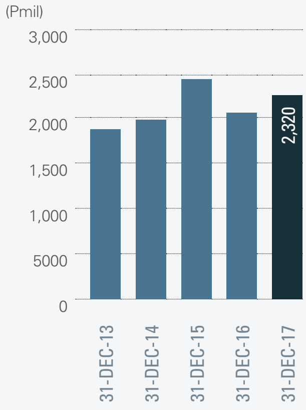
Value of new Business decreased by **8%** to
P148.5 mil

	Year to 31-Dec-17 P mil	Year to 31-Dec-16 P mil	% Change
GROUP SUMMARY		Restated	
Premium income (net of reinsurance)	2,320	2,075	9%
Value of new business	149	162	-8%
Operating profit	333	333	0%
Total profit	349	475	-27%
Assets Under Management	26,700	25,900	3%
Ordinary shareholder's equity	2,897	2,917	-1%
Total assets	15,526	14,391	8%
Embedded value	4,307	4,300	-1%
PRODUCTIVITY			
Operating expenses to premium income and asset management fees	13%	16%	
Selling expenses to premium income	14%	15%	
Return on embedded value	7%	15%	
SOLVENCY AND LIQUIDITY			
Capital adequacy cover (times) - Life business	5.30	6.60	
Dividend cover on core earnings** (times)	0.78	1.09	
ORDINARY SHARE PERFORMANCE			
Basic earnings thebe per share	127	174	-28%
Diluted earnings thebe per share	126	171	-28%
Dividend thebe per share - interim	55	55	0%
- final proposed - Normal	67	67	0%
- final proposed - Special	35	-	-
Embedded value thebe per share	1,525	1,554	- 4%
Trading prices (thebe per share)			
- closing price	1,854	1755	6%
- high	1,885	1755	7%
- low	1,754	1755	0%
Price earnings ratio	14.60	10.12	47%
Domestic Companies Index (DCI)	8,860	9,401	-9%
Number of shares in issue ('000)	282,371	281,071	0%
Number of shares traded ('000)	7,871	9,626	-18%
Market capitalisation (P million)	5,235	4,933	6%
Number of shareowners	2,852	2,903	-2%
Earnings yield (%)	6.81	9.88	-31%
Dividend yield (%)	8.47	6.95	0%

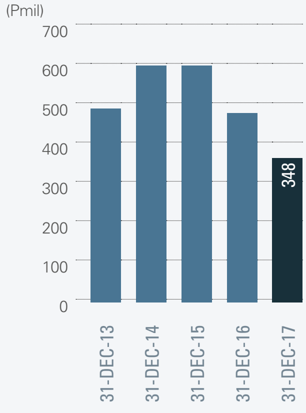
** Core earnings include operating surplus and shareholder investment income

RESULTS AT A GLANCE

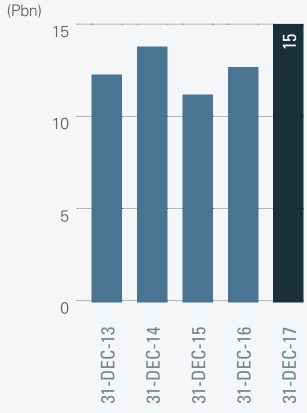
Premium Income



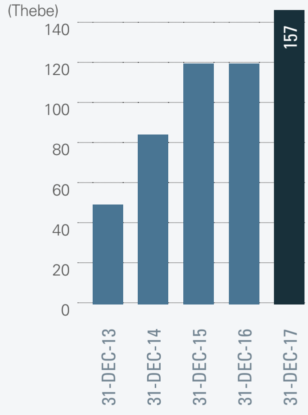
Profit After Tax



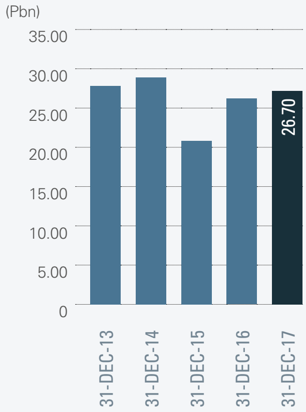
Investments



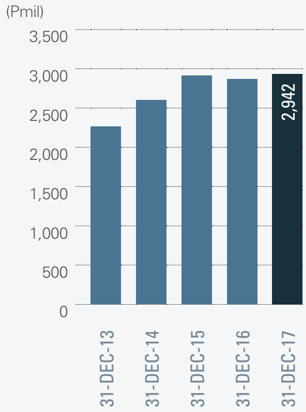
Dividend per Share



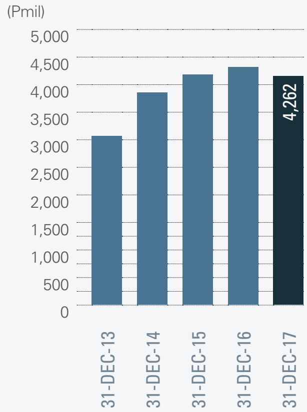
Assets Under Management



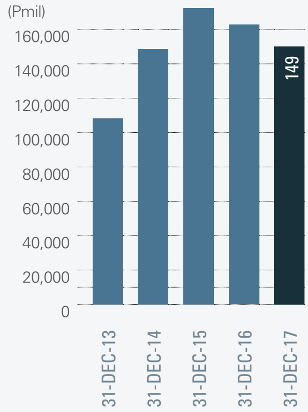
Shareholder's Equity



Embedded Value



Value of New Business



TEN YEAR REVIEW

for the year ended 31 December 2017

	Year to 31-Dec-17 P'000	Year to 31-Dec-16 P'000	Year to 31-Dec-15 P'000
GROUP CONSOLIDATED INCOME STATEMENT		Restated	Restated
Continuting operations			
Net insurance premium income	2,320,046	2,074,927	2,487,265
- recurring	1,219,367	1,085,051	1,078,940
- single	1,100,679	989,876	1,408,325
Fee revenue	103,075	91,176	88,447
Fair value gains on investment properties	-	-	-
Investment income	658,193	752,120	684,327
(Loss)/Profit on sale of subsidiary	12,993	-	-
Net gains/(losses) from financial assets held at fair value through profit and loss	(55,241)	(840,093)	1,095,286
Total revenue	3,039,066	2,078,130	4,355,325
Net insurance and investment contract benefits and claims	(2,027,157)	(1,104,613)	(3,173,983)
Policyholder benefits paid	(1,374,527)	(1,533,219)	(1,297,284)
Change in liabilities under investment contracts	(64,932)	676,641	(674,663)
Change in liabilities under insurance contracts	(587,698)	(248,035)	(1,202,036)
Expenses	(660,458)	(622,819)	(647,127)
Selling expenses	(336,295)	(312,255)	(323,517)
Administration expenses	(324,163)	(310,564)	(323,610)
Profit before share of profit of associates and joint venture	351,451	350,698	534,215
Share of profit of associates and joint venture	72,927	224,671	186,728
Profit before tax from continuing operations	424,378	575,369	720,943
Tax expense	(76,092)	(100,581)	(123,942)
Profit from continuing operations	348,286	474,788	597,001
Discontinued operations			
Profit/(loss) after tax for the period from discontinued operations	1,041	524	-
Profit on sale of short-term insurance business	-	-	-
Profit for the year	349,327	475,312	597,001
Earnings per share (thebe)			
- basic	126	173	214
Earnings per share (thebe) for continuing operations	125	171	211
Gross dividends per share (thebe)	157	122	122
Weighted average number of shares in issue ('000)	277,919	277,278	273,310

Profit Before Tax
P4.8 billion

Net Premium Income
P18.3 billion

TEN YEAR REVIEW

Year to 31-Dec-14 P'000	Year to 31-Dec-13 P'000	Year to 31-Dec-12 P'000	Year to 31-Dec-11 P'000	Year to 31-Dec-10 P'000	Year to 31-Dec-09 P'000	Year to 31-Dec-08 P'000
	Restated					
1,986,683	1,878,026	1,949,585	1,767,046	1,620,513	1,253,413	958,636
970,724	914,650	887,972	877,636	754,096	682,577	565,313
1,015,959	963,376	1,061,613	889,410	866,417	570,836	393,323
110,915	98,039	74,700	110,944	137,249	120,623	121,308
-	-	-		-	-	8,768
972,569	594,856	628,915	749,577	470,190	479,984	463,214
(15,878)	-	6,075	33,785	-	-	-
(161,013)	2,343,127	452,917	134,323	(180,785)	1,002,835	(2,006,255)
2,893,276	4,914,048	3,112,192	2,795,675	2,047,167	2,856,855	(454,329)
(1,944,801)	(3,995,068)	(2,314,706)	(1,935,869)	(1,182,594)	(2,178,646)	1,012,140
(1,192,395)	(1,054,527)	(904,175)	(907,459)	(712,524)	(524,344)	(418,695)
(205,052)	(1,719,987)	(383,646)	(400,986)	(132,674)	(850,960)	1,534,843
(547,354)	(1,220,554)	(1,026,885)	(627,424)	(337,396)	(803,342)	(104,008)
(575,135)	(524,857)	(508,636)	(465,265)	(534,852)	(447,815)	(332,115)
(258,899)	(244,410)	(219,165)	(219,687)	(297,649)	(245,028)	(165,735)
(316,236)	(280,447)	(289,471)	(245,578)	(237,203)	(202,787)	(166,380)
373,340	394,123	288,850	394,541	329,721	230,394	225,696
253,618	189,202	196,482	133,872	72,217	26,821	9,802
626,958	583,325	485,332	528,413	401,938	257,215	235,498
(107,495)	(84,621)	(90,936)	(57,083)	(69,456)	(19,544)	(14,037)
519,463	498,704	394,396	471,330	332,482	237,671	221,461
(14,750)	(3,931)	-	-	-	-	-
932	-	-	-	-	-	-
505,645	494,773	394,396	471,330	332,482	237,671	221,461
183	183	146	174	122	87	77
188	182	146	174	122	87	77
87	50	35	66	66	77	56
273,046	269,779	268,110	265,812	263,979	261,967	262,567

Dividends Paid
P2.6 billion

Benefits Paid
P9.9 billion

TEN YEAR REVIEW

GROUP CONSOLIDATED STATEMENT OF FINANCIAL POSITION

for the year ended 31 December 2017

	Year to 31-Dec-17 P'000	Year to 31-Dec-16 P'000	Year to 31-Dec-15 P'000
			Restated
Property and equipment	155,350	156,006	155,504
Intangible assets	92,273	100,357	122,708
Investments	14,789,197	13,016,580	12,786,414
Trade and other recievables	295,667	204,225	220,964
Non-current Assets held for sale	54,222	94,396	-
Cash deposits and similar securities	184,254	819,280	1,055,086
Total assets	15,570,963	14,390,844	14,340,676
Ordinary shareholders' equity	2,941,557	2,916,515	2,912,607
Non-controlling interest	16,823	20,583	18,474
Policyholder liabilities	12,218,341	10,956,497	10,933,114
- insurance contracts	9,388,540	8,800,323	8,555,332
- investment contracts	2,829,801	2,156,174	2,377,782
Deferred tax liability	9,702	17,620	18,360
Liabilities classified as held for sale	15,682	-	-
Trade and other payables	368,858	479,629	458,121
Total equity and liabilities	15,570,963	14,390,844	14,340,676

GROUP STATEMENT OF CASH FLOWS

for the year ended 31 December 2017

	Year to 31-Dec-17 P'000	Year to 31-Dec-16 P'000	Year to 31-Dec-15 P'000
Cash generated from/ (utilised in) operating activities	1,206,418	1,168,158	(1,435,637)
Interest received	88,360	69,051	121,145
Tax paid	(90,934)	(115,657)	(139,786)
Dividends (paid)/received	(155,985)	(135,949)	(96,348)
Cash flow from operating activities	1,047,859	985,603	(1,550,626)
Cashflow (utilised in)/from investing activities	(1,682,885)	(1,221,409)	1,947,245
Net increase/(decrease) in cash and cash equivalents	(635,026)	(235,806)	396,618
Cash and cash equivalents at the beginning of the year	819,280	1,055,086	658,468
Cash and cash equivalents at the end of the year	184,254	819,280	1,055,086

Total Assets

P1.8 billion

Investments Grew

P1.78 billion

TEN YEAR REVIEW

As at 31-Dec-14 P'000	As at 31-Dec-13 P'000	As at 31-Dec-12 P'000	As at 31-Dec-11 P'000	As at 31-Dec-10 P'000	As at 31-Dec-09 P'000	As at 31-Dec-08 P'000
20,138	20,827	10,911	12,561	15,854	18,487	16,890
122,410	150,898	154,001	146,735	140,782	82,622	79,821
13,852,451	13,033,188	14,281,694	11,111,149	10,428,159	9,648,070	7,880,357
201,522	282,154	209,722	209,360	206,991	218,458	165,689
-	-	-	-	-	-	-
658,468	580,675	760,539	1,248,601	1,376,229	1,414,989	1,384,478
14,854,989	14,067,742	15,416,867	12,728,406	12,168,015	11,382,626	9,527,235
2,686,067	2,405,401	1,944,961	1,690,795	1,374,259	1,261,805	1,331,035
18,569	34,912	33,651	36,050	31,588	35,042	31,095
11,641,698	11,123,239	12,966,213	10,587,046	10,311,402	9,762,230	7,819,021
7,350,937	6,809,709	5,592,069	4,573,613	3,957,129	3,633,013	2,817,683
4,290,761	4,313,530	7,374,144	6,013,433	6,354,273	6,129,217	5,001,338
33,209	23,790	17,939	12,726	19,050	21,090	49,760
-	-	-	-	-	-	-
475,446	480,400	454,103	401,789	431,716	302,459	296,324
14,854,989	14,067,742	15,416,867	12,728,406	12,168,015	11,382,626	9,527,235

290,693	(4,427,312)	1,785,568	(85,378)	937,655	2,123,616	(1,109,328)
428,115	453,692	329,165	425,096	45,503	35,116	74,364
(54,004)	(94,206)	(106,695)	(69,253)	(59,179)	(40,263)	(46,656)
(21,786)	96,202	13,790	65,353	(205,307)	(240,246)	(157,220)
643,018	(3,971,624)	2,021,828	335,818	718,672	1,878,223	(1,238,840)
(565,225)	3,791,760	(2,509,890)	(463,446)	(757,432)	(1,847,712)	1,951,148
77,793	(179,864)	(488,062)	(127,628)	(38,760)	30,511	712,308
580,675	760,539	1,248,601	1,376,229	1,414,989	1,384,478	672,170
658,468	580,675	760,539	1,248,601	1,376,229	1,414,989	1,384,478

Policyholder Assets

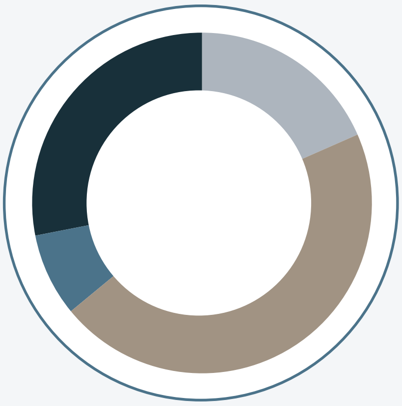
P12.2 billion

VALUE ADDED STATEMENT

for the year ended 31 December 2017

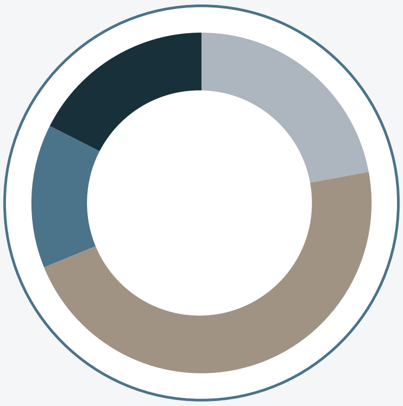
	Year to 31 December 2017	Year to 31 December 2016
VALUE ADDED		
Income from operations	2,460,404	2,679,368
Operating expenditure	(660,458)	(652,862)
Policyholder benefits paid	(1,374,527)	(1,551,200)
	425,419	475,306
VALUE DISTRIBUTED		
To employees		
Salaries, wages and other benefits	177,061	161,229
To ordinary shareholders		
Dividends - normal	344,492	342,906
- special	98,830	
	443,322	342,906
To minority shareholders	270	1,199
To Government		
Taxation	76,092	100,729
To expansion and growth		
Reinvested in the business for future growth	(297,337)	(148,916)
Amortisation	10,324	9,270
Depreciation	9,490	8,190
Deferred taxation	6,198	699
	(271,325)	(130,757)
	425,419	475,306
Summary		
Employees	42%	34%
Shareholders	104%	72%
Government	18%	21%
Retained for expansion and growth	- 64%	-27%
	100%	100%

VALUE ADDED DISTRIBUTION 31 DECEMBER 2017



Employees	**42%**
Shareholders	**104%**
Government	**(18)%**
Retained for expansion and growth	**(64)%**

VALUE ADDED DISTRIBUTION 31 DECEMBER 2016



Employees	**34%**
Shareholders	**72%**
Government	**21%**
Retained for expansion and growth	**(27)%**

SHARE ANALYSIS - ORDINARY SHARES

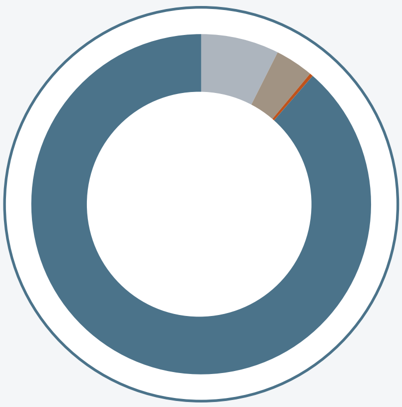
	SHAREHOLDERS		SHARES HELD	
	Number of holders	% of holders	Shares held	% of issued shares
1- 5,000	2,263	79.35%	2,131,574	0.8%
5,001-10,000	210	7.36%	1,473,251	0.5%
10,001- 50,000	244	8.56%	5,360,146	1.9%
50,001-100,000	42	1.47%	3,130,393	1.1%
100,001- 500,000	65	2.28%	14,596,469	5.2%
500,001 - 1,000,000	11	0.39%	7,439,815	2.6%
OVER 1,000,000	17	0.60%	248,239,004	87.9%
Total	2,852	100.00%	282,370,652	100.00%

Top ten shareholders

FNB BOTSWANA NOMINEES (PTY) LTD RE: KGORI BPOPF WP	4,611,071	1.63%
BOTSWANA INSURANCE FUND MANAGEMENT	6,408,494	2.27%
FNB BOTSWANA NOMINEES (PTY) LTD RE:AA BPOPF EQUITY	7,322,815	2.59%
FNB BW NOMS(PTY) LTD RE: IAM BPOPFP 10001031	8,284,832	2.93%
FNB BOTSWANA NOMINEES (PTY) LTD RE: BIFM BPOPF-EQU	8,913,557	3.16%
BOTSWANA PUBLIC OFFICERS PENSION FUND	10,682,181	3.78%
MOTOR VEHICLE ACCIDENT FUND	10,735,164	3.80%
FNB NOMINEES (PTY)LTD RE:AGRAY BPOPF 10001010	15,133,803	5.36%
AFRICAN LIFE ASSURANCE COMPANY (BOTSWANA)(PTY) LTD	48,603,380	17.21%
SCBN(PTY)LTD RE: SANLAM BW0000016225	116,388,211	41.22%
OTHERS	45,287,144	16.04%
	282,370,652	100.00%

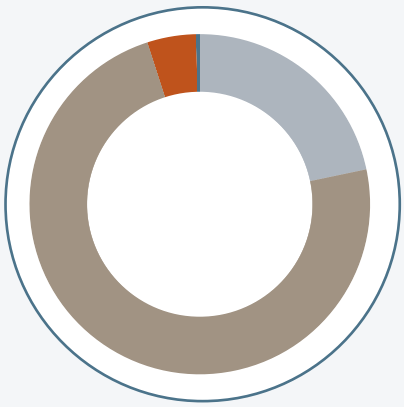
	Shareholders		Shares held	
Category	Number	%	Number	%
Corporate bodies	212	7.43%	61,336,140	21.72%
Nominees companies	104	3.65%	206,195,900	73.02%
Trust accounts	9	0.32%	1,230,067	4.82%
Private individuals	2,527	88.60%	13,608,545	0.44%
	2,852	100.00%	282,370,652	100.00%

SHAREHOLDERS CATEGORIES 2017



Corporate bodies	7.43%
Nominees companies	3.65%
Trust accounts	0.32%
Private individuals	88.60%

SHARES HELD BY CATEGORY 2017



Corporate bodies	21.72%
Nominees companies	73.00%
Trust accounts	4.82%
Private individuals	0.44%

BIHL AT A GLANCE

PURPOSE

The Purpose of the Botswana Insurance Holdings Limited Group is:

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

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

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

VISION

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

MISSION

These phases of growth have been described by three themes:

01 Collaborate for growth.

02 Optimise for efficiency and innovate.

03 Consolidate

CORE VALUES

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

SUPPORT AND COLLABORATE

Acting in the best interest of the BIHL Group.

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

ETHICAL

Conducting our Business and, in particular, dealing with Clients in a proper and principled manner.

We will advise our Clients truthfully and in their best interest. Under no circumstances will we breach confidentiality and disclose sensitive business information.

ACCOUNTABLE

Taking responsibility to commit to what we are tasked with.

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

AUTHENTIC

Genuinely lead and deliver with open hearts.

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

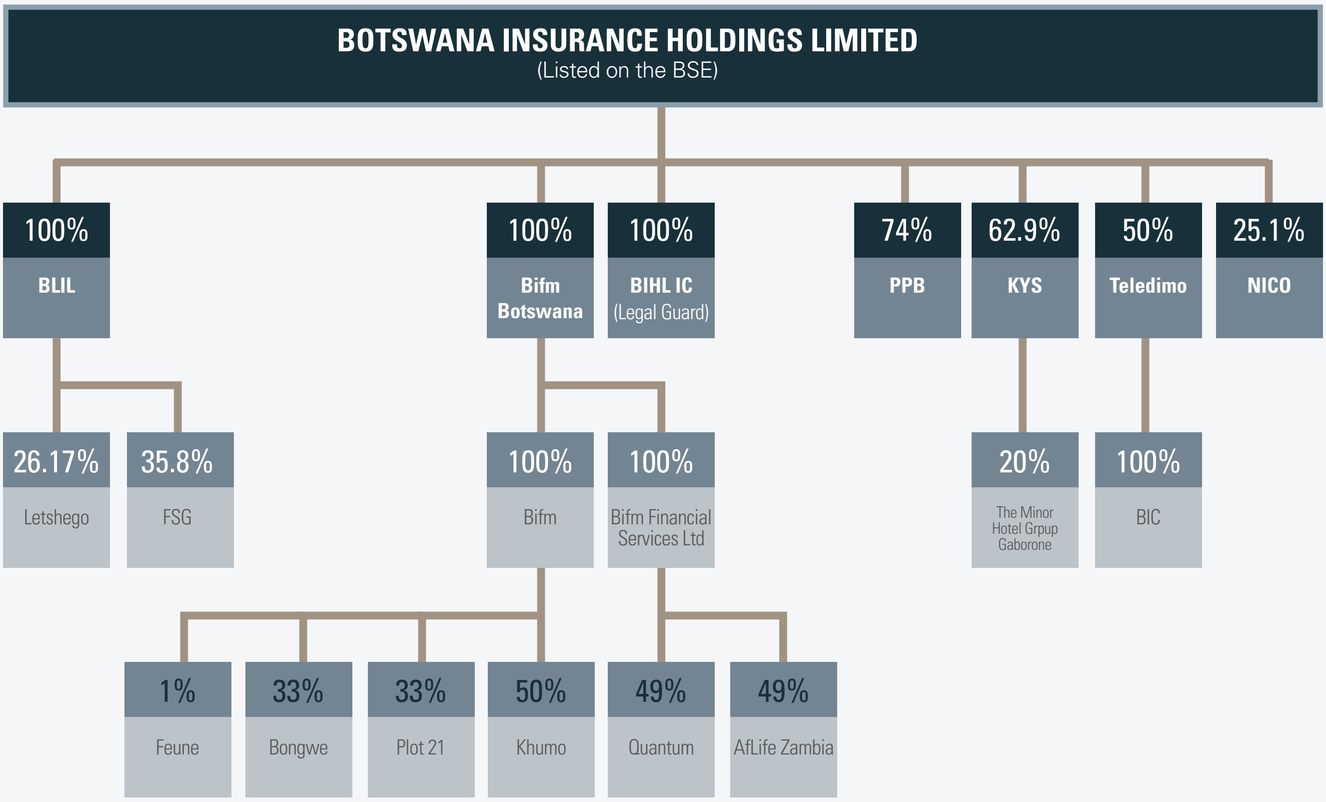
INNOVATE

Embracing change.

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

STRUCTURE

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



BIHL CORE BUSINESSES

Life Insurance

Asset Management

Short-term Insurance

Other Services

BIHL GROUP

OUR HISTORY

1970s

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

1980s

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.

1990s

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

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

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

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

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

OUR HISTORY

2000s

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

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

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

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

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

2009
Near the New CBD in Phase 2 is a major landmark, which marks the pride of Southern Africa – the new SADC Headquarters. Bifm once more kept its promises by delivering this property on time and within budget.

2010s

2010
Ground breaking of yet another project, Rail Park Mall in Gaborone, this time with Botswana Railways. In addition, construction of the Airport Junction Shopping Centre, also in Gaborone, commenced.

2012
- BIHL refreshed Corporate Identity launched
- BLIL sponsored Afcon football
- Inaugural BIHL Trust Thomas Tlou recipients get scholarships
- Bifm Capital sale completed
- BIHL SURE! by BIHL launched

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

2014
Botswana Life launched a refreshed brand identity, still keeping in line with the old identity, the bull remains the essence of the brand.

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

BIHL acquired a 25.1% stake in NICO Holdings Malawi.

2016
Botswana Insurance Holdings Limited (BIHL) Group acquires a 50% indirect stake in Botswana Insurance Company (BIC).

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

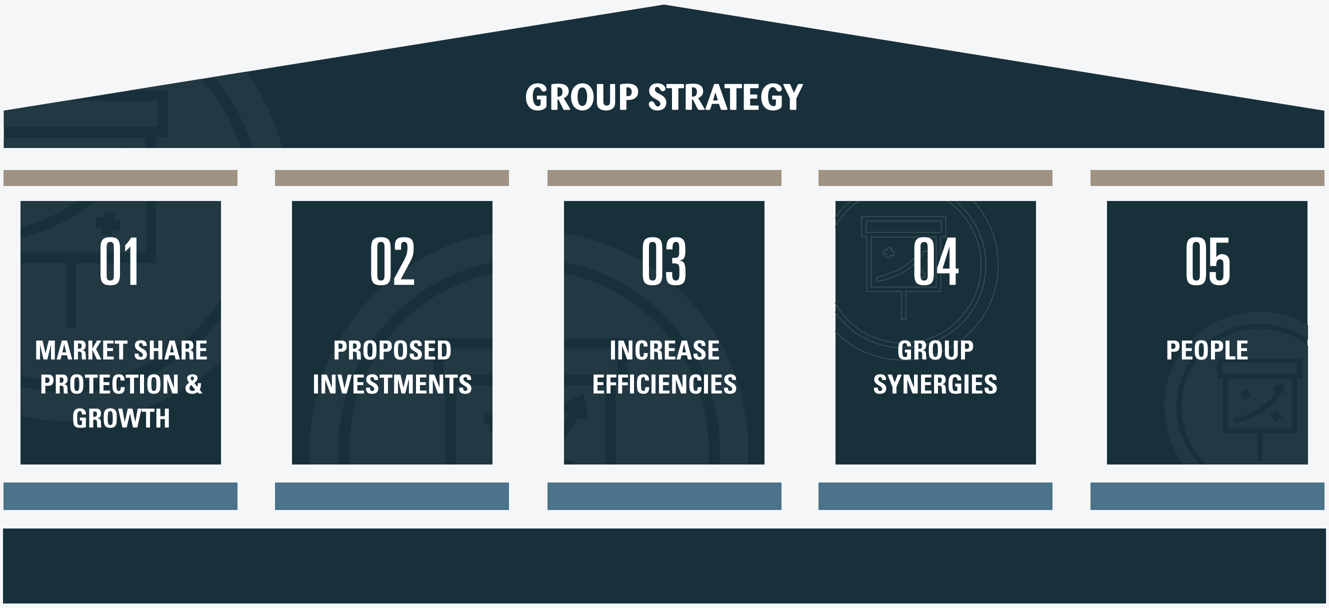
2017
Botswana Life launched its new life cover product, Poelo Whole of Life, aimed at benefiting members with a lifetime cover, inclusive of a 120% premium payback after 15 years.

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

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

STRATEGY UPDATE

The BIHL Group's continued focus on our twin strategy of growth and profitability, which is built and executed around five carefully selected Pillars, is showing positive results. The BIHL Group strategy goes beyond an annual workshop: it is in fact a daily and measurable aspect of the Group's operation and sustainable existence.



01

MARKET SHARE PROTECTION & GROWTH

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

- The BIHL Group has invested in leading brands in their respective industries. This is true in established Subsidiaries and Associates alike. Botswana Life is not only the largest subsidiary in the Group, this business continues to be the most dominant life insurer in the local life insurance industry. In the highly competitive Asset Management and legal insurance market, Bifm and Legal Guard remain significant market players.

- Growth across the BIHL Group in 2017 was not uncalculated. We have successfully maintained strong market positions in the face of stiff competition and an increasingly complex operating environment. Diligent execution was key to achieving the following notable achievements during the review period:

  - Improved offerings through the launch of new flexible products;
  - Improved accessibility to products and services for customers;
  - Distribution of products through strong partners; and
  - Appropriately placed educational campaigns and product promotions.

- Our Associates – Letshego, Nico Life and Funeral Services Group – are all dominant industry players that contribute positively to the BIHL Group.

STRATEGY UPDATE

02

PROPOSED INVESTMENTS

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

- The BIHL Group continued to explore various opportunities for new investments. However, there were no new investments during 2017. The BIHL Group intends to invest in the right entities that will result in positive shareholder returns.

03

INCREASE EFFICIENCIES

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

- With respect to cost management in order to enhance profitability, a cost review exercise was conducted which resulted in rationalisation of staff and other costs during the review period. Technology continues to be a key driver in service improvements and customer satisfaction. Key systems implementations were undertaken in the legal and life insurance businesses.

04

GROUP SYNERGIES

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

- Through the BIHL Group Business Development Office, we have developed an approach that enables us to offer a holistic value proposition encompassing products and services from the entire BIHL stable. This is starting to achieve positive results. The office has successfully closed some deals, and established a pipeline for the future.

05

PEOPLE

As a service industry organisation, the size and profitability of the Group to date is indicative of its human capital strength. Staff is viewed as critical to the Group's success. Thus, the enablement of a high-performance culture and skills alignment is an imperative in supporting future growth.

- In 2017, the BIHL Group continued to develop key skills necessary to drive current and future performance. Since 2016, the Group has sponsored a total of 30 members of staff to study towards a Diploma in Insurance at Ba Isago University. Of these, eight have graduated and the rest are due to complete their studies between 2018 and 2019.
- The BIHL Group participates in the Sanlam Leadership Development Programme which is aimed at managers across the Sanlam group. Four managers of the BIHL Group participated in the review period and the overall best student was an employee of the BIHL Group.
- There was great emphasis on the training of and support for our distribution partners in order to improve the quality of sales.
- A comprehensive wellness programme for BIHL Group staff across the country ran successfully during the year. This included health education, testing, group exercises and wellness days.

BIHL GROUP IN ACTION - 2017

FEBRUARY 2017

BOTSWANA LIFE INSURANCE LIMITED CELEBRATES ACHIEVERS

Botswana Life Insurance Limited yet again championed its Achievers at a glamorous event held at Gaborone International Convention Centre (GICC) on the 2nd of March. The Achievers Club, a platform for the company's elite agents and brokers who are passionate about sales, celebrates the effort continuously demonstrated by their performance.

Welcoming the guests was Botswana Life's Head of Retail Mr. Moletlanyi Tshosa: "Having launched this initiative on a high note last year, it is pleasing to see the momentum of the Club unrelenting in its pursuit to set precedence for success in our organisation. The essence of the Achiever's Club is to reward and congratulate sterling performance and inspire hard work as the path to prosperity. Our gathering here tonight is in celebration of this conviction."

Delivering the keynote address, former Botswana Life CEO, Bilkiss Moorad, acknowledged the invaluable efforts of the Achievers: "As we commemorate your achievements tonight, we pride ourselves with your contributions to Botswana Life. We hope that you continue to work with passion, commitment, excellence and we remain inspired by your dedication."

Under the theme 'Fire and Ice' to shed spotlight on the passion one must enact towards their aspirations, the event was full of excitement and thrill. Highlights of the event included fire blowers, a motivational speech from Mamiki Molapo, and a stellar performance from local songstress, Gaone Rantlhoiwa. The top agent award went to Semponye Sebele, who dazzled with delight. "Being able to achieve our goals is one of the many things that drives us, as human beings- not only in our professions, but in all facets of our lives. I would like to encourage you all to set goals that are close to your heart, but also that are achievable. Don't sell yourself short - aim high," asserted Head of Affluent, Coletta Simbanegavi.

6800+
PEOPLE IMPACTED
through our CSI actions

"We plan our investments into our communities with the intention of making maximum impact to Botswana."

BIHL GROUP IN ACTION - 2017 (CONTINUED)

APRIL 2017

BOTSWANA LIFE DISABILITY TRAINING WORKSHOP

Botswana Life hosted a Disability Training workshop to educate the market on this vital insurance offering. In attendance were employers from various business sectors across the country and their brokers. The workshop also featured an informative and interactive session on an array of topics from Wellness and Incapacity to Disability. Participants were able to use real life examples for better clarity and understanding.

Research has shown that the probability of one becoming disabled during their working life is about 13%. Despite this, the financial consequences are potentially devastating if it occurs. It is in light of this that Botswana Life has come up with a cost-effective way to manage this risk with the Disability Benefit offered as an add-on to the Group Life offering.

MAY 2017

BOTSWANA LIFE LAUNCHES SHARIAH COMPLIANT INVESTMENT PRODUCTS

Botswana Life launched its latest Shariah compliant investment products in May 2017. This momentous occasion signified yet another milestone in the company's continuous endeavour to provide a sufficient financial safety net for the general population, and promote the development of the Islamic capital market.

Botswana Life is committed to introducing innovative products that meet market needs. The launch of Shariah compliant investment products aims to empower and give customers hope of being financially self-sufficient. Although Shariah compliant investment represents a relatively small part of insurance industry, there is still a large untapped market which gives the prospect of Islamic investments to grow considerably in the future.

JULY 2017

BOTSWANA LIFE LAUNCHES POELO WHOLE OF LIFE

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

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

BIHL GROUP IN ACTION - 2017 (CONTINUED)

2017

FINANCIAL LITERACY AND INCLUSION THROUGH COLLABORATIVE OPEN DAYS

The BIHL Group collaborated with the Botswana Stock Exchange (BSE) to impart financial literacy to Batswana during the year under review. This was done under the theme "Your Partner in Wealth Creation," and through a series of Open Days. The aim of the Open Days was to sensitise and educate the public about the stock market and importance of investing. Through Bifm, a programme was rolled out, with the Bifm team presenting basic financial literacy concepts as well information on the Bifm Unit Trusts. Through this, the Group played a meaningful role in the wider financial literacy agenda, and Bifm promoted retail products to more remote areas, thus also supporting greater financial inclusion.

OCTOBER 2017

KIDS MONEY CAMP

Bifm partnered with Triscend to bring the first ever Kids Money Camp to Batswana. The Camp worked to promote financial literacy amongst children and equip them with money management skills. Both children and parents were excited about this initiative and what it aims to achieve. Due to the success of the inaugural Camp and the reception it got from parents, Bifm hopes to host several other camps in the future to drive greater sustainable impact in this space.

SEPTEMBER 2017

BOTSWANA LIFE LEADERSHIP

Having served at the helm of Botswana Life as CEO since March 2016, Bilkiss Moorad announced her departure from the Group to pursue other interests. Bilkiss was a part of the BIHL Group family for 2 years in different roles, contributing to growing this incredible business. We are grateful for what she brought to the team during her time with the Group. What remains a point of pride for the BIHL Group is that we continue to see some of Botswana's most respected and talented leaders borne out of our team, as we work to contribute to growing Botswana's pool of reputed professionals. It was further announced that Catherine Lesetedi, who herself contributed 17 years to Botswana Life, will oversee Botswana Life in the interim.

BIHL GROUP IN ACTION - 2017 (CONTINUED)

OCTOBER 2017

BIFM TRUSTEE TRAINING

Bifm hosted yet another successful Trustee Training in the year under review. The training, now in its 19th year, enables Trustees to refresh themselves in investment concepts, as well as to learn and exchange ideas and experiences in the pension fund industry. The training was provided at no cost to the attendants, and covered different areas including but not limited to: drawing up an investment strategy; ethics; and social and responsible investing. In addition, Bifm invited its Risk and Compliance Manager to present on the importance of conducting client due diligence, as well as on matters around Anti-Money Laundering, a top of key relevance in the financial services sector.

DECEMBER 2017

14TH ANNUAL BIFM TRADITIONAL MUSIC EXPO

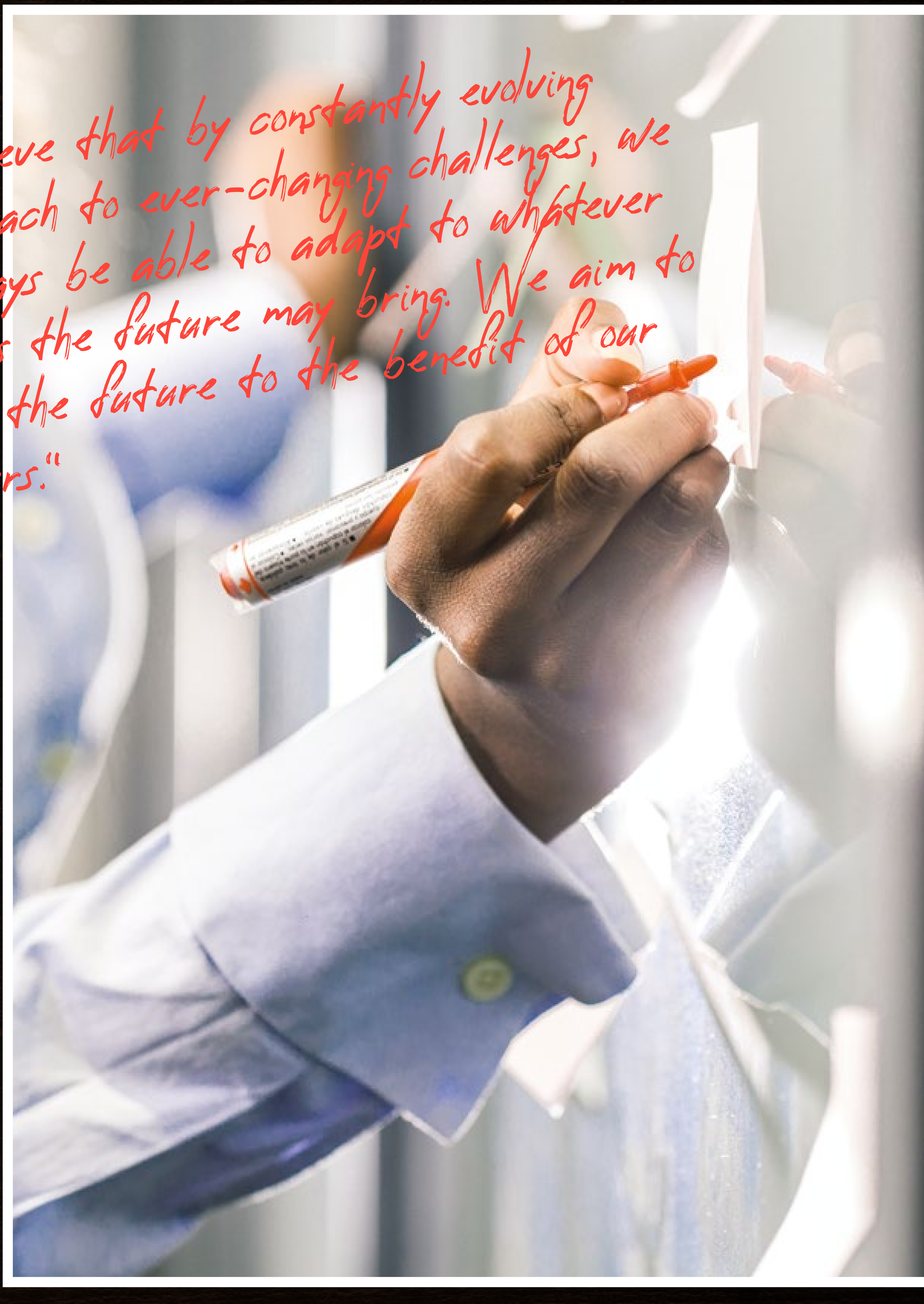
In a bid to support local talent, Bifm hosted the 14th Annual Bifm Traditional Music Expo. Music is perhaps the most universal of the performing arts and is found in every society. The Traditional Music Expo has not only been a source of entertainment that we look forward to, but has also created a platform for our local artists from all over the country with different cultures and genres, to gain the exposure that they so much deserve. Through this initiative, Bifm aims to instil a sense of appreciation for local music, poetry, dance, dress and food.

02

Operations Review

When we say we believe in Strength in Numbers, we are talking about the incredible wealth of talent, experience, passion and insight that we as a Group bring to the table. This is what helps us ensure we make a real and meaningful difference to the economy every day.

"We believe that by constantly evolving our approach to ever-changing challenges, we will always be able to adapt to whatever obstacles the future may bring. We aim to engineer the future to the benefit of our customers."



GROUP CHAIRMAN'S REPORT

Although 2017 had its challenges, once again the Group came through with the fortitude and resilience that has come to exemplify why the BIHL Group is regarded as one of Botswana's most venerated institutions.

The BIHL Group was not alone in having to contend with an economy that remained under pressure. With an extremely subdued GDP growth which manifested in a concerted move among organisations across the board to reduce or contain their employment numbers. However, it was the manner in which the Group dealt with these macro-economic conditions that, I believe, set this Group apart.

One of the major challenges experienced by our Group of companies is the contraction of disposable income for Batswana who therefore seek to reduce their monthly financial commitments. Unfortunately, there is a widespread misconception that reducing or cancelling insurance cover – both long-term and short-term – is an easy way to ease pressure on household budgets. This naturally has a knock-on effect, particularly for Botswana Life, Legal Guard and Botswana Insurance Company (BIC). We are doing everything possible to educate consumers about the importance of insurance and how the short-term benefit of a slightly higher cash flow could be eliminated in minutes should something untoward occur while they are un- or under-insured. On the life insurance side, consumers also fail to take into consideration the higher costs of reinstating policies or obtaining cover later when their cash flow improves.

Mrs. Batsho Dambe-Groth
BIHL Group Chairman

However, despite some challenges in 2017, there were also a great number of positive developments, as the remarkable turnaround in the latter half of the review period revealed. At the half-year, the Group's results were below target, but by year-end, things not only stabilised, but there were clear indications that we were experiencing the start of a sustainable upswing. It is also clear that while the market in which we operate is increasingly competitive, there is still room for growth and expansion for those organisations that can differentiate themselves by providing the products, and, perhaps most importantly, service levels, that customers want. The uptick in the BIHL Group's activities in the second half of 2017 is a clear indication that we are one of those innovative, service-driven organisations.

One of the contributors to this achievement is that the BIHL Group always takes a long-term view on situations, from avoiding being sucked into unwinnable pricing wars that negatively – and temporarily – affect our market share, to loss of key personnel and hiccups in the fortunes of some of our associate company investments. The BIHL Group did not become one of the oldest and most successful corporates in Botswana by indulging in knee jerk reactions to events over which we do not have control. Such short-term thinking is contrary to our ethos and we will not be panicked into taking actions that do not gel with our long-term strategy and perspective.

By adopting a long-term view, we have been able to develop a strategy that allows us to deal effectively with the challenges we are currently experiencing. As a result, we have been investing heavily in the resources, skills and technology that will ensure we take our rightful place at the forefront of a changing market.

"Letshego's underlying fundamentals are sound and their continental expansion strategy will deliver on its promise"

The benefits of this are starting to be realised. Our sophisticated technology platform is in place, and as it becomes more firmly embedded, there is no doubt that it will deliver more significant and increasingly tangible value to the Group.

Our investment in our people has also been stepped up with a training team, a training plan and a succession plan all in place. This is also paying dividends and we are fortunate to have a complement of young and enthusiastic local talent who complement the experience of our older employees. While some may regard this investment as a double-edged sword as the risk of our best and brightest being head-hunted by our competitors increases the more we promote their development, we believe the benefits far outweigh the risk. We have put attractive retention strategies in place such as ensuring that our remuneration policies are in line with, if not ahead, of the market. In addition to the BIHL Share Trust Scheme, we have also introduced an innovative share trust scheme for select Bifm employees hence promoting citizen empowerment

Nevertheless, we recognise that some of our resources have specialised skills that are in high demand not only in Botswana but also internationally. As a result, these individuals tend to be unusually mobile, moving between different organisations not only for higher monetary rewards, but also to boost their own levels of experience and expertise. Staff turnover is therefore to be expected.

Recognising this, we have systems in place that are designed to ensure the least possible disruption to our operations and services until appropriately skilled and qualified replacements can be found for

GROUP CHAIRMAN'S REPORT (CONTINUED)

key employees who choose to move on from the BIHL Group. When replacements are required, we take a careful and considered approach to their identification and appointment in an effort to ensure that the individuals who ultimately join the Group add real value and contribute to its sustainability. We have also long recognised that stagnation is the antithesis of sustainability hence our long-term strategy to become a broad-based financial services company.

There is no doubt that the close and mutually beneficial relationship we have with our majority shareholder is an important contributor to the realisation of this strategy. During the review period, the BIHL Group retained its position as the largest contributor to the Sanlam Emerging Markets (SEM) business. In return, the Group continues to receive invaluable technical support from Sanlam which contributes to our ability to maintain our leadership position in the local market in the face of ever-increasing competition.

We also continue to work diligently to ensure that our long-term strategy of broadening our operational scope through investments in Associate Companies bears fruit. These investments go beyond mere shareholding but to the development of true partnerships that includes oversite and suport where needed, some of this includes exporting best practices to associate companies. Our active participation in the management of these organisations. Having active BIHL Group representation on their boards not only helps us to stay abreast of developments within those companies, but also allows us to be well placed to identify mutually beneficial synergies and opportunities that may arise.

It is worth noting that because of our prudent approach to our investments in Associate Companies whether inside or outside Botswana, we are aware that there are times when some of these investments may hit a rough patch from time to time. We are monitoring the situation and believe Letshego's underlying fundamentals are sound and their continental expansion strategy will deliver on its promise.

Similarly, Nico Holdings Limited – our Malawi investment – had also experienced challenges, particularly with its banking arm, which is slowly having a turnaround. However, the rest of the business is doing extremely well and, with our more intimate involvement in its daily operations through our Group CEO, we are confident this investment will also deliver on expectations.

Governance continues to be a major focus for the BIHL Group, and is integral to every aspect of our organisation. This includes our determination to comply not only with the letter but also the spirit of the regulations that govern our industry. We work hard at maintaining a cordial relationship with our Regulators, both NBFIRA and the BSE, as well as with other important stakeholders and customers.

At the same time, we remain cognisant of our responsibilities as a good corporate citizen and continue to allocate one percent after tax profit to community-related projects through the BIHL Trust.

Our Board is both the custodian and the embodiment of the Group's governance endeavours and I am pleased that our Board structure – with each business headed by its own Board – not only meets NBFIRA's requirements, but has been instrumental in ensuring far closer Board oversight of all our Operations. In addition, we remain committed to only appointing Board Members who are exceptionally

GROUP CHAIRMAN'S REPORT (CONTINUED)

skilled and bring real value to the organisation, regardless of whether they serve on the Board at Group or Subsidiary level. This may result in some Board vacancies remaining open for longer than we may like, but we believe a vacancy should only be filled by an individual with the right skillset and experience and who, wherever possible, can add diversity to the Board's composition.

I am proud of the calibre of Board Members we have been fortunate enough to attract to serve our organisation. I have the same sense of pride when I consider the Executive Management team. The resignations of the Botswana Life CEO and COO in the review period was unfortunate, but the company continues to thrive under the watchful eye of the Group CEO, who is able to draw on her extensive experience at the helm of that operation previously. As a result, we have the luxury of time to ensure we are able to appoint the best possible candidates to fill the vacancies.

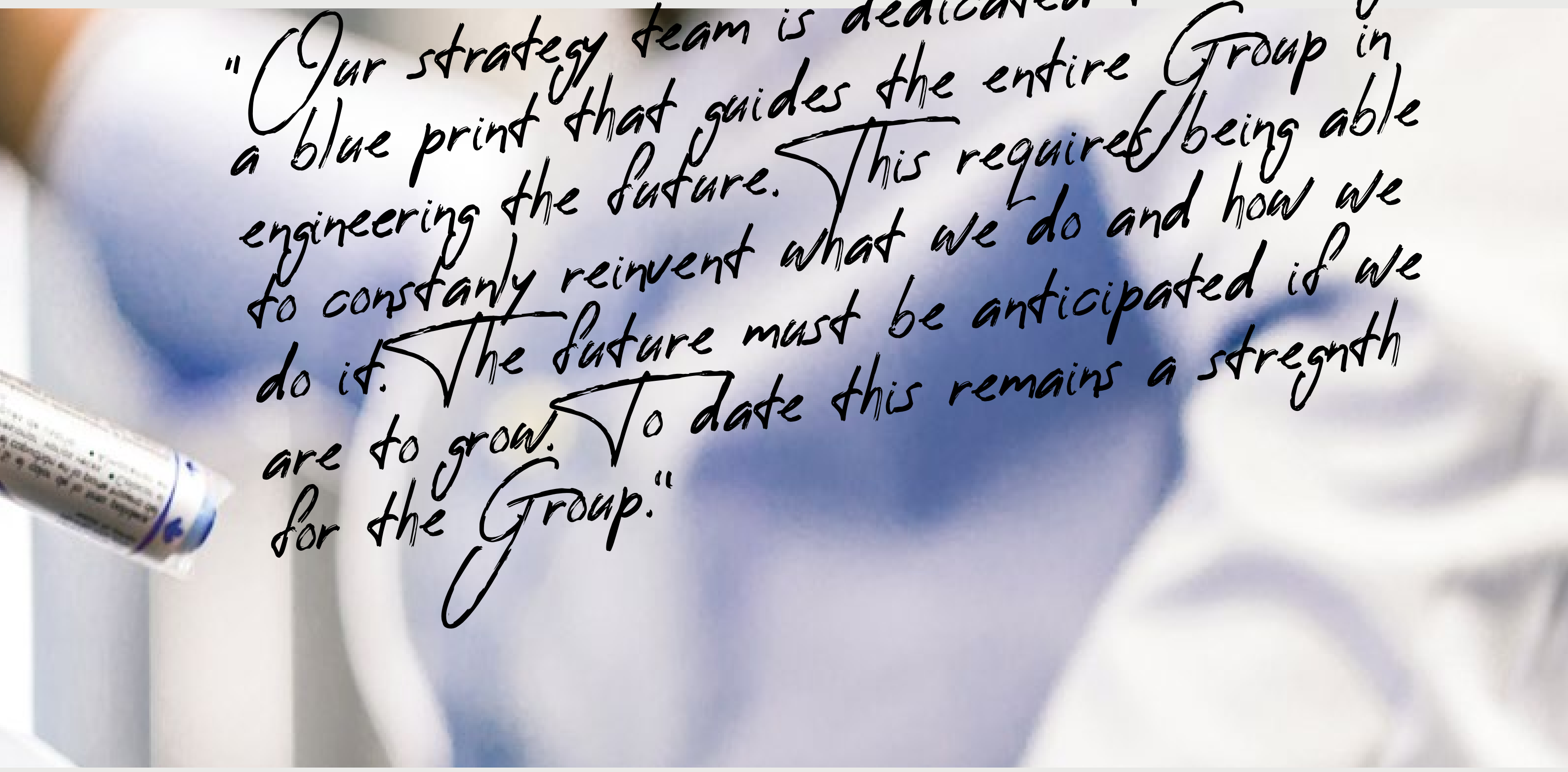
Our immediate concern is to ensure we obtain and retain the right leadership skills for the Group and its subsidiaries and have a dynamic succession strategy that builds on our ability to nurture talent throughout the organisation, including at executive level.

LOOKING AHEAD

We are entering a period of change in Botswana with the stepping down of His Excellency Lieutenant General Dr. Seretse Khama Ian Khama and the inauguration of His Excellency Mokgweetsi Eric Keabetswe Masisi as the 5th President of the Republic of Botswana. It will be interesting to see the effect this will have on business in general, and our industry.

I would like to take this opportunity to thank the members of our Group and subsidiary Boards for their efforts in guiding the organisation through the year with such success. My thanks also go to the Management and every BIHL Group Employee for the way they have dealt with the challenges that beset us in 2017 as well as the enthusiasm and dedication they have shown in steering the organisation into calmer waters in 2018. I am confident that given the talent we have across the Group, the BIHL Group will continue to grow from strength to strength.

Mrs. Batsho Dambe-Groth
BIHL Group Chairman



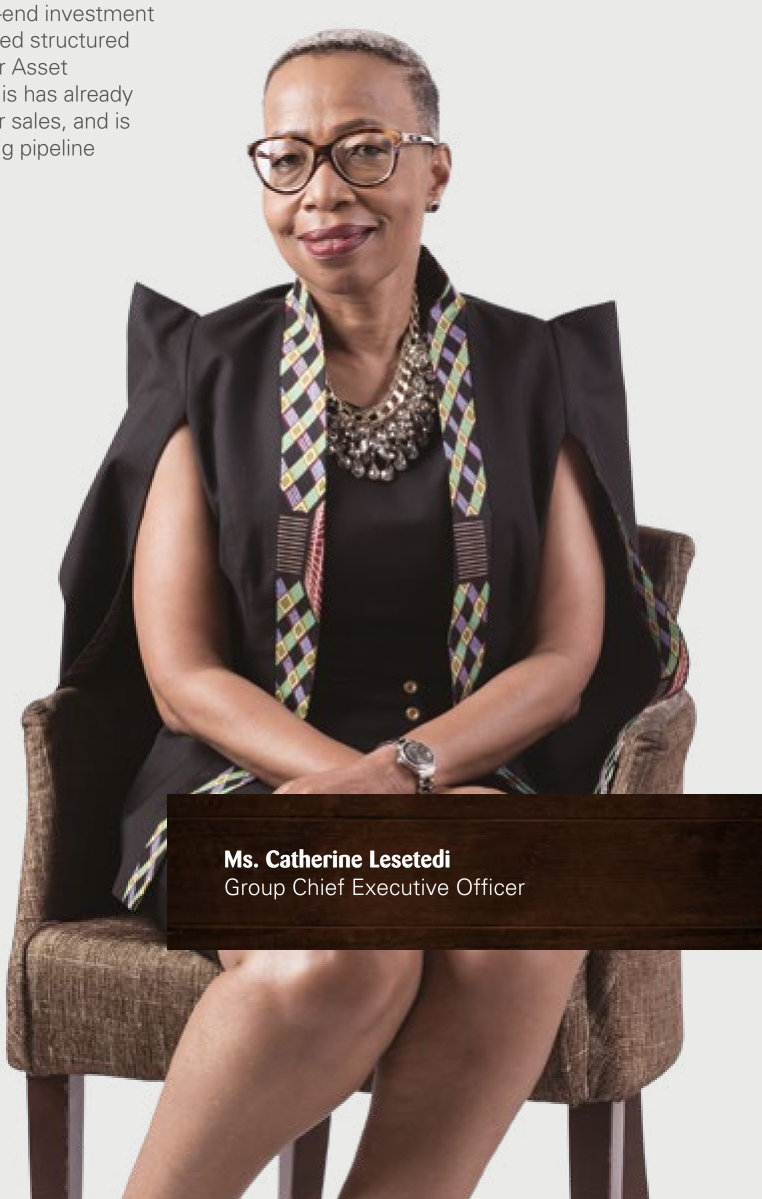
GROUP CHIEF EXECUTIVE'S REPORT

The BIHL Group ended the 2017 financial year with a satisfactory set of results given the complexities and difficulties experienced during the review period.

Importantly, both Botswana Life and Legal Guard, which had undergone restructuring during the year, both turned in a markedly improved performance in the latter half of the year and this upturn looks set to continue into 2018.

That said, the macro-economic factors that were apparent and created tough operating conditions in the previous year continued unabated. Household incomes remained constrained, and that resulted in policy lapses at both Botswana Life and Legal Guard. Bifm, however, saw its Assets Under Management (AUM) and profitability significantly improve as previous volatility in global markets steadied.

Increasing competition, especially aggressive pricing on employee benefit insurance covers and annuities, posed a challenge to attracting new business. However, the Group remains very focused in upholding its prudent underwriting principles and will continue to balance risk, return and profitability, as these are key to the sustainable growth of the business. The establishment of a Group Business Development Office at the BIHL Group has made a major, positive impact on the way in which the Group is positioning itself in the market. As opposed to each Group company marketing itself, we now present a consolidated, integrated business proposition to customers – that of a financial services company that offers asset management services, life, funeral and investment solutions, legal insurance, short-term insurance, high-end investment options and other specialised structured solutions through Bifm, our Asset Management company. This has already had a positive effect on our sales, and is enabling us to build a strong pipeline into the future.



Ms. Catherine Lesetedi
Group Chief Executive Officer

"We are fortunate to have Boards of Directors, both for the Group and the individual subsidiaries, that constantly challenge and keep Management on their toes"

BOTSWANA LIFE

Botswana Life Limited est. **1975**

Staff Count **288**

Associate Staff Count **942**

Revenue in 2017 **P2.85bn**

Botswana Life Insurance Limited (BLIL) remains the Group's largest subsidiary and the one that delivers the lion's share of our Profit Before Tax (PBT). As was evident in the half-year results, the Company had come under significant pressure from slower sales especially single premium policies, policy lapses due to constrained household incomes, and ever-increasing competition from newer market players who appeared to be more concerned with rapidly growing their market share than ensuring their long-term sustainability.

The Company operates in a mature market. However life insurance penetration in Botswana remains low at just under 3% compared to South Africa at above 11%, and Namibia at over 5%, indicating that there is scope to grow.

During the period under review the Company embedded its segmentation approach, the result of which was the establishment of three main channels which serve the unbanked and low-end market, the entry level market, and the affluent market. All these now have clear value propositions which specifically address the needs of each segments.

Benefits of this approach are evident in the rapid growth of the file size of the unbanked segment and the robust performance of our affluent segment with a persistency in excess of 90%.

The Group, through its life subsidiary Botswana Life, rolled out more than six products during the year and these have positioned the company well and are expected to contribute to growth going forward.

Technological advancement is a priority for BLIL and the wider Group, and our significant investment in technology systems is starting to bear fruit. This, combined with our deep understanding of our customer base and the industry in which we operate, will ensure Botswana Life retains its position as the premier life assurance company in the country.

Our increased focus on distribution and promotion of our newest products in the life cover and affluent market sectors also began to gain traction, BLIL ended the review period in a far stronger position than its half-year results would have indicated.

However, the upswing in BLIL's results was not just because of the development of new products, but also because of the speed at which we have been able to bring these products to market thanks to our investment in our new sophisticated technology systems. Importantly, these systems enable us to monitor market response and make modifications to the original product where these have been indicated. The value of this agility will become even more apparent going forward.

GROUP CHIEF EXECUTIVE OFFICER'S REPORT (CONTINUED)

Bifm

Bifm
est.
1975

Introduced
Unit Trust
2016

Assets
Under Management
P26.7bn

Bifm had an excellent albeit difficult year. The Company retained all key mandates and customers despite losing key investment professionals. This success was due largely to the effort that has gone into strengthening our processes and governance structures over the years, our unwavering focus on customer service and satisfaction, and sterling efforts by the entire Bifm team who rose to the challenges facing the Company with admirable fortitude and determination

While Bifm is certainly larger than a single individual – a fact that has clearly been recognised by the market – the loss of talented, highly skilled individuals is not something that can be taken lightly. For that reason, we continuously re-examine our succession plan and retention policies and devote considerable attention to training and development of employees. Nevertheless, we recognise that in a relatively small organisation such as Bifm, it is not always possible to maintain a full bench of potential successors. The key therefore, is to ensure that we have systems in place capable of ensuring that the Company can continue operating effectively with minimal, if any, disruption to services while suitable replacement candidates are recruited. The value of this approach was underscored during the year under review.

Bifm Unit Trust had an excellent year owing to the attraction of corporate cash and a growing retail book. From a loss position two years ago, this business is now not only delivering profits, but is also showing sustained and healthy growth. We anticipate excellent value from this product line going forward.

KHUMO PROPERTIES

A Bifm joint venture, Khumo's relatively small impact on the BIHL Group's bottom line is far outweighed by the positive contribution the Company makes to the Botswana economy and landscape. One of its most prestigious and successful developments, Airport Junction, is expanding and attracting new tenants from beyond Botswana's borders. That is creating both construction and retail jobs – and is also changing the retail experience for local shoppers. Most importantly, perhaps, is the fact that through Khumo, Bifm has over the years built a viable and unparalleled local property fund, through which the company has developed a number of shopping malls across the country, including the prestigious lifestyle shopping centre in Airport Junction Mall. Through these property investments we are proud that not only are we adding to the ever-changing landscape of our country, but we are helping to create downstream businesses and much needed employment.

LEGAL GUARD

Policies
To date
86,000

Legal Guard ended what had been yet another extremely difficult year on a positive note, recording an operating profit of P1.3 million compared to P0.5 million in the prior year. This turnaround was indicative of just how much can be achieved with focus, drive and dedication from all involved in the business. A restructuring process to align roles with the system functions, to cut costs as well as to optimise the business was undertaken midway through the year. This meant that new roles were created, and some were lost, but the benefits of this arduous process is already evident.

All this, coupled with the implementation of a new, fit-for-purpose IT system that has already had a hugely positive impact on claims administration, ongoing focus on new product development, and greater attention to client satisfaction and segmentation, should continue to drive Legal Guard's upward trajectory into 2018 and beyond.

GROUP CHIEF EXECUTIVE OFFICER'S REPORT (CONTINUED)

ASSOCIATE COMPANIES

Over the past few years, the BIHL Group acquired an interest in several companies, namely Botswana Insurance Company, and Nico Holdings in Malawi and increased its shareholding in Funeral Services Group (FSG) and Letshego Holdings Limited. No further acquisitions were made in 2017 as we sought to bed down these acquisitions and assist them in growing their own operations.

Going forward, associates and acquisitions of companies that deliver important synergies to the Group, will play a major part in the growth of the BIHL Group. That said, we still believe that there are pockets of opportunity within the existing lines of business where there is potential for very good growth. The Affluent segment within Botswana Life is one example of this.

Although we do not hold the management contracts with our Associate Companies, there is significant collaboration between these companies and the BIHL Group, which benefits all parties.

LETSHEGO HOLDINGS LIMITED

Turned in satisfactory results in the review period albeit that the Company experienced higher than expected impairments, partly due to the strengthening of bad debt provisioning in anticipation of the implementation of IRFS9. However, with the Company's expanding African footprint, it remains susceptible to exchange rate fluctuations, and political uncertainty in some of the jurisdictions in which it operates. Nevertheless, we are confident that Letshego's Management has adequate strategies in place to manage these risks.

BOTSWANA INSURANCE COMPANY (BIC)

In which the BIHL Group acquired a 50% indirect stake in January 2016, produced a very strong set of results in the review period. This is partly due to the close relationship the Company has with Santam, a Sanlam subsidiary and one of the largest short-term insurance companies in South Africa. This enables BIC to improve and strengthen its internal processes. This, in turn, enabled the company to attract new clients and grow its broker support.

FUNERAL SERVICES GROUP (FSG)

Because of its solid and extensive footprint across Botswana, FSG continued to withstand the ever-increasing level of competition in this country. Of greater concern was difficulties being experienced by its new South African operation. Happily, those losses started to reduce significantly as the year progressed and FSG is confident that it should turn the corner in the current financial year.

FSG entered the Zimbabwe market during the review period, launching an office in Bulawayo in partnership with Zimnat. Even though operations only officially commenced in 2018, the response from the market has already been favourable.

2017 saw a great turnaround for FSG's catering company, iFood. Initially focused on the extremely competitive niche market of funeral catering services, the Company has broadened its focus in the third quarter of 2017. Building on this, iFood is well placed to expand its catering services to other sectors as well.

NICO HOLDINGS

Once again, Nico's life business comfortably exceeded its operating profit target; while its asset management business is proving to be a very agile enterprise and is doing extremely well, it is poised to do even better as it extends its focus to encompass property development. Its problematic banking operation, NBS Bank, was successfully recapitalised in mid-2017 and a technical partner was brought on board. We are therefore confident that the Bank will start contributing positively to Nico's results in the medium-to long-term.

GROUP CHIEF EXECUTIVE OFFICER'S REPORT (CONTINUED)

CSI AND BIHL TRUST

BIHL TRUST
est.
2007

People Impacted
Through BIHL TRUST
6800+

Community
Investments
P26 mil

Unemployment is one of the greatest challenges facing Botswana. Our economy is simply not growing at a rate necessary for the creation of sufficient jobs. Having a large and growing cadre of unemployed individuals, and especially unemployed young people, is a potentially destabilising situation for any country.

At the same time, high levels of unemployment can and will affect the sustainability of businesses which rely for their revenues on the incomes of employed individuals. In addition, unemployment and poverty increases business risks such as fraud and personal security.

Recognising this, most of the BIHL Group's CSI initiatives are aimed at addressing some of the many and varied issues around unemployment – and particularly youth unemployment. A significant chunk of the BIHL Trust spend goes to education because we believe that by contributing to education we are creating a legacy that is far larger and more sustainable than is possible when, for example, donating food, or even a house. This is followed by supporting entrepreneurial projects from bakeries and gardens to recycling undertakings that not only provide entrepreneurs with an income, but are also environmentally friendly.

Our philosophy is that if sufficient jobs are not being created to provide employment for all young people, we need to find ways to enable them to create their own jobs. It does not have to be something big; it can simply be an idea that is given a chance so that it can grow. To promote this further, we are also looking at developing an entrepreneurship incubator-type area where young people can start their own businesses.

In addition, the Group is looking at developing a game App that can be used to educate the youth about financial issues from investing to running a business. This is a major challenge and could be a huge project. However, instead of appointing a software development company to produce the App, we would like to see the challenge taken up by one or more of our country's many ICT graduates.

At the other end of the education spectrum, we continue our partnership with Stepping Stones International (SSI), an organisation that is involved in a variety of literacy projects. There has been widespread concern around the quality of the Standard 7 results. In today's increasingly technologically-based economy, illiteracy is a ticket to a lifetime of unemployment. Working with Stepping Stones, we have "adopted" 11 under-performing schools where we hope the introduction of their literacy and train-the-teacher programmes will make a real difference to the futures of the children there.

At the end of the day, the unemployment problem will only be resolved through the growth of the economy as a whole. To this end, we believe that private sector companies, like the BIHL Group, can and should be making a far greater direct contribution to the economy than we do at present. For example, we believe that far more government funding can and should be sourced locally from Botswana-based financial institutions, with far less onerous conditions, than from offshore providers such as the International Monetary Fund (IMF). This is a conversation that deserves far more attention than it is currently receiving.

"The future will also require new skills and competencies – skills such as data analytics and artificial intelligence that are currently in short supply around the world. We will have to ensure that we attract individuals with those skills, as well as invest in developing them within our own ranks."

GROUP CHIEF EXECUTIVE OFFICER'S REPORT (CONTINUED)

DIVERSIFICATION

As the BIHL Group Management, we are very keen to diversify the Group beyond our existing Pillars – insurance, both short- and long-term, Asset Management, lending and funeral services are on offer to customers with a view of creating a one-stop financial services offering.

So, we continuously seek diversification opportunities within Botswana, believing that even within our highly competitive and relatively saturated market, there are still prospects for expansion.

Diversification and expansion opportunities beyond our borders still remains a focus.We review potential lucrative deals as and when they present themselves.

GOVERNANCE AND RISK MANAGEMENT

Governance and risk management at the BIHL Group means more than ticking boxes. We recognise the importance of these structures to the ongoing sustainability of the Business. It is having good governance structures in place that enabled the Company to deal with unexpected and potentially highly damaging events such as, for example, the loss of key personnel. Good governance structures also engender trust among all our stakeholders, both internal and external. It gives our clients confidence in our abilities to continue delivering on our promises to them.

This is particularly important for a company that is literally dealing in our customers' futures by asking them to invest their hard-earned money with us.

We are fortunate to have Boards of Directors, both for the Group and the individual subsidiaries, that constantly challenge and keep Management on their toes. This is an essential component of our governance structures and while it can be uncomfortable at times, it is essential for the wellbeing and sustainability of the BIHL Group.

While we are satisfied with the governance structures we have in place, we recognise that there is always room for improvement. For this reason, we are committed to complying with the highest standards of corporate governance and are looking at how best to adopt the latest King IV standards related to integrated reporting.

From a Risk Management perspective, one of the major challenges we encountered during the review period was having to implement Anti-Money Laundering (AML) requirements – the "Know Your Customer" (KYC) requirements. The Group's AML policy was developed to support not only the letter, but the spirit of the AML regulations. This was cascaded to all our subsidiaries to ensure that everyone throughout the Group would know what these regulations entailed, the reasons for them, and how to implement them effectively and fairly. We aim to have this system fully bedded down in the current financial year.

From a general Risk Management perspective, we have been focusing considerable attention on the global scourge of cyber security. We are aware that this must be an ongoing project as cybercriminals continuously find new methods to launch their attacks. Data is the lifeblood of our organisation and we must ensure we remain vigilant at all times and equipped to ward off any potential attacks.

LOOKING AHEAD

> The future has changed - and disruption is the name of the game. The future we must plan for is one in which consumers are more demanding and less willing to simply accept products that we develop.

It is a future in which consumers are so technically comfortable, that they not only expect to be able to interact with their institutions when and how they choose, they also expect to be able to tailor their own products to meet their precise needs. This will demand serious investment into ever more sophisticated technology systems. These systems will have to enable ever increasing levels of selfservice so that customers can choose when and how they interact with us. We will have to develop product components, rather than finished products, so that consumers can structure their products themselves. With their greater flexibility and independence, customer attraction and retention will become increasingly reliant on our ability to truly understand what they want and how they want it delivered to them. This will place ever greater demands on our data mining abilities and calls for investigation into newer technologies including but not limited to for eg. Fintech.

We also need to recognise that a single organisation will not be able to do all this alone. The winners in this changed future will be those organizations that collaborate with other innovative and likeminded organisations to develop uniquely tailored products. The future will also require new skills and competencies – skills such as data analytics and artificial intelligence that are currently in short supply around the world. While these concepts are fairly new in our part of the world, we are fortunate to have a technical partner in Sanlam that has already started investigations into these concepts and we stand to benefit from future collaboration. In addition, we have established a small data analytics unit through which we will be gaining insights into our various businesses.

Meeting our future challenges is not going to happen overnight – but a start has been made within the BIHL Group. During the review period, for example, we worked at making our operations leaner and much more efficient. Two of our companies – Botswana Life and Legal Guard - were successfully restructured in the review period and these new, more efficient structures are now bedding down well.

As we move through 2018 and beyond, our focus will be on the development of market-leading innovative products and services and boosting efficiencies in our core businesses to enable a better experience for our customers and greater value for our shareholders.

APPRECIATION

Our Strength in Numbers comes from the many faces that comprise our wider family of stakeholders, and for this I must share my utmost appreciation.

I would like to take this opportunity to express my sincere appreciation for, and admiration of, all the BIHL Group employees who helped to ensure the Group ended the year in a far stronger position than many would have thought possible just a few months before. They kept their focus on the big picture, dealing admirably with difficult retrenchment processes at Botswana Life and Legal Guard. What was particularly pleasing was seeing their energy and commitment that enabled us to achieve some of the targets we had set. It is well worth reminding ourselves that an organisation is only as strong as its people, and this is very much the case at the BIHL Group and indeed each of our subsidiaries and their leadership. In the same vein, I share sincere gratitude to our Associates and Associate teams. I thank each and every one of the members of this great family for their ongoing passion, commitment and hard work.

I would also like to thank our Board Chairman, Directors and Shareholders for their ongoing support and advice throughout the year.

And finally, my thanks go to our Customers, who continue to show faith in the Group and grace us with continued loyalty. Thank you for placing your trust in us as we continue working to ensure we truly deliver value to and for you.

Ms. Catherine Lesetedi
Group Chief Executive Officer

FINANCIAL REPORT

2017 was a year of two distinct halves for the BIHL Group, with both the Group's main subsidiaries - Botswana Life Insurance Limited (BLIL) and Bifm, the Asset Management business - ending the year strongly. This was despite the difficult trading environment.

Unfortunately, unrealised losses in the Group's investments in associate companies and joint ventures resulted in materially lower year-end results compaired to the prior year. Our share of profits from these investments decreased by 68%, mainly due to the drop in fair value of Letshego Holdings Limited (Letshego).

SUBSIDIARIES

The first six months was a very difficult period for our life business, BLIL – the Group's largest operation and contributor. The Company missed several of its targets, particularly in the first half of the year. However, things improved in the latter part of the year, led by a significant uptick in sales. This enabled it to turn in final results that were commendable given the situation at the half-year. Although the value of new life business decreased by 8% to P149 million compared to the prior year, BLIL's operating profit for the year remained steady apart from the once-off separation costs that emanated from a mid-year restructuring exercise. This resulted in an 8% decline in the business's overall operating profits.

Bifm's performance was very consistent throughout the year. Its final result at 18% above the prior year, was largely due to an increase in Assets Under Management and an increase in fee income. This was an excellent way to end the year, given the highly competitive environment in which the Company operates.

Mr. Kudakwashe Mukushi
BIHL Group Chief Financial Officer

The legal expenses insurance business, Legal Guard, also had an extremely difficult year but by year-end it was reporting markedly lower claims and reduced operational costs, indicating the start of a welcome turnaround.

ASSOCIATES

Our Malawi investment, NICO, is starting to deliver good value. The challenges with this investment – as reported in 2016 and at the half-year in 2017 – were considerably reduced by year-end. NBS Bank had a successful capital raising exercise, which has translated into monthly profits although the loss for the year was not completely turned around. The life company had an excellent year while the Asset Management company also experienced good results.

Our largest Associate, Letshego Holdings Limited, had a difficult year. The business was impacted by increased impairment provisions and profit growth has been subdued. This situation will be closely watched going forward.

Our two other Associates, Funeral Services Group and Botswana Insurance Company, reported satisfactory growth compared to last year.

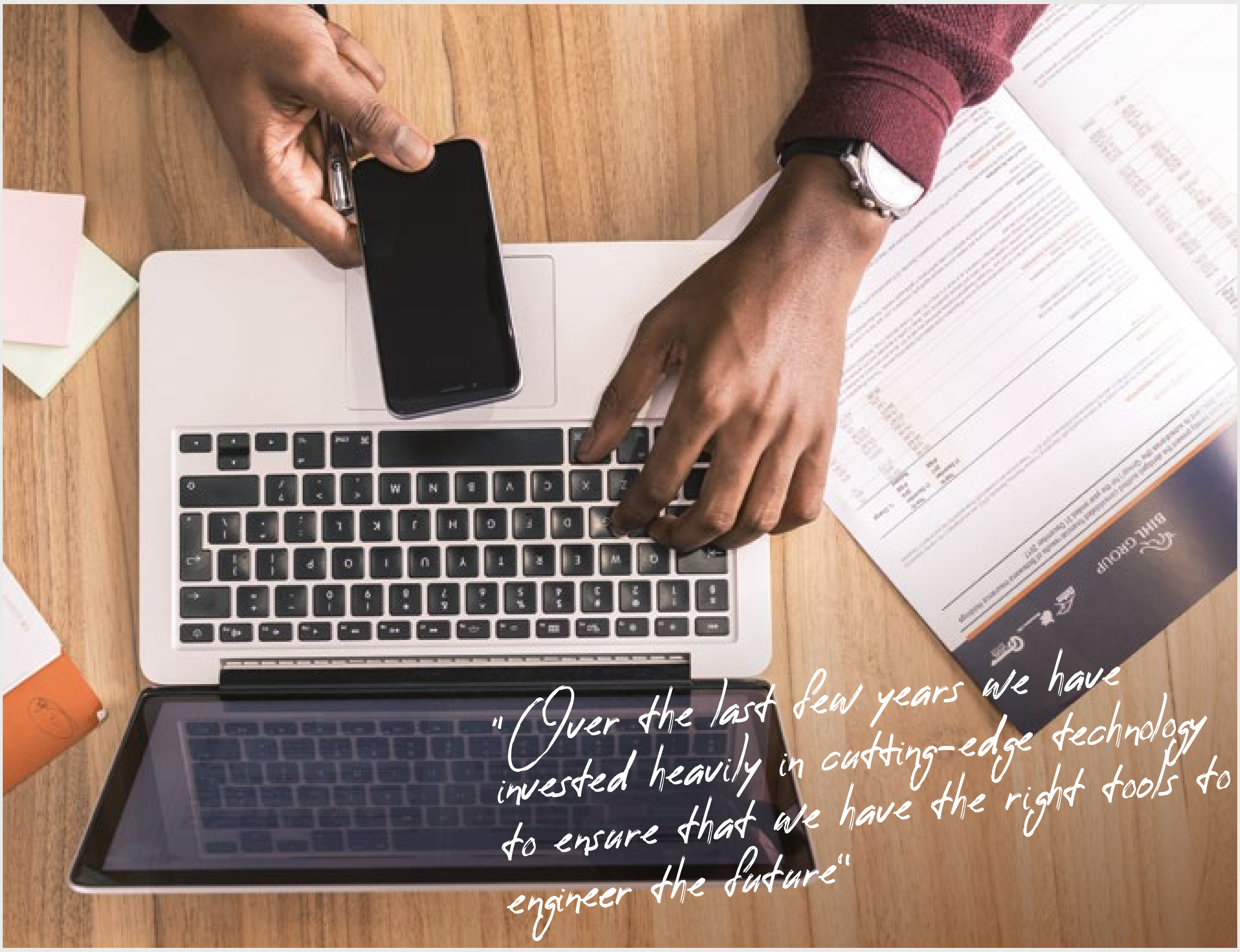
EMBEDDED VALUE AND DIVIDENDS

Despite the negative impact of the value from our Associates, the BIHL Group's embedded value decreased marginally to P4.31 billion as compared P4.34 billion at the same time in the prior year, owing mainly to the decline in the fair value of Letshego Holdings Limited.

The embedded value, coupled with the proceeds from the disposal of non-core associates (Feune & Health Care Holdings) has enabled us to make a total of P443.3 million available as dividends for the review period.

LOOKING AHEAD

The BIHL Group is a well-diversified group and building on the fact that the core businesses are healthy – they are generating good cash flows and they are growing in terms of the new business that they are obtaining. We anticipate that we will see some growth in earnings over the next two to three years. We have weathered several challenging periods well and, barring any significant changes in the wider environment, the recovery momentum that became apparent in the second half of the review period is set to continue.



ECONOMIC AND FINANCIAL REVIEW

Global economic growth in 2017 was higher and more synchronised than the prior year. Global output is estimated to have grown by 3.7%, an increase of 50 basis points from 2016. In the US, there is still some uncertainty as to the medium to long-term impact of the recent changes in tax policy. Favourable effects of stronger commodity prices in general and oil in particular, should drive growth in commodity-exporting countries.

Botswana's Gross Domestic Product (GDP) growth rate is estimated to have been at 2.8% for 2017, lower than the previous year on the back of the closure of BCL. The non-mining sector performance was led by trade, tourism and leisure and financial services sectors.

Despite inflation oscillating during 2017, there was an overall increase during the year, having started at 2.8% to close at 3.2% at end of December. The Bank of Botswana cut the Bank rate by 50 basis points in October 2017. GDP growth is projected to be around 4.8% in 2018, largely driven by the positive outlook on global economic growth, recovery in commodity prices, local political landscape and public investment. We believe that the demand for commodities, particularly precious stones will continue to improve given positive global growth prospects.

At the beginning of January 2017, the Pula exchange rate mechanism was adjusted slightly. The basket weights were unchanged (55% SDR, 45% SA rand), but the rate of crawl was changed from an upward crawl at an annual rate of 0.26% in 2017 to a downward annual crawl of 0.30% in 2018. The basic mechanism of the pegged exchange rate remains unchanged and the rate of crawl remains close to zero.

FINANCIAL OVERVIEW

The review of the Group's financial performance and position should be read together with the Group's Annual Financial Statements on page 100.

The BIHL Group Operating Profit Before Tax was flat compared to the previous year. Operating profit for the life business was flat on prior year before taking out one-off separation costs related to the streamlining exercise. The one-off separation costs resulted in an 8% decline in the life business operating profits compared to prior year.

The Asset Management business performed very well at 18% above prior year due to an increase in Assets Under Management, while general insurance business was positively impacted by lower claims and reduced operational costs. Share of profits of Associates and joint ventures decreased by 68% year on year due to the significant impairment of the Letshego Holdings Limited investment as a result of a drop in fair value. Funeral Services Group, Botswana Insurance Company Limited and NICO reported satisfactory growth compared to prior year.

Year on year, the profits attributable to shareholders declined by 27% compared to prior year mainly due to the impairment of the investment in Letshego.

RETURN ON GROUP EQUITY VALUE (ROGEV)

The key performance measurement of BIHL Group is ROGEV, which is reflective of the creation of shareholder value through achieving sustained levels of optimised returns. This measure of performance is regarded as the most appropriate given the nature of the Group's business and incorporates the results of all the major value drivers in each of the different businesses.

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

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

SHAREHOLDER VALUE

The BIHL Group delivered a subdued set of results, however the performance of the core operating subsidiaries was very heartening as it showed resilience in tough economic conditions. The focus on utilisation of capital and particularly the withdrawal of capital from non-core assets continued during the course of the year resulting in the payment of a special dividend. We are of the view that this approach allows for the most sensible strategy to achieve long-term value creation.

ROGEV was 7% (2016: 15%) which is significantly above prevailing inflation levels. ROGEV reduced in 2017 due to an impairment of the investment in Letshego Holdings Limited which reduced the Net Asset Value contribution to the matrix. Value of New Business and Value of In-force business contributed significant positives that ensured the ROGEV for the year remained in the positive and above inflation.

The strong capital adequacy position is supportive of our view that the Group is well positioned for both organic and in organic growth into the foreseeable future.

Our capital position remains strong with business covered 5.3 times (December 2016: 6.6 times).

"We are constantly grooming our younger team members because investment in the future has always been a top priority"

ECONOMIC AND FINANCIAL REVIEW (CONTINUED)

BUSINESS VOLUMES

	2017 P'000	2016 P'000
Life insurance business:		
New Recurring	279,864	260,174
Single	1,079,671	982,164
Total New Business	1,359,536	1,242,338
New Recurring	938,260	817,144
Single	19,517	5,604
Total Existing Business	957,777	822,748
Outflows	(1,374,572)	(1,533,251)
Net funds flows	942,741	531,835
Asset Management Business		
Inflows	1,278,518	4,482,441
Outflows	(1,454,542)	(562,040)
Net Funds Flow	(176,024)	3,920,401
General insurance		
Inflows	44,935	48,035
Outflows	(17,237)	(16,872)
Net Funds Flow	27,698	31,163
Total net funds flows	794,415	4,483,399

The life business experienced a pleasing increase in net funds flow of P942 million (2016: P532 million) in tough operating conditions in 2017. The increase was as a result of once off contributions from single life business. Benefits paid to policyholders during the year reduced to P1.4 billion from P1.5 billion in 2016. 2016 benefits were high due to maturity of Khumo policies. The asset management business, Bifm, experienced a decrease of P4.1 billion in net funds flows which can primarily be attributed to a huge upswing in prior year resulting from the regained BPOPF mandate. This was not repeated in 2017.

VALUE OF NEW BUSINESS AND NEW BUSINESS MARGIN

	2017 P'000	2016 P'000
Value of new covered business	148,565	161,575
Present value of new business premiums	2,223,492	2,081,951
New covered business margin	7.27%	7.76%

The Value of New Business (VNB) for the life operation declined by 8% to P149 million as a result of a decline is single premium new business volumes. The second half of the year saw business volumes improving significantly compared to the first half.

"We explore every possible option and encourage out-of-the-box thinking. This ensures that we find the best possible solutions for our business today and in the future"

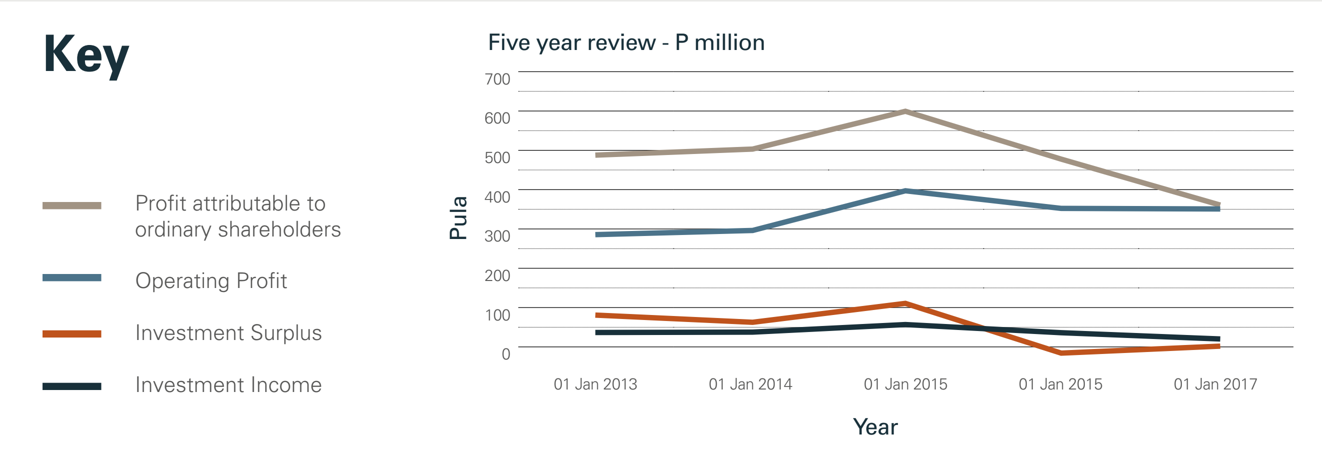
ECONOMIC AND FINANCIAL REVIEW (CONTINUED)

EARNINGS

Analysis of earnings	Year to 31 Dec 2017 P'000	Year to 31 Dec 2016 P'000 Restated	% change
Operating profit	333,142	333,152	0%
Investment income on shareholders' assets	13,266	38,621	-66%
Core Earnings	346,408	371,773	-7%
Profit on sale of Associates	12,993	-	-
Share of profit of Associates and joint ventures net of tax	72,927	224,670	-68%
Investment losses on shareholders assets	(7,950)	(21,076)	-62%
Profit Before Tax	424,378	575,367	-26%
Tax	(76,092)	(100,579)	-24%
Profit After Tax	348,286	474,788	-27%
Profit for the year from discontinued operations	1,041	524	99%
Non-controlling interest	(270)	(1,199)	-77%
Profit attributable to ordinary equity holders of the parent	349,057	474,113	-26%

Five year review of core earnings

	2017 P'000	2016 P'000 Restated	2015 P'000 Restated	2014 P'000	2013 P'000
Operating profit	333,142	333,152	385,884	287,199	276,651
Investment income on shareholders' assets	13,266	38,621	34,078	32,448	32,807
Core earnings	346,408	371,773	419,962	319,647	309,458
Profit on sale of Associates	12,993	-	-	(14,946)	-
Share of profit of Associates and joint ventures net of tax	72,927	224,670	186,728	253,618	205,377
Investment (losses)/surpluses on shareholders' assets	(7,950)	(21,076)	114,939	54,821	80,112
Tax	(76,092)	(100,579)	(133,942)	(107,495)	(84,620)
Profit After Tax	348,286	474,788	587,687	505,645	510,327
Profit for the year from discontinued operations	1,041	524	-	-	-
Non-controlling interest	(270)	(1,199)	(2,627)	(6,108)	(2,273)
Profit attributable to ordinary equity holders of the parent	349,057	474,113	585,060	499,537	508,054



ECONOMIC AND FINANCIAL REVIEW (CONTINUED)

	Year to 31 Dec 2017 P'000	Year to 31 Dec 2016 P'000	% change
Life insurance business	328,168	355,407	-8%
Asset Management business	44,822	38,085	18%
Associates	12,993	224,671	-94%
General insurance	1,041	34	2962%
Group expenses	(33,545)	(28,454)	18%
Impairment of goodwill	-	(28,806)	0%
*Other	(4,422)	(3,985)	11%
	349,057	556,952	

*Other - refers to unit trust and charitable trust

ECONOMIC AND FINANCIAL REVIEW (CONTINUED)

> "The Group still remains in a very strong position with respect to capital adequacy. The continued strong position was taken into account by the Board in recent dividend declarations that that are significantly higher than the earlier years"

BOTSWANA LIFE

Net Premium Income for the life business grew by 12% from P2.07 billion in 2016 to P2.32 billion in 2017, with most income lines contributing positively to the growth. Total New Business grew by 11% over prior year with retail volumes driven by the flagship Poelo term assurance product. Recurring Premium Income (Net) at P1.22 billion increased by 12% which is in line with the Company's strategy of focusing on sustainable growth.

The Value of New Business (VNB), which represents the present value of future profits from new business premiums written during the year, was 8% lower than prior year due to a squeeze on the new business written. Operating Profit was 8% below prior year following one off restructuring costs incurred during the year.

BIFM

Bifm achieved pleasing results for the year 2017. Operating profit increased by 18% year on year. This good performance is attributable to stable market performance, and an increase in AUM. The Zambia business did well due to stable market performance and a favourable Kwacha performance. All these factors had a positive impact on Asset Management fee income. We continue to efficiently manage and control costs across all businesses to ensure good overall business performance. Total Assets Under Management for the year were P26.7 billion including Zambia's P4.1 billion compared to P25.9 billion at the close of prior year.

LEGAL GUARD

Legal Guard Premium income was 6% lower than for the previous year mainly due to increasing defaults from clients failing to meet their premium obligations. Improved claims administration on the new administration platform saw operating profit increasing from P0.5 million in 2016 to P1.3 million in 2017. This is a commendable result considering the one-off restructuring costs amounting to P2 million that were incurred during the year.

Going forward the new system is expected to improve revenue stability, facilitate further improvements in internal process efficiencies and the quality of decision making information which will, in turn, reduce the business' cost base, whilst also, releasing resources to focus on customer experience improvements.

Investment income which comprises dividend income and interest income reduced significantly compared to prior year due to a once off income received last year. Investment losses were incurred on shareholders' assets and that can primarily be ascribed to under performance in global equity markets, this area remains susceptible to market volatility.

Investment surpluses on shareholders' assets improved on prior year as the strategy to deploy capital into businesses that the group understands is beginning to bear fruit.

The impairment of the investment in Letshego Holdings resulted in a 68% decline in share of profits from Associates. The major cause of the impairment was a tightening of valuation assumptions to incorporate changes in operating environments.

ECONOMIC AND FINANCIAL REVIEW (CONTINUED)

RETURN ON EMBEDDED VALUE (EV)

Embedded value earnings	Dec 2017 P'000	Dec 2016 P'000
Embedded value at 31 Dec	4,307,359	4,339,386
Embedded value at beginning of period	4,339,386	4,157,433
Change in embedded value	(32,025)	181,952
Movement in capital	(5,073)	108,490
Dividends paid	342,906	342,906
Embedded value earnings	305,809	633,348
Return on embedded value	7.0%	15.2%

Return on Embedded Value measures the return earned by shareholders on shareholder capital retained within the business, adjusted for dividends paid, and is calculated as the embedded value earnings divided by the opening embedded value. The Group managed to achieve a return of 7% due to the reduced valuation of Letshego Holdings which impacted the growth in shareholder net asset fair value holdings.

CAPITAL AND SOLVENCY

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

(a). Optimising the capital allocated to Group operations
(b). Optimal allocation of discretionary capital
(c). Return of capital that does not meet the hurdles of "a" and "b" above to Shareholders.

The Group still remains in a very strong position with respect to capital adequacy. The continued strong position was taken into account by the Board in recent dividend declarations that that are significantly higher than the earlier years. The Board has adopted a dual approach in dividend declaration aimed at maintaining capital levels where the overall position remains strong, taking into consideration future requirement across the group, and equally to ensure that sustained levels of ROGEV will be achievable.

Ordinary shareholders' assets

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

	Actual December 2017	Actual December 2016
Assets		
Property and equipment	155,350	156,006
Intangible assets	92,273	100,357
Investments in Associates and JV's	1,714,610	1,878,439
Non-current asset held for sale	54,222	94,396
Investments	963,381	356,700
Investment properties	33,706	53,320
Equity investments (local and foreign)	53,852	67,423
Interest bearing investments	69,544	54,620
Policy loans and other loan advances	252,081	116,530
Money market instruments	554,198	64,807
Long-term reinsurance assets	-	2,936
Short term insurance technical liabilities	-	(9,525)
Trade and other payables	(205,710)	(283,499)
Working capital cash	184,254	641,288
Minority interests	(16,823)	(20,583)
Total assets	2,941,557	2,916,515

ECONOMIC AND FINANCIAL REVIEW (CONTINUED)

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 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.

2. EMBEDDED VALUE RESULTS

	Year to 31 Dec 2017 P'000	Year to 30 Dec 2016 P'000
Shareholders' net assets excluding goodwill	2,830,554	2,850,554
	2,830,554	2,850,554
Value of in-force business	1,431,755	1,488,832
Value before cost of capital	1,500,004	1,406,461
Fair value adjustments	56,362	239,404
Cost of capital	(124,611)	(157,033)
Embedded value	4,262,309	4,339,386
Embedded value per share (Pula)	15.09	15.44

	Year to 31 Dec 2017 P'000	Year to 30 Dec 2016 P'000
3. EMBEDDED VALUE EARNINGS		
The embedded value earnings are derived as follows:		
Embedded value at the end of the year	4,307,359	4,339,386
Embedded value at beginning	4,339,386	4,157,433
Change in embedded value	(32,027)	181,953
Movement in capital an Opening NAV reinstatement	(5,073)	108,490
Dividends and new capital	342,906	342,906
Embedded value earnings	305,806	633,349
Return on embedded value	7.0%	15.2%
These earnings can be analysed as follows:		
Expected return on life business in force	126,292	117,089
Value of new business	159,368	172,275
Value at point of sale	148,516	161,575
Expected return to end of year	10,852	10,700
Operating experience variances	(38,224)	(6,251)
Mortality/Morbidity	18,253	24,860
Persistency	(14,059)	(31,305)
Expenses	(31,487)	(18,895)
Other	(10,931)	19,089
Operating assumption changes	112,003	84,761
Mortality/Morbidity	19,180	2,183
Persistency	1,347	78,170
Expenses	35,918	3,394
Other	55,558	1,014
Embedded value earnings from operations	359,439	367,873
Investment variances	38	(44,516)
Economic assumption changes	33,284	33,535
Interest and Inflation	2,449	3,241
Risk discount rate	30,835	30,294
Growth from life business	392,761	356,564
Return on shareholders assets	96,089	200,382
Investment Returns	(10,623)	11,788
Net profit non-life operations	106,712	188,594
Change in shareholders' fund adjustments	(183,042)	77,349
Investment surpluses on treasury shares	2,798	3,429
Movement in present value of holding company expenses	19,331	(1,883)
Movement in fair value of incentive scheme shares	319	(15,658)
Movement in other net worth adjustments	(205,490)	91,461
Embedded value earnings	305,808	634,296
Fair value adjustments		
Staff share scheme	(33,182)	(52,512)
Non-life operations write-up to fair value	87,445	292,935
Group holding expenses	(116,715)	(117,034)
Reversal of cross holding adjustment	118,813	116,016
Total	56,361	239,405
Consisting of		
Value of in-force business adjustments	56,361	239,405

EMBEDDED VALUE (CONTINUED)

4. VALUE OF NEW BUSINESS

The value of new business represents the value of projected after-tax profits at the point of sale arising from new policies sold during the year to 31 December 2017, 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	159,368	172,275
Value at point of sale after cost of capital	148,516	161,575
Value at point of sale before cost of capital	154,753	171,170
Recurring premium	91,597	94,991
Single premium	63,156	76,179
Cost of capital at point of sale	(6,237)	(9,595)
Expected return to end of year	10,852	10,700

5. SENSITIVITY TO THE RISK DISCOUNT RATE

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

Risk Discount Rate	9.5% P'000	10.5% P'000	11.5% P'000
Shareholder's net assets and fair value adjustments, excluding goodwill	2,875,604	2,875,604	2,875,604
Value of in-force business	1,879,466	1,431,755	1,342,703
Value before cost of capital	1,932,359	1,500,004	1,424,357
Fair value adjustments	56,362	56,362	56,362
Cost of capital	(109,255)	(124,611)	(138,016)
Embedded value	4,755,070	4,307,359	4,218,307
Value of one year's new business at valuation date	160,643	148,516	140,658
Value before cost of capital	166,111	154,753	147,554
Cost of capital	(5,468)	(6,237)	(6,896)

6. ASSUMPTIONS

The assumptions used in the calculation of the embedded value are the same best estimate assumptions used for the Financial Soundness Valuation. The main assumptions used are as follows:

6.1 Economic Assumptions

Best estimate economic assumptions are the same as assumed in the Financial Soundness Valuation as shown in the financial statements. The main assumptions (% p.a.) used are as follows:

	31-Dec-17 % p.a	31-Dec-16 % p.a	31-Dec-15 % p.a	31-Dec-14 % p.a
Risk discount rate	10.00	10.50	11.00	11.00
Overall investment return (before taxation)	7.58	8.08	8.08	8.58
Expense inflation rate	3.50	4.00	4.50	4.50

EMBEDDED VALUE (CONTINUED)

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

Allowance has been made for expected future AIDS mortality allowing for the effect of the roll out of Anti Retroviral Treatment. The most recent conducted on 30 September 2017 by the company.

6.3 Expenses
A 3.5% expense escalation per annum was assumed going forward. (2016:4%)

6.4 Premium Escalations
The embedded value of in-force business includes the expected value of future premium increases resulting from premium indexation arrangements on in-force business. The value of new business includes the expected value of future premium increases resulting from premium indexation arrangements on new business written during the period to 31 December 2017.

6.5 Persistency / Surrender Basis
The assumptions for lapse and surrender rates are based on the results of experience investigations conducted on 31 December 2017 by the company.

6.6 Tax
Allowance was made for the current life office taxation basis, including capital gains tax.
Mix of assets backing the Capital Adequacy Requirement

6.7 Asset Class	31-Dec-17	31-Dec-16	31-Dec-15	31-Dec-14
Equities	0.0%	0.0%	15.0%	15.0%
Property	0.0%	0.0%	10.0%	10.0%
Fixed-interest securities	0.0%	0.0%	25.0%	25.0%
Cash	100.0%	100.0%	50.0%	50.0%
Total	100.0%	100.0%	100.0%	100.0%

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

7. SENSITIVITIES

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

	Value of in force P'000	Cost of capital over base Capital P'000	Value before cost of capital Total P'000	% Change
Embedded value at 31 December 2017				
Base	1,431,756	124,611	1,556,366	
Discontinuance rates decrease by 10%	1,531,723	127,134	1,404,589	(9.8%)
Future expenses decrease by 10%	1,509,793	124,611	1,385,183	(11.0%)
Mortality experience decreases by 5%	1,501,403	125,467	1,375,936	(11.6%)
Investment returns decrease by 1%	1,556,678	127,165	1,429,513	(8.2%)
Risk discount rate decreases by 1%	1,585,144	109,255	1,475,890	(5.2%)
Risk discount rate increases by 1%	1,424,357	138,016	1,286,342	(17.3%)

Value of one year's new business as at 31 December 2017	Value of new business	Cost of capital	Value before cost of capital	% change
Base	148,516	6,237	154,753	
Discontinuance rates decrease by 10%	156,648	6,187	162,836	5.2%
Future expenses decrease by 10%	150,793	6,188	156,981	1.4%
Maintenance and acquisition costs decrease by 10%	148,345	6,188	154,533	(0.1%)
Mortality experience decreases by 5%	141,234	6,332	147,567	(4.6%)
Investment returns decrease by 1%	150,897	6,364	157,261	1.6%
Risk discount rate decreases by 1%	155,175	5,468	160,643	3.8%
Risk discount rate increases by 1%	133,762	6,896	140,658	(9.1%)

Assumed management action
No management action has been assumed.

Report of the Independent Actuary Botswana Life Insurance Limited

The results presented in this annual report are based on the requirements of the Companies Act, which uses the bases set out on below, referred to as the Published basis. For reporting under the Botswana Insurance Act, the results are prepared according to Botswana Insurance Prudential Regulations and referred to as the Prescribed basis. As at 31 December 2017 the Assets and Liabilities under the two approaches are the same.

	31-Dec-17 P'000	31-Dec-16 P'000
Statement of Actuarial Values of Assets and Liabilities		
Total assets	12,015,732	11,412,353
Current liabilities and deferred tax	590,401	509,646
Net assets	11,425,331	10,902,707
Actuarial value of policy liabilities	9,388,540	8,804,037
Excess of assets over liabilities	2,036,791	2,098,670
Capital Adequacy Requirement	228,235	214,762
Capital Adequacy Requirement cover	8.92	9.77
Analysis of change in excess of assets over liabilities		
Excess assets as at beginning of the period	2,098,670	2,048,550
Excess assets as at end of the period	2,036,791	2,098,670
Change in excess assets over the reporting period	(61,879)	50,120
This change in the excess assets is due to the following factors:		
Investment return generated by excess assets over liabilities		
Investment income	12,105	14,173
Capital gains	(13,357)	(11,330)
Total investment return on shareholders' funds	(1,252)	2,843
Changes in valuation methods or assumptions	31,574	103,988
Operating profit	290,732	251,430
Taxation	(67,805)	(83,521)
Ordinary shareholders surplus for the period	253,249	274,740
Share of profit from an associate company	(28,852)	70,737
Capital raised and dividends paid	(286,276)	(295,357)
Total change in excess assets	(61,879)	50,120

	31-Dec-17 P'000	31-Dec-16 P'000
Assumptions Change	(26.8)	(3.0)
Mortality	1.4	5.3
Lapses and Surrender	1.4	(4.0)
Expenses	(26.0)	(0.6)
Economic	(4.4)	(3.8)
Other	0.8	0.1
Methodology Change	(4.8)	(101.0)
Total	(31.6)	(104.0)

Valuation Methods and Assumptions

The valuation was performed using the gross valuation method for insurance contracts and for investment contracts with participation in profits on a discretionary basis as per NBFIRA's IPR1L: Prescribed Valuation Method for Long-term Insurance and IFRS4. Investment contracts without discretionary participation features have been valued in terms of IAS 39; Financial Instruments: Recognition and Measurement.

Instruments: Recognition and Measurement

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

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

Liability Valuation Methods and Assumptions
Insurance contracts and investment contracts with participation in profits on a discretionary basis

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

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

The value of policy liabilities at 31 December 2017 exceeds the minimum requirements in terms of the IPR1L.

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

Best estimate of future experience
The best estimate of future experience is determined as follows:

- Future investment return assumptions are derived from the medium to long term inflation assumption, provided by an independent economist, and appropriate risk gaps for different asset classes. The appropriate asset composition of the various asset portfolios, investment management expenses and taxation at current tax rates are also considered.

- Unit expenses are based on the 2017 budgeted expenses and escalated at estimated expense inflation rates per annum. The allocation of initial and renewal expenses is based on functional cost analyses.

- Assumptions regarding future mortality, morbidity and disability rates are consistent with the company's recent experience or expected future experience if this would result in a higher liability. Mortality and disability rates are adjusted to allow for expected deterioration in mortality rates because of AIDS and for expected improvements in mortality rates in the case of annuity business.

- Persistency assumptions regarding lapse, surrender and paid-up rates are consistent with the Company's recent experience or expected future experience if this would result in a higher liability.

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

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

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

Where policyholders participate on a discretionary basis in the proceeds of the business, their reasonable benefit expectations have been interpreted as their share in the funds accumulated to them as a group over their in-force lifetime. To achieve a steady build up via bonus declarations, it is necessary to apply some smoothing of investment returns experienced by these funds.

For this purpose, a Bonus Stabilisation Reserve is held that represents the difference between the funds set aside and the value of policy liabilities based on declared bonuses, ensuring that excess investment returns are held back to provide for future payment of policy benefits. It is possible in difficult investment times for the Bonus Stabilisation Reserve to be negative. No bonus stabilisation reserve for any class of business was more negative than –7.5% of corresponding liabilities at the valuation date (2016: -7.5%).

For reversionary bonus policies, a gross premium valuation was done. Future bonuses were provided for at the latest declared reversionary bonus rates and at final bonus rates supported by the assumed investment return of 8.1% per annum (2016:8.6%). A discount rate of 7.8% per annum (2016:8.3%) was used. Bonus stabilisation reserves were held to equate the liabilities to the market/fair value of the corresponding assets.

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

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

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

- margin of 15% on surrender rates for Mompati product (2016:15%)

- margin of 290% (2016: 290%) on Mompati rider benefits claims rates. The high margin is historical and will be reviewed once new models are adopted in 2018.

- Additional reserves are created to ensure that no policy is treated as an asset

No other discretionary margins are held on individual life products.

REPORT OF THE INDEPENDENT ACTUARY (CONTINUED)

For annuities, no discretionary margins are held in respect of the compulsory margin items; however an explicit discretionary reserve is created through a methodology approved by the Actuarial Committee and the Statutory Actuary. An explicit discretionary reserve of P260.2 million (2016: P151.7 million) was held at the end of the current period.

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

Economic parameters

The best estimate assumptions for the major investment parameters are based on estimated future inflation. The current Botswana inflation rate was not used as it was believed to be not reflecting fully factors affecting inflation in the medium to the long-term period. The estimate for the future expected Botswana inflation was obtained from an economist. The assumptions quoted below are before the allowance for compulsory and discretionary margins and tax:

	2017 %	2016 %
Gilt return	6.5	7.0
Equity return	10	10.5
Property return	7.5	8.0
Cash return	5.5	6.0
Average return	7.4	7.9
Expense inflation	3.5	4.0

Bonus Rates

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

Policy Decrements

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

Expenses

Provision for expenses (before adding margins) starts at a level consistent with the Company's current experience and allows for inflation of 3.5% (2016: 4.0%) escalation per annum.

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

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

Valuation of assets

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

Prescribed Capital Target (PCT)

The Prescribed Capital Target (PCT) is the minimum level of capital that is necessary to provide for more extreme adverse deviations in future experience than those assumed in the calculation of policy liabilities. The PCT has been calculated on two bases in accordance with NBFIRA's IPR3L - Prescribed Capital Target (PCT) for Long-Term Insurers with the maximum of the two bases being used.

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

The ratio of accumulated surplus to PCT of P228.2million (December 2016: P214.8 million) under published basis is 8.92 times (December 2016: 9.77 times). Under the prescribed basis the PCT cover is 5.73 times.

I hereby certify that:

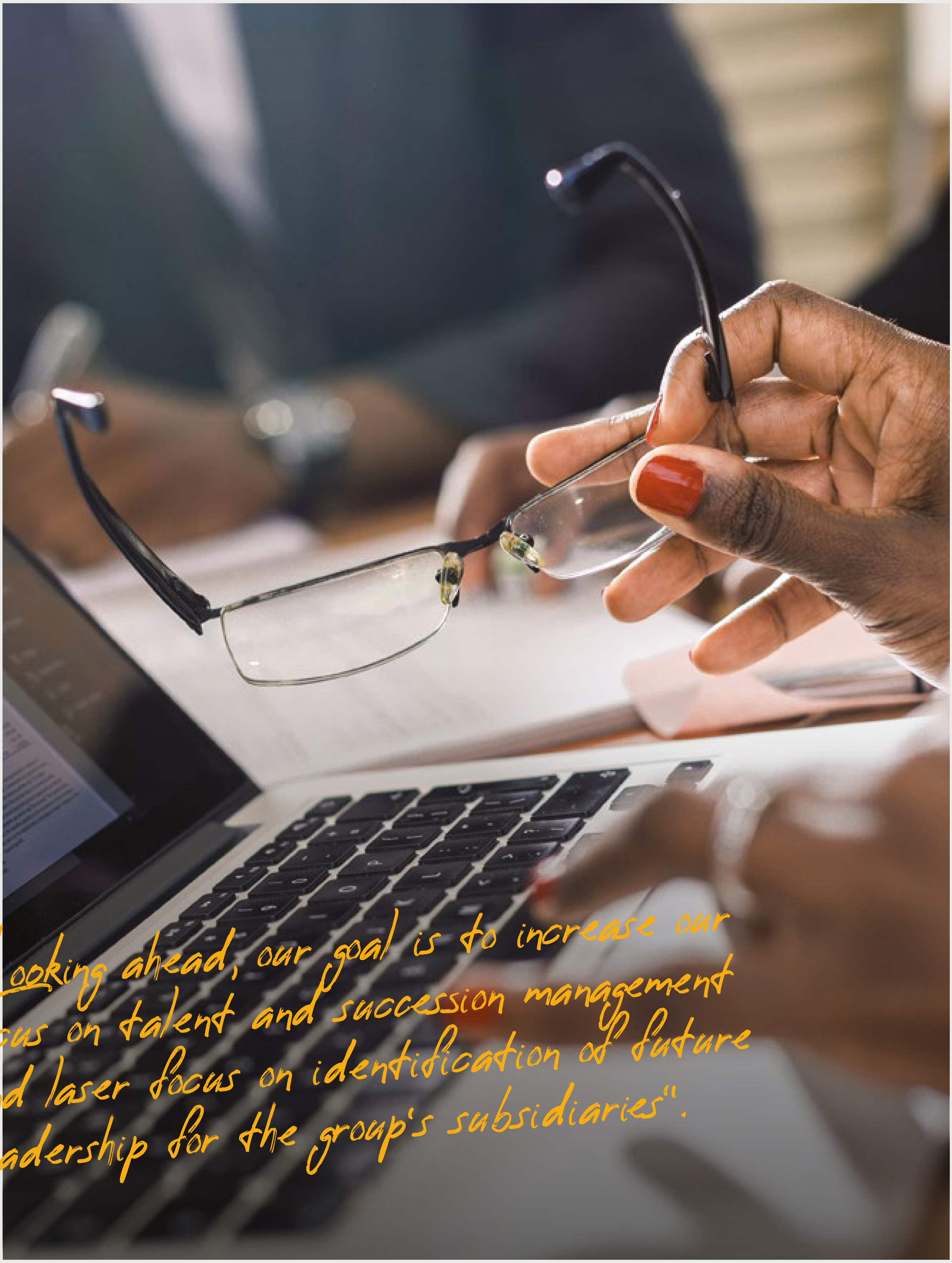
- The valuation of Botswana Life Insurance Limited as at 31 December 2017, the results of which are summarised above, has been conducted in accordance with the Botswana Insurance Industry Act (Chapter 46:01), the Botswana Insurance Industry Prudential Rule IPR1L-Prescibed Valuation Method for Long-term Insurance Liabilities and IPR2L-Prescribed Valuation Method and Admissibility Restrictions for Long Term Insurance Assets.

- This valuation report has been produced in accordance with Botswana insurance prudential Rules LR3-Valuator's Annual Report

- The Company was financially sound as at the valuation date and, in my opinion, is likely to remain financially sound for the foreseeable future.

Edwin Splinter
Statutory Actuary

REPORT OF THE INDEPENDENT ACTUARY (CONTINUED)



"Looking ahead, our goal is to increase our focus on talent and succession management and laser focus on identification of future leadership for the group's subsidiaries".

HUMAN RESOURCES REPORT

The challenges facing the economy during the year under review had a direct impact on our Human Resources function. This required a careful balance between dealing with restructuring in two of our subsidiaries and executing strategies aimed at retaining our key people to ensure continuity.

One of our key focus areas, therefore, was to devote considerable energy to our Wellness Programme, which we initiated two years ago. The objective of this programme is twofold: to boost morale and encourage teamwork and collaboration; and to encourage employees to modify their lifestyles to improve their physical and mental health.

The progress made during the review period has been exciting and gratifying with many employees of the BIHL Group not only embracing the programme, but taking ownership of it. One outstanding employee initiative was the establishment of the BIHL Group Runners Club, which has encouraged many numerous running novices to take up the sport. The Club has gone from strength to strength and we were exceptionally proud of the fact that several members were able to participate in the prestigious Soweto Marathon in South Africa.

Mr. Onthusitse Max Mosiakgabo
BIHL Group Head of Human Resources

There is also a BIHL Group presence in the popular Stanbic five-a-side soccer league, in which we have performed exceptionally well.

We continue to offer a 24/7 helpline for members of BIHL Group families who need assistance on various issues to do with their wellbeing, including those of a psychological and emotional nature.

Training and development remained high on our list of priorities during the review period and we were delighted to celebrate the success of four of our senior managers, who were the first from the BIHL Group to graduate from the Sanlam Leadership Development Programme. It was an extremely proud moment when one of our people was named as the Best Student on the programme which attracts participants from across Africa.

Our decision to collaborate with Ba Isago University over the past two years to develop and offer a local, Botswana-focused insurance diploma course is also bearing fruit. To date, we have sponsored a total of 30 members of staff to study for their Diploma in Insurance, with 8 graduating by end-2017 and the rest due to complete their studies between 2018 and 2019. Our exclusivity agreement is now complete, and going forward, the course is going to be open to anyone from outside the BIHL Group fold.

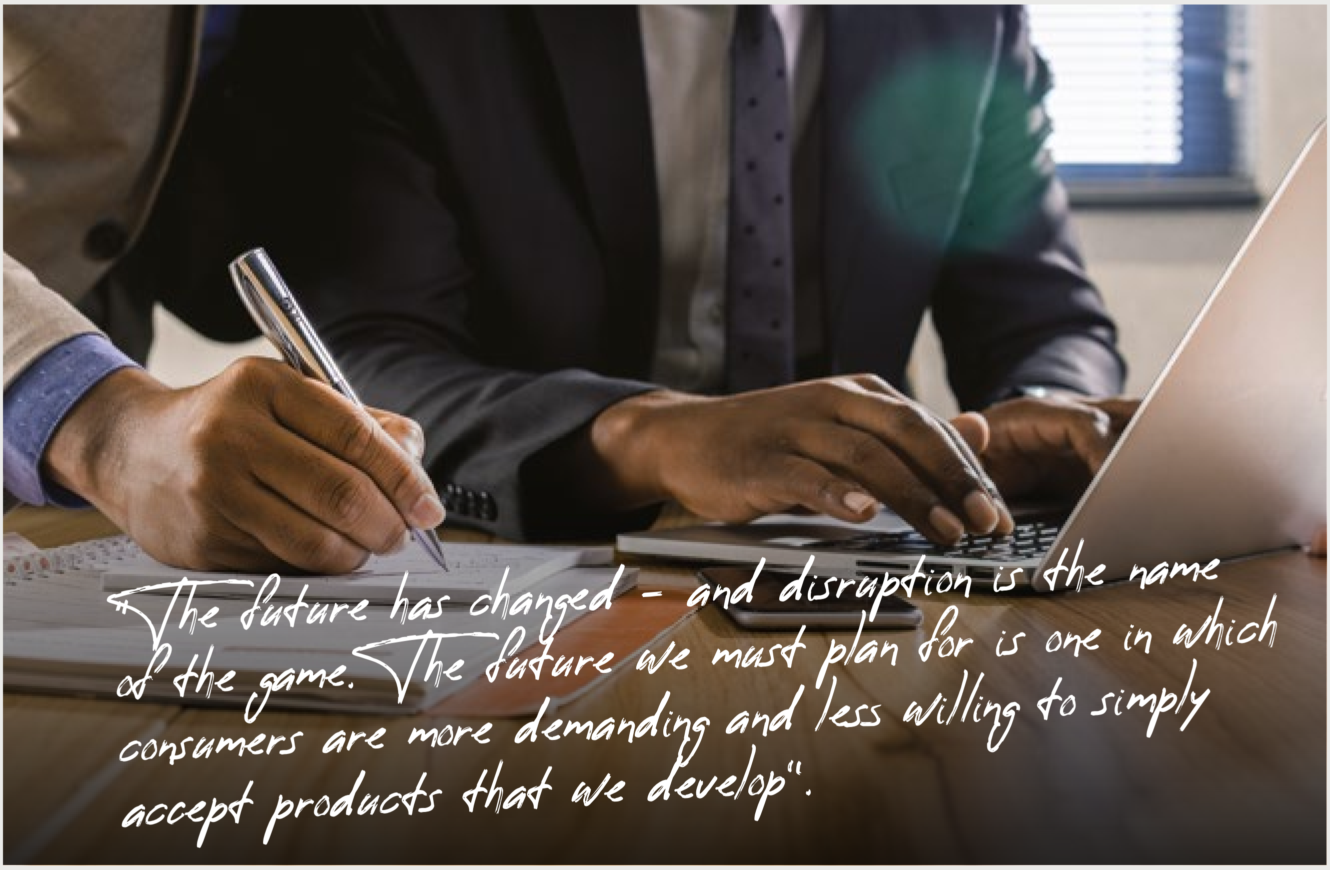
Looking ahead, our goal is to increase our focus on talent and succession management and laser focus on identification of future leadership for the group's subsidiaries.

We are proud of the fact that less than 1% of our talent consists of non-citizens and we will continue to ensure that wherever possible, suitably qualified and prepared local talent will be used to fill key vacancies that may occur.

We will also continue to use our talent management processes to identify future leaders within the organisation and work with them to map out development interventions that will prepare them for future leadership roles and management roles as well.

Technology is playing an increasingly important role in our daily lives and we continue to leverage this in our interaction with and utilisation of our human resources. So, for example, we implemented an on-demand learning platform to enable rapid deployment of learning material and courses to the rest or targeted groups within our businesses. This platform will not only increase our ability to provide learning resources timely but will also reduce the costs of administrative costs inherent in the development of our human resources.

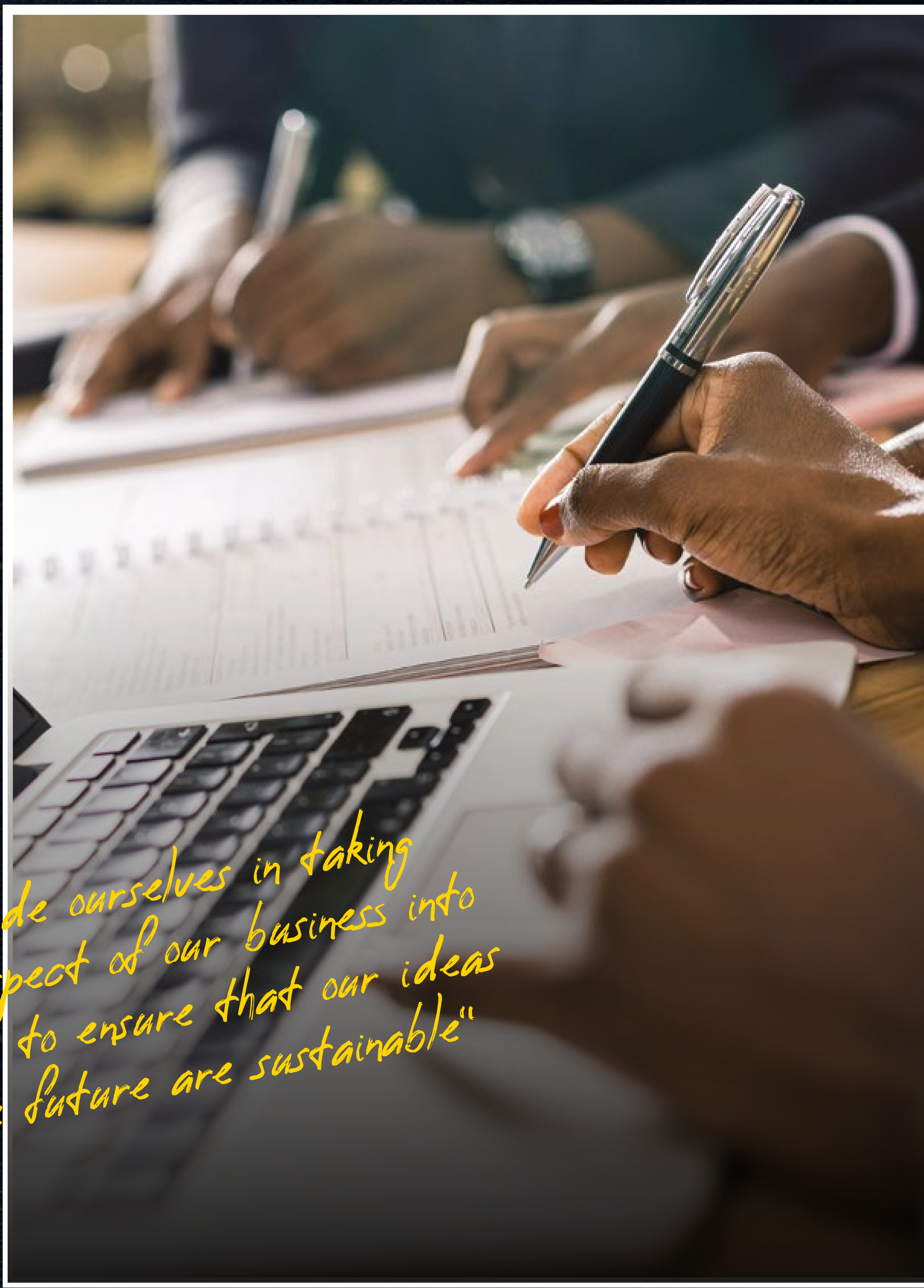
Our industry – and our country – is in a state of flux and reconfiguration. We will continue to ensure that our people are mission ready, engaged and skilled to navigate the VUCA world.



03

Sustainability Review

The very meaning of the word "sustainability" speaks to meeting the needs of the present without compromising the ability of future generations to meet their own, be it our people, our customers, or our business. This is the strong view with which we deliver on the mandate of the BIHL Group.



"We pride ourselves in taking every aspect of our business into account to ensure that our ideas for the future are sustainable"

SUSTAINABILITY REPORT

As Botswana's oldest financial services company, we are often asked why we have such an intense focus on and passion for sustainability. After all, we are told, your activities generally have very little do with "green" issues - energy, water and the environment as a whole. We believe that every little effort counts. In all our actions from investing in a new mall to sponsoring a child to school we ask the question: "Can our effort harm or help our planet, our people and or our profit's" if we make a positive impact on all three of these "Ps" we will make our presence felt.

The key to understanding our approach to sustainability is to understand how we interpret the concept of sustainability. Most people think of sustainability in terms of the definition used In the Brundtland Report entitled "Our Common Future" for the World Commission on Environment and Development (WCED), 1987. In terms of this report, sustainability, and sustainable development is "development that meets the needs of the present without compromising the ability of future generations to meet their own needs".

The report was tabled in the United Nations General Assembly in 1989 and led to the decision to organise a UN Conference on Environment and Development.

However, this widely recognised definition of sustainability is largely focused on environmental matters. As a company, we are well aware of our obligation, as a corporate citizen, to do whatever we can to protect our environment.

But we believe sustainability goes way beyond the "green" line. Sustainability is, by its very nature, concerned with the future. While our heritage in Botswana goes back some 42 years, we are in the "future" business. We know that as a significant player in the Botswana financial services sector, our stakeholders – employees, customers, partners, and society itself – depend on us doing all we can to contribute to a stable financial services sector that can help to create jobs and promote responsible economic growth for the country.
This requires us to pay particular attention to social and governance issues.

Professors Robert G. Eccles and George Serafeim of the prestigious Harvard Business School and co-founders of the Innovating for Sustainability social movement provide the following examples of social performance that contribute to the sustainability of a financial institution: talent recruitment, employee compensation, customer security and privacy, customer transparency, responsible products, and financial inclusion. BIHL is committed to meeting the inherent demands of these social performance measures. The same is true of our commitment to governance performance, which according to Eccles and Serafeim, includes management of the legal and regulatory environment, systemic risk management, and managing conflicts.

This is not to say that we do not think environmental issues are irrelevant. We believe that they must take their place as an integral component of our own sustainability efforts, alongside our concern for social and governance matters.

ENVIRONMENT

We believe that there is much we can and should be doing in this sphere, not only within our own organisation but as an example to others. The more we can encourage our employees, partners and suppliers, customers and other stakeholders to also adopt environmentally responsible practices in all we do, the more we can contribute to the 'green' portion of our sustainability obligations.

So, for the past four years, the Group – through our subsidiaries – has consistently monitored and reviewed our internal consumption of resources such as power and water. We set our initial benchmark for this in 2014, focusing on water, electricity, telephone and printing costs. Each year since then, we have evaluated our performance and sought out areas where improvement is most needed. While the cost of utilities, as reflected in our financial statements, indicates an increase, much of this can be attributed to the annual rates increases by our suppliers. We are therefore satisfied that some improvements have been made, but we acknowledge that we can do a great deal more.

We are also cognisant of the impact our property investments and developments can have on the environment. Our commitment to conducting Environmental Impact Assessments (EIA) for every new development has strengthened over the years. While others may consider the rigours of an EIA to be a "grudge" investment, we firmly believe that these could well be considered our most important and tangible contribution to the future of our country's precious environment.

GOVERNANCE

Over the past decade or so, the way in which sustainability becomes a key strategic imperative for the global financial services industry, has largely been spurred by governance scandals including controversial lending practices, short termism and instances of corporate fraud, including unethical trading practices. This has resulted in the establishment of new and increasingly stringent regulatory and governance requirements.

Although we operate far from the centres of financial services power, the BIHL Group has been proactive in our approach to conforming with the spirit of these new governance regimes. This is because we understand that it is only by demonstrating the utmost integrity in everything we do – from dealing fairly and ethically with our customers and suppliers to developing products that will further deliver the value our customers expect – that we can continue to maintain the trust of all our stakeholders. If we expect our customers to trust us with their money, the least we can do is demonstrate that that trust is well placed.

It bears emphasising that as a Botswana-based Group, BIHL is not required to conform to the requirements of the King III, let alone the King IV, Code of Corporate Governance. Nevertheless, we have actively chosen to do so.

We also recognise that the number and type of risks that could dramatically damage the sustainability of our business will continue to increase. Risk management within BIHL is therefore far more than a tick-box exercise. We have a raft of risk-related policies and protocols in place and these are strictly monitored. Where necessary, they are adjusted to take account of changing circumstances.

Our goal is to ensure that we identify as many of the risks facing the organisation as possible, take steps to reduce the impact of those we can, and have management strategies in place to deal with those that are effectively beyond our ability to control.

SOCIAL

While Professors Eccles and Serafeim confined their concept of social sustainability issues as they relate to employees around talent recruitment and compensation, we go further. We strive to be a "responsible employer" and bring the Setswana saying "batho pele" to life. This means being aware that our people don't work merely to earn a salary: they spend a very large proportion of their lives at work and it is our duty to do what we can to ensure that this portion of their life is as fulfilling as possible. So we do what we can to foster their professional development; enhance their health and ensure their safety.

BIHL therefore sets aside a portion of its annual budget towards training and development while the Group's Health and Wellness programme is having a remarkably positive impact on our people's physical and mental health. Details of these undertakings can be found on page 54 (the HR Report) of this document.

"It is our responsibility to make decisions that not only benefit us today but will continue to be in our country's best interest well into the future"

We take steps to demonstrate to them that we recognise their value and their potential, by providing opportunities to enhance their knowledge and to grow both within their jobs and as individuals. And we do our utmost to engage our people in a way that enables them to live the Group ethos of delivering a sustainable and positive impact in their work, and their communities. Indeed, our people are encouraged to play an active role within their communities: this is a key component of the Group's CSI strategy.

These community-based undertakings by our people is carried out on a far larger scale by the Group itself. The Board and management have long recognised that no business is an island. Its own wellbeing and sustainability is very much dependent on the wellbeing of the community it serves. The Group therefore supports many organisations which do amazing work in assisting disadvantaged community as well as promoting the quality of life of all Batswana through educational, cultural and sport initiatives.

The BIHL Trust was established in 2007 to co-ordinate and manage the Group's efforts in this regard, and has made an enormous difference to many hundreds of individuals and communities across the country over the years. To date, an amount of P26million has been invested in these projects. Details of the latest work undertaken by the BIHL Trust can be found on page 64 of this report.

Our focus on social issues extends to doing what we can to improve the quality of life of all Batswana. This includes ensuring we are able to provide appropriate products for the broadest possible range of individuals in order to offer them financial peace of mind for their – and their families' – futures.

We have also made considerable contributions towards improving the built environment where people work, socialise, shop and relax. At the same time, these developments have a positive impact on the growth of the country's economy. These flagship developments include some of the most prestigious and trend-setting in the country including Airport Junction – the largest shopping mall in Botswana; the Office of the Ombudsman & Land Tribunal; SADC headquarters and Fairgrounds Office Park.

The Group also playing an important role in ensuring the growth and sustainability of the tourism industry, which contributes an ever-increasing amount to the country's economy and is rapidly becoming one of its largest sources of employment.

the BIHL Group has also embraced the Government's drive to promote the growth of the Small, Micro and Medium Enterprises (SMME) sector, particularly within the disadvantaged sectors of the economy. Wherever possible, the BIHL Group and our subsidiaries make a concerted effort to procure produces and services from local Botswana businesses, particularly those in the SMME sector.

We are confident that our unwavering focus on these three key principles of sustainability – Environment, Governance and Social – will go a long way towards ensuring not only the sustainability of our own business, but will continue to contribute to the sustainable development of the Botswana economy, and the country as a whole.

BOARD OF DIRECTORS

Key

Audit & Risk Committee

Investment Committee

Human Resources Committee

Independent Review Committee

Nominations Committee

\+ Executive

++ Non-Executive

+++ Independent Non-Executive

Batsho Dambe-Groth (52) +++

Board Chairman

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

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

Mrs. Dambe-Groth is a Director of Botswana Oil and chairs the Human Resources and Nominations Committee. She is also a Director of Botswana Craft Marketing, Etsha Weavers Group, Boitekanelo, Gems of Kalahari, and is a Council Member of Maru A Pula School. Mrs. Dambe-Groth has a BSc (Hons) Occupational Psychology from the University of Wales Institute of Science and Technology and is a Fellow of the USA Fulbright Humphrey Programme as a Certified Global Remuneration Profession from the World at Work professional compensation body.

Catherine Lesetedi (50) +

Group Chief Executive Officer
Interim Chief Executive Officer
Botswana Life Insurance Limited

Catherine Lesetedi is the Group Chief Executive Officer of Botswana Insurance Holdings Limited (BIHL), appointed in March, 2016. Ms. Lesetedi first joined the BIHL Group in June 1992 as a Supervisor. She was subsequently promoted twice during her period with the Group to Assistant Manager in 1998 and then Divisional Manager in 2000. She left BLIL and joined AON Botswana as Senior Accounts Executive in October 2004 and was promoted two years later to General Manager of Life and Employee Benefits. In 2007, she returned to BLIL as Head of Corporate and High Value Business until March 2010 when she was appointed Acting Chief Executive Officer of the company until she was appointed to the substantive position in July 2010, she held this position for a period until February 2017 when she was appointed to her current position. Ms. Lesetedi currently serves on the Boards of Funeral Services Group Limited, Bifm Unit Trusts, Botswana Insurance Company Limited, Nico Life, Nico Pensions Company and Nico Holdings. She holds a BA in Statistics and Demography (University of Botswana), MDP from the graduate school of business (University of Cape Town, as well as professional qualifications in Advanced Insurance Practice and a Diploma in Insurance Studies (UNISA). She has undertaken the Sanlam Executive Leadership Programme through the Gordon Institute of Business Science (July 2014). Catherine is also an Associate of the Insurance Institute of South Africa (AIISA).

Gaffar Hassam (42) ++

Board Member

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

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

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

John Hinchliffe (61) +++

Chairman Botswana Life
Chairman Legal Guard

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

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

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

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

BOARD OF DIRECTORS

Gerrit van Heerde (50) ++

Board Member

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

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

He has a B. Com degree from the University of the North West, an Honours degree from Stellenbosch University and an EDP from Manchester Business School.

Mahube Chilisana Mpugwa (50) +++

Board Member

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

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

Lieutenant General Tebogo Carter Masire (62)+++

Board Member

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

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

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

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

Chandra Chauhan (55) +++

Chairman Bifm

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

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

Andre Roux (56) ++

Board Member

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

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

MANAGEMENT TEAM

Catherine Lesetedi (50)

Group Chief Executive Officer
Interim Chief Executive Officer
Botswana Life Insurance Limited

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

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

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

Catherine is currently the interim CEO of Botswana Life Insurance Limited.

Neo Bogatsu (43)

Chief Executive Officer, Bifm

Neo Bogatsu is an Executive MBA graduate of the University of Chicago Booth School of Business.

She is a Fellow Member of the Association of Chartered Certified Accountants (FCCA) as well as the Botswana Institute of Chartered Accountants. Neo holds a B.Com (Accounting) Degree from the University of Botswana, where she graduated from in 1996.

Neo spent 5 years at Ernst & Young; she trained and qualified to be a Chartered Accountant, at the same firm and gained valuable experience in Financial Accounting, Auditing, Tax, and Risk and Compliance. She joined Barclays Bank of Botswana in 2001, and rose through the ranks to become Head of Business Performance and Analytics, gaining indepth experience in in Strategic Planning, Project Management, Business performance, Business Management and Leadership.

Neo joined Bifm in the role of Chief Financial Officer in June 2011. In January 2013, she was appointed to the role of Chief Financial & Operations Officer. She became CEO of Bifm in December 2015, a position she has held since.

Neo serves as a Board Member for African Life Financial Services (Zambia), Khumo Properties, Feune PTY LTD, HealthCare Holdings and Botswana Development Corporation (BDC).

Kudakwashe Mukushi (41)

Group Chief Financial Officer

Kudakwashe Mukushi is a Chartered Financial Analyst (CFA), one of approximately 20 in Botswana, Charterholder and a Fellow of the Association of Certified Chartered Accountants (FCCA).

He has been with the BIHL Group since 2013 as Botswana Life Insurance Limited CFO and was promoted to the position of Group CFO at the BIHL Group in April 2017.

Kudakwashe has over 18 years of experience, 9 of which have been in financial services. He represents the BIHL Group on various Boards and Audit Committees in investment companies. He is also Chairman of the Benefits Consulting Services Limited Board in Zambia (a Subsidiary of Aflife Holdings Zambia).

Kudakwashe brings to the BIHL Group a combination of strong investment management skills and Asset Manager monitoring, as well as financial management and reporting capabilities. Having worked in various industries which include Banking, Reinsurance, Pension Funds, Life Insurance, Retail & Energy Sectors, he has a broad view to Strategy and Business Management.

MANAGEMENT TEAM

Chaha Skelemani (44)

Head of Legal Guard

Chaha Skelemani is the Head of BIHL Insurance Company Limited, trading as Legal Guard - the largest legal expense insurance provider in Botswana. He has held this position since July 2017.

Prior to this, Chaha served as Finance Manager for the company from 2014, during which time he played a key role in the development and implementation of the company's turnaround strategy. This strategy ultimately saw the business return to profitability in 2015 for the first time since 2012.

Prior to joining the BIHL Group, Chaha has served in a variety of positions in the financial sector in a career spanning over 22 years. He has served in major local operations including at Debswana Pension Fund, National Development Bank (NDB) and Citizen Entrepreneurial Development Agency (CEDA), in the postion of Finance Manager.

Chaha is a Chartered Management Accountant as well as a Fellow Certified Professional Accountant. He has served as Chairman and Secretary of the Chartered Institute of Management Accountants (CIMA) student society and Treasurer of the CIMA Botswana Branch Executive Committees.

Onthusitse Max Mosiakgabo (42)

Group Head of Human Resources

Onthusitse Max Mosiakgabo is a passionate Human Resources (HR) specialist with over 16 years' extensive experience in various HR fields. Max was appointed Group Head of Human Resources on 01 June 2013 after acting in the role from March 2013.

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

Earlier in his career, Max participated in a Cultural Exchange programme that shaped and firmed his career in the Human Resources field. He spent 12 months in Ericsson Telecomm, Hungary, as a Researcher Trainee via the AIESEC Exchange Programme. Returning to Botswana, he joined First National Bank Botswana Limited as an Executive Trainee and, later, HRMS as a Junior Consultant.

Max graduated from the University of Botswana in 1999 with a BA Degree and is a graduate of the UCT Graduate School of Business New Manager's Programme. He also completed short courses in Strategic Management, Employment Management and Small Medium Enterprises Management through UNISA. He has undertaken courses in Finance for Non-Financial Managers, as well as Managing Managers for Results. He is a member of the Society of Human Resources Management (SHRM).

Thomas Masifhi (51)

Group Head of Business Development and Stakeholder Management

Thomas Masifhi is the Group Head of Business Development and Stakeholder Management at the BIHL Group, having been appointed in February 2017.

Thomas first joined the BIHL Group in June 1992 as an Insurance Broker with Botswana Life Insurance Limited (BLIL). He left BLIL and joined Southring Insurance Brokers as a Broker Manager in 1994 and later registered his own Independent Insurance Agency.

In 1997, he returned to BLIL as Regional Sales Manager until March 2003, when he was appointed National Sales Manager. He later moved to operations of the company as Senior Manager. Thomas was appointed Head of Business Support in June 2011 and later promoted to Head of Client Services and Business Support the following year. Thereafter, he was appointed to Head of Liferewards and Loyalty Programme, a new Business Unit responsible for customer retention.

Thomas holds a Diploma in Sales and Marketing Management (Damelin Business School) and MDP from the University of Stellenbosch, as well as ICBS in Insurance from (IISA). He has also undertaken the Executive Development Programme through LIMRA (2010). Thomas is currently studying towards an Associate of the Insurance Institute through Botswana Accountancy College (BAC).

Thomas has extensive experience in Sales and Operations, having served in various business units within the Group. He also serves on various sporting committees, such as the Botswana Football Association (BFA).

CORPORATE SOCIAL INVESTMENT REPORT

CSI and The BIHL Trust

Over the past 10 years, the BIHL Trust ploughed over P 26 million into local communities to support sustainable growth and development of Botswana initiatives including community businesses and education. BIHL Trust 2017-2022 strategy which focuses on supporting community projects that align with four areas: Education, Social Upliftment, Economic Empowerment, Public Health, Recreation, and Conservation of the Environment. The revised direction allows the BIHL Trust to assist communities across Botswana more precisely and support key themes such as skills development and community trade, while aligning with National Development Goals.

The Group continues to make a positive contribution to the communities in which it operates. While most of the Group's CSI activities take place mainly under the auspices of the BIHL Trust, each Subsidiary also identifies charities of their choice to support independently during the year.

EDUCATION

So far, the greatest share of the BIHL Group's CSI spend is directed at education as we believe supporting knowledge and skills development is the foundation for empowering Batswana to be active participants in the various sectors of the economy.

FINANCIAL LITERACY

BIHL Group collaborated with the Botswana Stock Exchange (BSE) in spreading understanding of basic financial literacy concepts to Batswana. This included explaining the intricacies of the stock market and the importance of investment.

Our Asset Management company, Bifm, also hosted a successful trustee training session which enables pension fund trustees to refresh their knowledge of investment concepts, learn, exchange ideas and share experiences. Recognising that one is never too young to start to become financially literate, the company also partnered with Triscend in launching the first ever Kids' Money Camp. The Camp's aim was to promote financial literacy among children and equip them with money management skills.

DONATIONS

The BIHL Group also demonstrated its recognition of the critical importance of conventional primary school education by donating school uniforms to schools in the Kweneng Districts (Dikgatlhong Primary School and Vermeluen Primary School) and St Bernard's Primary School in Taung village.

Various other donations, organised by the BIHL Group staff members, were made to a variety of schools and institutions including:

- Toiletries, buckets and bed mattresses to the value of P20,000 to over 500 underprivileged students at the Shadishadi Primary School near Sojwe in the Kweneng District
- The Motswedi Rehabilitation Centre in Mochudi also received a donation of toiletries and
- Sun protection skincare products and clothing were donated to the Albinism Society of Botswana

ECONOMIC EMPOWERMENT

The BIHL Garden Project is closely aligned with the BIHL Trust 2017 - 2022 strategy. It has collaborated with small-scale farmers to help them earn extra income and grow their businesses. Two small-scale farmers from the Bontleng area who have been involved in the Botswana Government Ipelegeng programme, Ms. Eva Roberts and Ms. Nurse Motlhabankwe, have been assisting the BIHL Trust with growing vegetables in the BIHL Trust. They then market and sell the produce to earn themselves extra income and support their families. Another key aspect of the BIHL Trust project has included the sponsoring of the farmers to undergo short-term training about small and micro sized agriculture. The training includes teaching participants how to grow and maintain backyard gardens to produce vegetables that can provide for their families and how to turn their endeavours into viable small and micro sized businesses.

We also support an enterprising woman who uses recycled newspapers to make pottery.

RECREATION

Culture and sport are not neglected in our CSI undertakings.

In a bid to support local talent, Bifm hosted a Traditional Music Expo that is not only a source of entertainment, but offers a platform for local artists from all over the country to gain exposure and to instil a sense of appreciation for local music, poetry, dance, dress and food.

On the sport front, the Botswana National Under 21 Netball Team received significant sponsorship which covered all their life insurance needs during their participation in the 2017 Netball World Youth tournament.

CSI IN ACTION AT BIHL

MARCH 2017

BIHL TRUST ADOPTS 11TH PRIMARY SCHOOL IN BOTSWANA

The BIHL Trust remains passionate about cultivating a strong reading culture amongst primary school children and the youth. Through the Adopt a School initiative; a partnership between the Ministry of Basic Education and Sebilo Book Services, the Trust officially adopted Nokaneng Primary School, as of 15 March 2017, making this the 11th school to be welcomed into the BIHL Trust family. The initiative included sponsoring the refurbishment of vacant buildings on school properties, turning them into a school library in order to ensure that students have continued access to quality reading materials for their studies.

JULY 2017

BIHL TRUST ROLLS OUT NEW 5 YEAR STRATEGY FOR LOCAL EDUCATION AND FINANCE SKILLS DEVELOPMENT

The BIHL Trust remains committed to touching lives and creating a lasting legacy. The Board of Trustees announced a new strategic direction for the Trust in order to further contribute towards the sustainable growth and development of communities across Botswana. The 2017-2021 strategy will focus on supporting community projects that align with six areas, namely, Education, Social Upliftment, Economic Empowerment, Public Health, Recreation and Conservation of the Environment. The Trust's decision came in consideration of factors including the consideration of pressing social needs of Batswana, the extent to which private sector aid is required and communities in which BIHL Group operates where community resources are limited. In addition, the Trust will support projects where the Group can make a sustainable impact in the lives of Batswana. The 5-year strategy sought to also align with Botswana Government's Vision 2036 and the United Nations Sustainable Development Goals.

JULY 2017

BIHL TRUST SEES BOTSWANA'S CREATIVE ARTS INDUSTRY AS VIABLE SECTOR FOR DRIVING ECONOMIC DEVELOPMENT

BIHL Trust believes that Botswana's fine arts industry possesses significant potential to further local economic diversification. BIHL Trust joined the Nation in the recent President's Day Celebrations, through the sponsorship of 5 award categories at the National Art, Basket and Craft Exhibition. The Trust, comprising support from BIHL Group and Subsidiaries Bifm, Legal Guard and Botswana Life, sponsored the following disciplines: Traditional Pottery, Beadwork, Basket Weaving, Lekgapo, and Leatherwork. The sponsorship comprised prize money for 1st positions across each of the five disciplines, totaling P60,000.00. This was BIHL Trust's 2nd consecutive participation in the exhibition.

CSI IN ACTION AT BIHL (CONTINUED)

MAY 2017

BIHL TRUST BOLSTERS SUPPORT IN KHAWA FOR GREATER COMMUNITY UPLIFTMENT AND TRADE

BIHL Trust was a proud partner of the Khawa Dune Challenge for 2017, having sponsored the Professional riders both Motor Bikes and Quadbikes and the Khawa Academy Riders position 1-3. In addition to this, the BIHL Trust is underway with further developments to the Khawa Guest House. The BIHL Trust is extending the property from a 3-bedroom to a 5-bedroom house, including ensuite facilities for each bedroom. A kitchen and a dining room are also being added to the property. As part of its P1.5 million housing project supporting the Presidential Housing Appeal pledged in 2015, the BIHL Trust committed to support the Khawa Guest House Project in order to improve the property, which is run by the community.

JULY 2017

BRIDGING BOTSWANA'S SKILLS GAP: BIHL TRUST DONATES P200,000 TOWARDS MARU-A-PULA OVC SCHOLARSHIP PROGRAMME

BIHL Trust has donated P200,000 to the Maru-a-Pula Orphans and Vulnerable Children (OVC) Scholarship program. The Trust has been a proud partner of the program since 2012, having committed to make the aforementioned donation annually to the OVC fund. To date, BIHL Trust has invested over P1 million towards the OVC scholarship. The program provides full scholarships to students who demonstrate exceptional academic excellence and ability to study at Maru-a-Pula Secondary School. The MaP OVC Fund is a pool where companies and individuals are able to donate towards the tuition, personal upkeep, boarding costs and associated fees of qualifying students, whose parents or guardians do not have such financial capacity.

CSI IN ACTION AT BIHL (CONTINUED)

OCTOBER 2017

BIHL TRUST CELEBRATES TOP ACHIEVERS AT ALL THE 11 ADOPTED SCHOOLS

The BIHL Trust was elated to join teachers, parents and villagers at a heart-warming awards ceremony celebrating top performing students at Nokaneng Primary School and Kuke Primary School. This served as the initial prizegiving, and we have given back in a similar manner to each and every school we have adopted. The schools were adopted by the BIHL Trust as part of their Adopt a School programme. The children were celebrated for achieving exceptional results for the year thus far.

Overall best students were awarded with school hampers. The two schools have faced challenges over the years with reaching the National Pass Rate target of 76%. Between 2013 and 2016, Nokaneng and Kuke Primary Schools' average pass rate for Standard 7 students have been as low as 34.9% and 24% respectively. The award ceremonies therefore were a much-welcomed opportunity for the schools to commend students while encouraging their peers to strive for excellence as well.

OCTOBER 2017

TRUST THOMAS TLOU SCHOLARSHIP AWARDS 6 MORE BATSWANA IN 2017

Five years on, the BIHL Trust Thomas Tlou Scholarship continues to grow in reach and influence, as a major initiative committed to contributing towards National skills development. In 2017, BIHL Trust Chairman, Major General Bakwena Oitsile, welcomed 6 promising scholars to the programme. The 2017 intake ran a 7-week period, with 13 prospective candidates shortlisted and 6 candidates chosen. The candidates will pursue postgraduate qualifications from a variety of disciplines including the sciences, economics, and business. Among the exceptional 6 chosen included colleagues of the BIHL Group who demonstrated exceptional potential. To date, the Trust has officially sponsored 24 candidates to study at leading Botswana institutions, and looks forward to engaging more talented Batswana who desire to be the difference that Botswana's socio-economy needs to move forward.






CSI IN ACTION AT BIHL (CONTINUED)

NOVEMBER 2017

BIHL COLLEAGUES KICKSTART MEN'S HEALTH MONTH WITH A BANG!

The BIHL Group family launched their annual commemorations of men's health month, also known as Movember, with a colleague shaveathon and colourathon on November 1st 2017. At the launch, gentlemen were challenged to come out for their final shave. Movember is that time of the year where the men of the Group put down their clippers, shavers and creams, all in support of cancer awareness, particularly that which affects men the most. Committed to joining the front and showing their support too, the women of BIHL came out to get their hair dyed while their colleagues got a shave. Not leaving out the men, the BIHL Trust also arranged to have prostate cancer screenings done for the men of the BIHL Group and its Subsidiaries.

NOVEMBER 2017

BIHL NETBALL & FOOTBALLS DONATIONS

Botswana Life sponsored the National Under 21 netball team to the value of P5,580,000 in insurance cover. The cover commenced from the 2017 Netball World Youth Cup, which began on the 8th of July 2017. The insurance cover comprises of Group Life Assurance, Temporary Permanent Health Insurance and Total Temporary Disability.

JUNE 2017

BOTSWANA LIFE IT DEPARTMENT GIVES BACK

Botswana Life donated school uniforms and shoes to 50 students at St. Bernard's Primary School in Taung village through its Information Technology (IT) department. The donation took place on the 10th of June, and is an extension of the company's CSR initiative, 'Living the Values,' which intends to positively give back and assist communities.

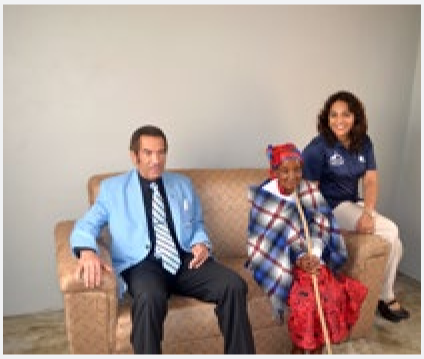
Dignitaries present at the handover included Kgosi Masie, who commended Botswana Life on their contribution. The students, whose ages range from 6 to 13, gleefully embraced their new uniforms.

"At BIHL Group we are staunch believers of engineering the future through our contributions to date. Our donations or sponsorships must make a difference to the lives of the communities we opperate in"

CSI IN ACTION AT BIHL (CONTINUED)

FEBRUARY 2017

BOTSWANA LIFE INSURANCE LIMITED HANDS OVER FIVE HOUSES IN HUKUNTSI THROUGH THE PRESIDENTIAL HOUSING APPEAL



As part of its Corporate Social Initiative (CSI) mandate aligned with developing and giving back to communities, Botswana Life Insurance Limited , officially handed over 5 houses in Hukuntsi in collaboration with the Presidential Housing Appeal on the 10th of February 2017.

Giving the welcome address, former Botswana Life CEO, Bilkiss Moorad, highlighted the importance of transforming the lives of people through compassion: "Our driving philosophy at Botswana Life is our desire to give Batswana the opportunity to live with dignity, and to allow our clients to have peace of mind. This philosophy extends to all Batswana. The exceptional feature of our integrity as a people lies in our willingness to work together and collaborate to change each other's lives; this handover is a testament to this great cultural principle."

Representing the Presidential Housing Appeal, His Excellency The President Lt. Gen. Dr. Seretse Khama Ian Khama championed the contributions being made: "I am so encouraged by Batswana, individuals, groups, and respective companies for their outpouring generosity. It is indeed very heartening the way people have responded to this call. These achievements are therefore possible because of your contributions."

The construction of the houses represents a radical housing delivery shift titled 'PHA 700' by the Presidential Housing Appeal through partnerships with donors, and long-term vision 2036 themed 'Achieving Prosperity for All'. In celebration of this milestone, those in attendance included honourable dignitaries, Botswana Life staff members, Hukuntsi beneficiaries and residents.

JULY 2017

BOTSWANA LIFE CONTACT CENTRE LENDS HELPING HAND TO SHADISHADI PRIMARY SCHOOL

Botswana Life Contact Centre officially handed over donations worth more than P20,000 to 520 students of Shadishadi Primary School. The donation comprised toiletry such as toothbrushes, toothpaste, soaps, lotions and buckets as well bed mattresses. The meaningful occasion took place in Shadishadi village in the Kweneng District.

It was a joyous moment for the students whose ages range from 5 to 13 years as they were treated to fun activities to add greater cheer to their day. This included face paintings, jumping castles and jokers who entertained to give the students a fun day.

CSI IN ACTION AT BIHL (CONTINUED)

NOVEMBER 2017

SUPPORTING OUR COMMUNITIES: GOING ABOVE AND BEYOND

During the year, Bifm staff identified four charities and/or communities to support as part of the Business' CSI efforts. Projects included:

- Students of schools in the Kweneng Districts (Dikgatlhong Primary School and Vermeluen Primary School) received a full school uniform. The focus was on Standard 1 to Standard 3
- Motswedi Rehabilitation Centre in Mochudi, received a donation of toiletries and
- The Albinism Society of Botswana received sun protection skincare products and clothing.

The above was in addition to activities carried out through the BIHL Trust, which Bifm and other subsidiaries of the BIHL Group support.

NOVEMBER 2017

INVESTING IN WELLBEING

Under the famous slogan "Invest in your Wellbeing," Bifm participated in the annual Airport Junction Marathon. The Marathon attracted a great crowd of participants and supporters, including Bifm's institutional and retail clients. In partnership with Sports Entertainment, Bifm sponsored the marathon t-shirts and a water-point along the Marathon route. Bifm also gave the Marathon participants an opportunity to walk away with a voucher worth P500 to invest in Bifm Unit Trusts. This was in a bid to promote retail products, as it also gave the winner an opportunity to top up the amount or opt for a debit order.






"Teamwork is at the centre of everything we do, each member of the Group plays a significant and specialised role in our ultimate goal of engineering the future"

SUSTAINABILITY HIGHLIGHTS

We at the BIHL Group believe that a sustainable practice and sustainable action ought to be at the heart of all that we do and all that we are. Sustainability, therefore, plays an integral role in everything that we do, both within our business and within the communities we seek to make a difference in. What do we mean by sustainability? Yes, it is a big term and a big concept, seemingly very much the word du jour in many ways; and so it should be.

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

The importance of sustainability to us is twofold, each of which is equally important. On the one hand, we want a strong and sustainable business, a profit making that sees returns for our shareholders and benefits for our stakeholders in the long term. We are a business, and our efficiencies, efficacy and very future are dependent on this. Secondly, we are passionate about our beautiful Botswana home, and our beautiful Africa. We care for our people, our planet, environment and all that lays within it. And so, we want to do good by it and do right by it. Indeed, these two aspects cannot be treated as wholly separate, for sustainable practice in our environment and communities feeds back into our business perception and the trust the public place within us.

In 2004, we introspected on how we can do better in this space. We asked ourselves how our sustainability, corporate governance and best practice can be enhanced further. The answer? It began with taking clear stock and controls on the impact we create. Our focus lay in three distinct and inclusive spheres: People, Planet and Profit. Our measures then focused on water and electricity consumption, as well as telephone and printing costs. In the years since, we have used that benchmark and now conduct this measurement every year, aiming to improve further each time.

The data for 2017 is provided here, showing the trend from the prior year as well. This allows us to get a meaningful understanding of where we stand, and conclude how and where we want to be by the next reporting period. As we said, sustainable practice is very much the essence of who we are and how we do business.

WATER

BIHL Trust embarked on a backyard garden to **support women from disadvantaged backgrounds** to sell the produce to sustain themselves. This saw an increase in water usage.

STAFF

numbers were significantly **reduced, at Legal Guard and Botswana Life** due to restructuring exercise in both businesses.

Printing at the group level, there was a **significant reduction in the use of printing expenses and consumption of paper as** email communication was encouraged throughout.

SUSTAINABILITY HIGHLIGHTS

BIHL

Item	2017 Amount	2016 Amount	2015 Amount	2014 Amount
Water	13,017	15,274	8,880	7,442
Power	31,465	204,734	124,213	102,561
Telephone and Fax	533,749	32,237	150,943	167,869
Printing	103,541	650,743	668,169	722,587
	681,772	**902,988**	**952,205**	**1,000,459**

Bifm

Item	2017 Amount	2016 Amount	2015 Amount	2014 Amount
Water and power	400,031	336,815	356,236	173,446
Cellphone & Landline	608,712	372,529	433,723	644,384
Printing	436,184	265,632	241,114	
	1,444,927	**974,976**	**1,031,073**	**817,830**

LEGAL GUARD

Item	2017 Amount	2016 Amount	2015 Amount	2014 Amount
Water	5,623	10,568	10,065	9,607
Electricity	193,691	123,886	66,214	102,604
Telephone/Fax/Cellphone	369,723	198,144	252,317	135,265
Printing	43,850	452,038	355,124	265,014
	612,887	**784,636**	**683,720**	**512,490**

BLIL

Item	2017 Amount	2016 Amount	2015 Amount	2014 Amount
Water	64,940	204,082	57,793	92,110
Electricity	1,590,434	1,142,369	1,016,854	647,413
Telephone/Fax/Cellphone	2,955,978	3,384,247	3,136,381	2,630,592
Printing	2,232,028	1,034,897	949,150	436,645
	6,843,380	**5,765,595**	**5,160,178**	**3,806,760**

04

Corporate Governance

In a business like ours, governance becomes one of the most sacrosanct aspects of how we do business, and integrity is paramount. Our clear policies, controls, compliance measures, unwavering commitment to sustainability and focus on business continuity are key parts of this.

"Research and analysis guide us in making informed decisions on how we will engineer the future."

CORPORATE GOVERNANCE REPORT

Statement of Commitment

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

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

CORPORATE GOVERNANCE

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

THE BOARD'S GOVERNANCE AND STRUCTURE

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

The roles of the Chairman and the Chief Executive Officer are separate, and the composition of the Board ensures a balance of authority precluding any one Director from exercising unfettered powers of decision making. The Board is assisted in fulfilling its responsibilities by the following sub-committees:

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

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

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

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

The Chairperson has no executive function. She meets regularly with Senior Executive Management to monitor progress and discuss relevant business issues, and is available to respond to stakeholder queries or other issues relating to the BIHL Group. Non-Executive Directors have the opportunity to meet separately without the BIHL Group Chief Executive Officer as and when circumstances warrant.

Definition of Independence

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

Board Charter

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

CORPORATE GOVERNANCE REPORT (CONTINUED)

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

During the last quarter of the financial year, Mr. Mahube Mpugwa was appointed to the Human Resources Committee.

In accordance with the BIHL Group's Constitution, the term of office for Non-Executive Directors is three years. One-third of the Directors retire by rotation annually, with each retiring Director eligible for re-election, if available, at the Annual General Meeting (AGM).

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

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

Board Meetings

The Board meets at least four times per 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:

	The BIHL Group Board	Audit and Risk Committee	Human Resources Committee	Investment Committee
B. Dambe-Groth	4/5	n/a	4/4	n/a
C. Chauhan	5/5	4/4	n/a	n/a
J. Hinchliffe	5/5	4/4	n/a	n/a
M. Mpugwa	5/5	n/a	*1/4	0/0
G. Van Heerde	5/5	4/4	4/4	n/a
A. Roux	5/5	n/a	n/a	0/0
Lt. General T. Masire	4/5	n/a	n/a	n/a
G. Hassam	5/5	n/a	4/4	n/a

*NB: M. Mpugwa became a member of HR committee in November 2017.

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 the BIHL Group'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.

CORPORATE GOVERNANCE REPORT (CONTINUED)

AUDIT AND RISK COMMITTEE

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

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

The main responsibility of the Audit and Risk Committee is to assist the Board in discharging its responsibilities under the Companies Act, the Non-Bank Financial Institutions Regulatory Act (NBFIRA), other relevant legislation, and the common law, with regard to the business of the BIHL Group. 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 the BIHL Group's exposure and response to significant risks, including sustainability issues.

Members

C. Chauhan
J. Hinchliffe

Mr. Gerrit van Heerde
Chairman, Audit and Risk Committee

INVESTMENT COMMITTEE

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

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

Members

M. Mpugwa
G. van Heerde

Mr. Andre Roux
Chairman, Investment Committee

SPECIAL BOARD COMMITTEES

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

CORPORATE GOVERNANCE REPORT (CONTINUED)

HUMAN RESOURCES COMMITTEE

The sub-committee is responsible for monitoring and advising on the status of the BIHL Group'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 the BIHL Group and for approval of guidelines for incentive schemes and the annual determination of remuneration packages for BIHL's Exco.

The Committee takes cognisance of local and international industry benchmarks, ensures that incentive schemes are aligned with good business practice and that a robust performance management culture is in place. It also makes recommendations to the Board regarding Directors' remuneration. The Chief Executive Officer, the Subsidiary Chief Executive Officers and the Head of Group Human Resources attend the meetings by invitation.

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

Members

M. Mpugwa
G. Hassam

Mrs. Batsho Dambe-Groth
Chairman, Human Resources Committee

NOMINATIONS COMMITTEE

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

It regularly reviews the structure, size and composition of the Board and its Committees and makes recommendations to the Board.

The Committee meets as and when appropriate.

Members

G. Hassam
B. Dambe-Groth

Mr. Chandra Chauhan
Chairman, Nominations Committee

INDEPENDENT REVIEW COMMITTEE

In order to enhance the governance structures within the BIHL Group and any other matters referred to it by the Board or any of its sub-committees, the Board constituted an Independent Review Committee. The members of this Committee are all independent Non-Executive Directors.

The Committee is responsible for reviewing all related party transactions. The Committee meets as and when appropriate and has adopted a formal charter that will be reviewed on an annual basis.

Members

C. Chauhan

Mr. John Hinchliffe
Chairman, Independent Review Committee

CORPORATE GOVERNANCE REPORT (CONTINUED)

REMUNERATION PHILOSOPHY

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

EMPLOYEE REMUNERATION

The following principles are used to determine appropriate remuneration levels:

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

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTORS

The fee structure for Non-Executive Directors is recommended to the Board by the Human Resources Committee and reviewed annually. The Committee takes cognisance of market norms and practices, as well as the additional responsibilities placed on Board members by new Acts, regulations and corporate governance guidelines. The Board recommends the fee structure for the next year to the BIHL Group's shareholders for their approval at the Annual General Meeting. Non-Executive Directors receive an annual retainer for their services. In addition, a sitting fee is paid for attending and contributing to Board and sub-committee meetings.

The BIHL Group pays for all travelling and accommodation expenses in respect of Board and sub-committee meetings.

In the year under review, the BIHL Group conducted an extensive research exercise into Directors' Fees, the first since 2012. In the past, we simply implemented living inflationary adjustments. The exercise was to ensure up to date benchmarking and data-guided insights to inform how we structure Directors' and Board Members' remunerations, aligning to remuneration structures of other Botswana Stock Exchange listed entities, as well as ensuring we attract and retain the desired calibre Board Members.

A specialist consultant was commissioned through PricewaterhouseCoopers (PwC) to conduct a benchmarking exercise of BSE and JSE listed companies. The data extracted has informed new payment structures for Directors and Board members, and these will be implemented in the 3 next years. We believe this was a vital and necessary exercise to ensure we remunerate per industry standard, and we look to perform such a benchmarking exercise more regularly.

LEAD INDEPENDENT DIRECTOR

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

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

Name	Annual Retainer	Board Meeting	Audit and Risk Committee	Human Resources Committee	Subsidiary Boards	Nominations Committee	Other Committees/ Meetings	Total
B. Dambe-Groth	-	475,000	n/a	-	-	-	-	475,000
C. Chauhan	65,000	96,470	126,404	n/a	125,000	136,500	-	614,374
J. Hinchliffe	65,000	96,470	126,404	n/a	218,025	n/a	-	570,899
M. Mpugwa	65,000	96,470	n/a	n/a	100,000	n/a	250,352	576,822
Lt. Gen. Masire	65,000	77,176	n/a	n/a	n/a	n/a	-	226,470
**A. Roux	65,000	96,470	n/a	n/a	100,000	n/a	250,352	576,822
**G. Hassam	65,000	96,470	n/a	56,700	100,000	-	-	383,170
**G van Heerde	65,000	96,470	287,644	56,700	100,000	n/a	-	651,520

** Non Executive Directors

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 King III governance principles are complied with, and that adequate attention is paid to matters of both performance and conformance.

The results of the self-assessments are collated by the Company Secretary, considered by the Chairman and discussed with the Board for purposes of performance improvement. The performance of the individual Directors is also reviewed during individual discussions between each Director and the Chairman. The Chairman's performance is in turn reviewed by the other Directors. The recent evaluations indicate that, generally, the Directors are satisfied with the effectiveness of the Board's performance and that of its individual members. The self-assessments are extended to the subsidiary Boards and sub-committees.

CONFLICT OF INTEREST

Directors are required to inform the Board timeously of conflicts of interest or potential conflicts of interest that may exist in relation to particular aspects of the BIHL Group business. Directors are obliged to recuse themselves from discussions on matters in which they may have a conflicting interest, unless resolved otherwise by the remaining members of the Board. Directors are required to disclose their shareholding in the BIHL Group, their other directorships and their interests in contracts that the BIHL Group may conclude, at least annually and as and when changes occur.

The members of the Board have declared their interests and are free from any business or other relationships which could reasonably be said to interfere with the exercise of their judgement.

All Directors are required to consult with and obtain consent of the Chairman (and, in the case of Executive Directors, the Chief Executive Officer) with regard to appointments to the Boards of other companies.

DEALINGS IN LISTED SECURITIES

The BIHL Group complies with the BSE requirements in respect of share dealings by its Directors. In terms of the BIHL Group's closed-period policy, all Directors and staff are precluded from dealing in the BIHL Group securities during closed periods. These are typical while half year and full year financials are being finalised and during other price-sensitive transactions (e.g. during a period covered by a cautionary announcement).

A pre-approval policy and process for all dealings in the BIHL Group securities by Directors and selected key employees is strictly adhered to. Similar trading policies regarding personal transactions in all financial instruments are enforced at the BIHL Group's portfolio investment companies. A summary of Directors' dealings is listed in note 19 of the Annual Financial Statements in this Annual Report.

At every Board meeting, the Board will decide whether there is any price sensitive information to declare or any that has been discussed during the meeting.

STATUTORY ACTUARY

Mr. Edwin Splinter is an Independent Statutory Actuary who is not in the employ of the BIHL Group. He is responsible for assisting the Board in all actuarial matters and conducts the actuarial valuation of Botswana Life Insurance Limited. He is also responsible for all regulatory reporting to the Registrar of Insurance and for safeguarding the interests of policyholders. The statutory actuary attends the interim and year-end Board meetings as well as all the Audit and Risk Committee meetings.

The Report of the Statutory Actuary is set out on page 50.

COMMUNICATION WITH STAKEHOLDERS

The BIHL Group is committed to a policy of effective communication and engagement with its stakeholders on issues of mutual interest. These include statutory, regulatory and investor-relations issues, together with other directives, pronouncements and press releases regulating the dissemination of information by the BIHL Group and its Directors, employees, officers and other authorised persons.

Communications also include the rationale behind major new business developments. Financial results presentations were made to financial analysts on 03 March 2017 and 01 September 2017 during this financial year. In addition, face to face meetings with analysts and fund managers/ trustees can be arranged when appropriate.

The BIHL Group publishes its interim and annual results in the media when finalised and in addition, mails its Annual Report to all shareholders. Where there is an item of special business included in the Notice of the Annual General Meeting, it is accompanied by a full explanation of the implications of the proposed resolution. In the course of the Annual General Meeting, as at other shareholder meetings, the Chairman provides reasonable time for discussion. Shareholders are always encouraged to attend the Annual General Meeting.

FORENSICS

The BIHL Group recognises that financial crime and unlawful conduct conflict with the principles of ethical behaviour, as set out in the Code of Ethical Conduct, and undermine the organisational integrity of the BIHL Group. The commitment to combating financial crime is designed to counter the threat of white collar crimes, including fraudulent acts and malicious intentional acts that damage the BIHL Group's good standing. A zero-tolerance approach is applied to these matters and all alleged offenders are prosecuted.

CORPORATE GOVERNANCE REPORT (CONTINUED)

The BIHL Group has in place an anonymous hotline that stakeholders can use for reporting any wrongdoing in the business. The anonymous hotline ensures independence and best practice.

COMPLIANCE

The BIHL Group considers compliance with applicable laws, industry regulations, codes and its own ethical standards and internal policies to be an integral part of doing business. The BIHL Group's compliance function facilitates the management of compliance through the analysing of statutory and regulatory requirements, drafting compliance management plans and subsequently implementing the plans throughout the Group, and monitoring the implementation of suggested controls to ensure compliance with applicable statutory and regulatory requirements. The Compliance Framework Manual which has been rolled out to the businesses, covers dissemination of new legislation, handling of regulatory visits, development/review of regulatory/compliance universes, customer due diligence procedures, and suspicious activity reporting procedures.

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

STRATEGIC RISK MANAGEMENT

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

Considered an integral part of the decision-making process in the BIHL Group, the primary objective of the BIHL Group's strategy with respect to risk management is to optimise the BIHL Group's risk-adjusted return on capital and embedded value.

To ensure an optimal return, the BIHL Group determines an acceptable level of risk through setting of risk appetites in conducting its operations.
The role of risk management is therefore to enhance the organisation's ability to manage, though not necessarily avoid or eliminate, every risk and to ensure that the overall risk profile remains within the approved risk and tolerance limits. This may involve various risk responses or combinations thereof, namely acceptance, mitigation and/or avoidance of the risk. The processes in place provide reasonable, but not absolute, assurance that the risks are adequately managed. Risk appetite and tolerance limits have been in place during this financial year, and cover all material business activities of the BIHL Group. The performance of the BIHL Group against set risk appetites is reviewed by the Board half yearly.

The strategy is regularly reviewed and updated where necessary, evaluating risk as a combination of impact and likelihood. Amendments to risk policies require Board approval. The assessment of the various risks in the BIHL Group is evaluated on both a quantitative and 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 the BIHL Group that enable effective identification and management of risks.

All processes and procedures have been designed to provide reasonable assurance that risks are adequately managed.

A detailed Risk Management Report is included on page 92 of this Annual Report.

EMPLOYMENT EQUITY AND LOCALISATION

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

FINANCIAL REPORTING

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

INTERNAL AUDIT

The BIHL Group internal audit function is co-ordinated at Sanlam Group level by the audit executive of Sanlam Limited. Regular risk-focused reviews of internal control and risk management systems are carried out throughout the BIHL Group.

The Chief Audit Executive of Sanlam Limited is appointed in consultation with the chairman of the Sanlam Audit and Risk Committee and has unlimited access to the chairman of the BIHL Group Audit and Risk Committee.

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

EXTERNAL AUDIT

The external auditors provide an independent assessment of the BIHL Group's systems of internal financial control and express an independent opinion on the Annual Financial Statements. The external audit function provides reasonable but not absolute assurance on the accuracy of the financial disclosures within disclosed thresholds of materiality. The external auditor's plan is reviewed by the Audit and Risk Committee to ensure that significant areas of concern are covered, without infringing on the external auditor's independence and right to the audit.

CORPORATE GOVERNANCE REPORT (CONTINUED)

There exists close cooperation between the internal and external auditors to ensure that there is adequate coverage of all material areas of the BIHL Group's business, sharing of information and minimisation of duplicated effort.

COMPANY SECRETARY AND PROFESSIONAL ADVICE

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

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

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

GOING CONCERN

The Board has considered and recorded the relevant facts and assumptions and has concluded that the BIHL Group will continue as a going concern during the 2018 financial year. Their statement in this regard is also contained in the Statement of Directors' Responsibility for Annual Financial Statements.

Research and analysis guide us in making informed decisions on how we will engineer the future."

KING III INTEGRATED REPORT CHECKLIST

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

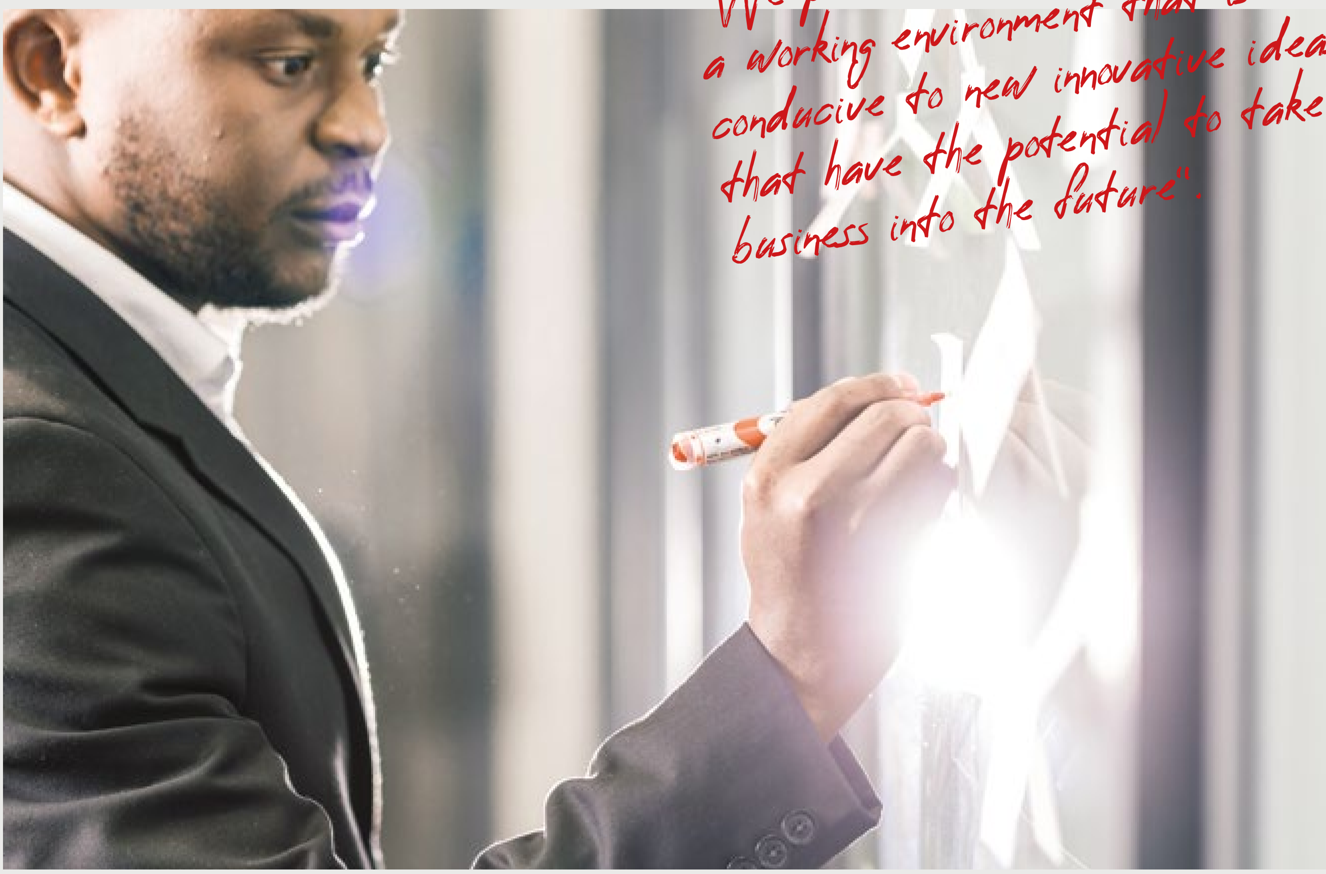
At the core of the King III requirements is the Integrated Report. Chapter 9 of the King III Code states that companies should prepare Integrated Reports every year, which should convey adequate information about the operations of the company, the sustainability issues pertinent to its business, the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

With this overarching requirement, the BIHL Group has developed a checklist which aims to consolidate all the Integrated Reporting Disclosure requirements prescribed by King III. This Integrated Reporting Disclosure checklist does not set out full details of the Corporate Governance Requirements as prescribed, but is rather a summary of the disclosure requirements.

The BIHL Group was the first company in Botswana to include an Integrated Reporting Checklist in its Annual Report. This year's Checklist can be found on page xxxxxx. This provides an indication of how the Group is faring in terms of internationally recognised best practice. It shows that the BIHL Group has achieved significant progress in the past year and is generally well aligned with the King III recommendations. Plans are in place to ensure ongoing improvements and increased alignment where necessary.

The BIHL Group remains acutely aware of the grave responsibility it carries regarding the expectations of its many investors, partners, shareholders and policyholders regarding the Group's sustainability. This will continue to drive the BIHL Group's commitment to achieving, and where possible exceeding, stakeholders' Corporate Governance expectations.

"We pride ourselves in creating a working environment that is conducive to new innovative ideas that have the potential to take our business into the future".



KING III INTEGRATED REPORT CHECKLIST (CONTINUED)

Current level of compliance: Full ■ Partial ■ None ■

Summary of King III principles	Status	2015	2016	2017	Action plans for remaining issues	Due dates
CHAPTER 1 - ETHICAL LEADERSHIP AND CORPORATE CITIZENSHIP						
1.1. The Board should provide effective leadership based on an ethical foundation.	The Directors Code of Ethics has been endorsed by the Board.					
1.2. The Board should ensure that the company is and is seen to be a responsible corporate citizen.	The Board recognises its obligation to contribute to socio-economic goals and accordingly conducts its business through operating policies that address the potential environmental impacts of its business activities.					
1.3. The Board should ensure that the company ethics are managed effectively.	The Board has endorsed the Directors Code of Ethics.					
CHAPTER 2 - BOARDS & DIRECTORS						
2.1. The Board should act as the focal point for and custodian of corporate governance.	The Board is committed to and fully endorses the principles of Corporate Practices and Conduct.					
2.2. The Board should appreciate that strategy, risk, performance and sustainability are inseparable.	The Board has achieved it through the establishment of the Audit and Risk Committee which encompasses the Combined Assurance Model					
2.3. The Board should provide effective leadership based on an ethical foundation.	The Board is committed to the highest standard of integrity and ethical conduct. This commitment is confirmed by the Boards endorsement of the Code of Ethics for the Group.					
2.4. The Board should ensure that the Company is and is seen to be a responsible corporate citizen.	The Board has incorporated the BIHL Trust and contributes 1% of its profits after tax to initiatives undertaken by the Trust.					
2.5. The Board should ensure that the company's ethics are managed effectively.	The Board reviews its charters at least once a year, and ensure that to the greatest extent possible, elements of King III are incorporated.					
2.6. The Board should ensure that the Company has an effective and independent audit committee.	The Audit and Risk Committee comprises 2 Non-Executive Directors, 2 Independent Non-Executive Directors.					
2.7. The Board should be responsible for the governance of risk.	The Risk Department reports directly to the Board through the Audit and Risk Committee.					
2.8. The Board should be responsible for Information Technology (IT) governance.	The IT Governance Charter is in place. The IT Governance report forms part of the Board's agenda					
2.9. The Board should ensure that the Company complies with applicable laws and considers adherence to non-binding rules, codes and standards.	The Compliance function has a compliance framework through which monitors compliance.					

KING III INTEGRATED REPORT CHECKLIST (CONTINUED)

Current level of compliance: Full ■ Partial ■ None ■

Summary of King III principles	Status	2015	2016	2017	Action plans for remaining issues	Due dates
CHAPTER 2 - BOARDS & DIRECTORS (continued)						
2.10. The Board should ensure that there is an effective risk-based Internal Audit.	The Group is audited regularly by Sanlam internal auditors who audit in accordance with appropriate risk based methodologies.	Full	Full	Full		
2.11. The Board should appreciate that stakeholders' perceptions affect the Company's reputation.	The Board manages market and stakeholder perceptions in accordance with a broad based Group-wide communications and Public Relations strategy.	Full	Full	Full		
2.12. The Board should ensure the integrity of the Company's Integrated Report.	The Board reports annually on the performance of the Company issues of corporate governance and annual financial statements in the Annual Report. Additionally preparation of this Annual Report is in compliance with the principles of good corporate governance.	Full	Full	Full		
2.13. The Board should report on the effectiveness of the company's system of internal controls.	The Board, through the Audit and Risk Committee ensures that the internal controls and risk management practices are aimed at safeguarding its assets and resources. These internal controls are reviewed at least once a quarter.	Full	Full	Full		
2.14. The Board and its Directors should act in the best interests of the Company.	Every Director upon appointment is given an information pack comprising duties of a director in terms of the Companies Act, the Company's constitution, and the latest available annual report. In addition the Directors fill in declarations of interest register once a year.	Full	Full	Full		
2.15. The Board should consider business rescue proceedings or other turnaround mechanisms as soon as the Company is financially distressed as defined in the Act.	Assessments (going concern review) are done once a year as to whether the Group and each significant subsidiary is a going concern.	Full	Full	Full		
2.16. The Board should elect a Chairman of the Board who is an independent Non-Executive Director. The CEO of the company should not also fulfil the role of Chairman of the Board.	The Chairman of the Group and the Chairman of each significant subsidiary are independent Non-Executive Directors. The CEO of the Group is also not the Chairman of the Board. The same applies at each significant subsidiary.	Full	Full	Full		

KING III INTEGRATED REPORT CHECKLIST (CONTINUED)

Current level of compliance: Full ■ Partial ■ None ■

Summary of King III principles	Status	2015	2016	2017	Action plans for remaining issues	Due dates
CHAPTER 2 - BOARDS & DIRECTORS (continued)						
2.17. The Board should appoint the Chief Executive Officer and establish a framework for the delegation of authority.	The Board has appointed a CEO and the approval frameworks have been adopted at both the Group and significant subsidiaries in 2015. The adopted approval framework is reviewed annually and can be updated on an ad hoc basis.					
2.18. The Board should comprise a balance of power, with a majority of Non-Executive Directors. The majority of Non-Executive Directors should be independent.	Currently the Board comprises 8 Non-Executive Directors out of a Board of 9 Directors. Of the Non-Executive Directors, 5 are Independent.					
2.19. Directors should be appointed through a formal process.	Directors are appointed through a formal process.					
2.20. The induction of and ongoing training and development of directors should be conducted through formal processes.	This is done on an ongoing process.					
2.21. The Board should be assisted by a competent, suitably qualified and experienced Company Secretary.	The appointment of the Company Secretary complies with the provisions of the Companies Act.					
2.22. The evaluation of the Board, its committees and the individual directors should be performed every year.	Evaluations of each of the Boards and its Committees are done annually.					
2.23. The Board should delegate certain functions to well-structured committees but without abdicating its own responsibilities.	All Board sub-committees' Chairs and Chairs of the main subsidiaries are members of the Board and report to the main Board as a permanent agenda item.					
2.24. A governance framework should be agreed between the Group and its subsidiary boards.	The Group has adopted a compliance statement based on the code published by the Financial Reporting Council of the UK					
2.25. Companies should remunerate directors and executives fairly and responsibly.	Director's remuneration is reviewed regularly to ensure that it is market-related and fair.					
2.26. Companies should disclose the remuneration of each individual Director and certain Senior Executives.	There is full disclosure of director's remuneration in the annual report.					
2.27. Shareholders should approve the Company's remuneration policy.	The Company's remuneration policy is approved by the Board				Shareholders approve Board remuneration and executive remuneration is approved at HR committee level.	

KING III INTEGRATED REPORT CHECKLIST (CONTINUED)

Current level of compliance: Full   Partial   None

Summary of King III principles	Status	2015	2016	2017	Action plans for remaining issues	Due dates
CHAPTER 3 - AUDIT COMMITTEES						
3.1. The Board should ensure that the Company has an effective and independent Audit Committee.	The Board has an effective and independent Audit and Risk Committee in place.					
3.2. Audit Committee members should be suitably skilled and experienced independent Non-Executive Directors.	Both independent Non-Executive Directors that sit on the Committee are experts in their fields.					
3.3. The Audit Committee should be chaired by an Independent Non-Executive Director.	Currently the Committee is chaired by a Non-Executive Director.				Chairman of the Audit and Risk Committee is required to have an actuarial background, therefore this will not change in the medium term	
3.4. The Audit Committee should oversee integrated reporting.	The Annual Report is fully compliant with the key principles of integrated reporting.					
3.5. The Audit Committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities.	The BIHL CAM.					
3.6. The Audit Committee should satisfy itself of the expertise, resources and experience of the Company's finance function.	Suitably qualified individuals have been appointed to oversee all financial aspects of the Company.					
3.7. The Audit Committee should be responsible for overseeing of Internal Audit.	Internal Audit reports into the Audit and Risk Committee.					
3.8. The Audit Committee should be an integral component of the risk management process.	Currently the Committee establishes the extent to which management has established effective risk management in the Group by reviewing the risk policy and strategies for the Group.					
3.9. The Audit Committee is responsible for recommending the appointment of the External Auditor and overseeing the external audit process.	The Committee makes recommendations to the Board regarding the appointment of the External Auditors. The Committee also reviews the external audit plan to ensure that key significant areas are covered.					
3.10. The Audit and Risk Committee should report to the Board and shareholders on how it has discharged its duties.	The Chairperson of the Committee reports to each Board meeting and gives feedback from the Committee's findings and recommended actions.					

KING III INTEGRATED REPORT CHECKLIST (CONTINUED)

Current level of compliance: Full ■ Partial ■ None ■

Summary of King III principles	Status	2015	2016	2017	Action plans for remaining issues	Due dates
CHAPTER 4 - THE GOVERNANCE						
4.1. The Board should be responsible for the governance of risk.	BIHL Risk Assurance Framework, which includes the Risk Management Policy is in place. The Policy is reviewed annually.	Full	Full	Full		
4.2. The Board should determine the levels of risk tolerance.	Group risk appetites and thresholds are reviewed and approved annually.	Full	Full	Full		
4.3. The Risk Committee or Audit Committee should assist the Board in carrying out its risk responsibilities.	The Audit and Risk Committee has been delegated through the Audit and Risk Committee Charter and discusses the Risk Reports quarterly during Audit and Risk Committee meeting.	Full	Full	Full		
4.4. The Board should delegate to management the responsibility to design, implement and monitor the risk management plan.	The Audit and Risk Committee has been delegated through the Audit and Risk Committee Charter and monitors risk through the risk management plan in terms of the Risk Policy.	Full	Full	Full		
4.5. The Board should ensure that risk assessments are performed on a continual basis.	Risk assessments are conducted continuously in terms of the risk management plan and reported through the Risk Report. Self–assessments of the risk management framework are conducted and the result shared with the Board.	Full	Full	Full		
4.6. The Board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks.	Risk is identified, assessed and monitored in accordance with the risk management process in terms of the Risk Policy.	Full	Full	Full		
4.7. The Board should ensure that management considers and implements appropriate risk responses.	Risk reports indicating identified risks and management action by management is submitted to the Board quarterly.	Full	Full	Full		
4.8. The Board should ensure continuous risk monitoring by management.	The Board reviews the management action on the quarterly Risk Report	Full	Full	Full		
4.9. The Board should receive assurance regarding the effectiveness of the risk management process.	A self–assessment exercise is conducted annually and the results shared with the Board.	Full	Full	Full		
4.10. The Board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders.	A Combined Assurance Model (CAM) exercise is conducted and the results shared with the Board.	Full	Full	Full		

KING III INTEGRATED REPORT CHECKLIST (CONTINUED)

Current level of compliance: Full ■ Partial ■ None ■

Summary of King III principles	Status	2015	2016	2017	Action plans for remaining issues	Due dates
CHAPTER 5 - THE GOVERNANCE OF INFORMATION TECHNOLOGY						
5.1. The Board should be responsible for Information Technology (IT) Governance.	The BIHL IT Governance Charter. This sets out Boards responsibilities with respect to IT. Tight-loose matrix was delivered. On-going reporting at each Board meeting.					
5.2. IT should be aligned with the performance and sustainability objectives of the Company.	IT department is represented at all subsidiary (business) strategy meetings in order that implementation of the business strategy is known and prepared for by IT. Each subsidiary has an EXCO member who sits on the Group IT Steerco and is responsible for IT strategy.					
5.3. The Board should delegate to management the responsibility for the implementation of an IT Governance Framework.	There is an IT Steering Committee and various project Steerco's. IT Governance is executed through these as well as Excos, Mancos.					
5.4. The Board should monitor and evaluate significant IT investments and expenditure.	Approval for significant IT projects is sought from the Board. The Board is kept informed on project progress by the project owner. Done on an ongoing basis					
5.5. IT should form an integral part of the company's risk management.	Done on an ongoing basis					
5.6. The Board should ensure that information assets are managed effectively.	The Board relies on Internal Audit to monitor but information is rigorously archived and retained far beyond the statutory 7 year requirement on the IT Platform. Information Security is not only about information in computers.				.	
5.7. A Risk Committee and Audit Committee should assist the Board in carrying out its IT responsibilities.	Reporting on IT is done through the Audit and Risk Committee.					
CHAPTER 6 - COMPLIANCE WITH LAWS, CODES, RULES AND STANDARDS						
6.1. The Board should ensure that the Company complies with applicable laws and considers adherence to non-binding rules, codes and standards.	Compliance Policy approved is in place. The Policy is reviewed annually.					
6.2. The Board and each individual director should have a working understanding of the effect of the applicable laws, rules, codes and standards on the Company and its business.	This is done as part of the induction of Directors, and on an ongoing basis.					
6.3. Compliance should form an integral part of the Company's risk management process.	Implementation of the approved Compliance Policy has been done through presentations of various compliance tools forming part of the Policy to relevant stakeholders at the businesses. A Compliance Framework has been developed and presented for adoption					
6.4. The Board should delegate to management the implementation of an effective Compliance Framework and processes.	Compliance Framework developed in line with Compliance Policy has been shared with relevant stakeholders at the businesses for adoption.					

KING III INTEGRATED REPORT CHECKLIST (CONTINUED)

Current level of compliance: Full ■ Partial ■ None ■

Summary of King III principles	Status	2015	2016	2017	Action plans for remaining issues	Due dates
CHAPTER 7 – INTERNAL AUDIT						
7.1. The Board should ensure that there is an effective risk-based internal audit.	There is an internal audit function provided by Sanlam. A senior local resource is also in place.	Full	Full	Full		
7.2. Internal audit should follow a risk-based approach to its plan.	Internal audit follow a risk-based approach.	Full	Full	Full		
7.3. Internal audit should provide a written assessment of the effectiveness of the Company's system of internal controls and risk management.	Internal audit provides a written assessment of the controls on an annual basis.	Full	Full	Full		
7.4. The Audit Committee should be responsible for overseeing internal audit.	Internal audit reports directly to Audit and Risk Committee quarterly and their annual plan and budget are approved by the Audit and Risk Committee.	Full	Full	Full		
7.5. Internal Audit should be strategically positioned to achieve its objectives.	The Internal Audit is strategically positioned to achieve its objectives.	Full	Full	Full		
CHAPTER 8 - GOVERNING STAKEHOLDER RELATIONSHIPS						
8.1. The Board should appreciate that stakeholders' perceptions affect a Company's reputation.	The Group is committed to a policy of effective communication and engagement with its stakeholders on issues of mutual interest.	Full	Full	Full		
8.2. The Board should delegate to management to proactively deal with stakeholder relationships.	Management has been delegated the powers to deal with directives, financial results presentations, press conferences, personal meetings, client briefings, annual reports and preparations for the annual and other general meetings.	Full	Full	Full		
8.3. The Board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the Company.	The Board has the responsibility to ensure that satisfactory and transparent engagement takes place with all stakeholders.	Full	Full	Full		
8.4. Companies should ensure the equitable treatment of shareholders.	The Board ensures that key company information is disseminated to all stakeholders at the same time.	Full	Full	Full		
8.5. Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence.	There is the Annual Report, AGM and results announcements, and other press briefings.	Full	Full	Full		
8.6. The Board should ensure that disputes are resolved effectively, efficiently and expeditiously as possible.	The Board takes a keen interest in ensuring that material disputes are resolved amicably.	Full	Full	Full		
CHAPTER 9 – INTEGRATED REPORTING AND DISCLOSURES						
9.1. The Board should ensure the integrity of the Company's integrated report.	The Board reports annually on the performance of the company issues of corporate governance and annual financial statements in the Annual Report.	Full	Full	Full		
9.2. Sustainability reporting and disclosure should be integrated with the Company's financial reporting.	The Board presents in the Annual report a balanced and understandable assessment of the Company's position and prospects including a section on sustainability.	Full	Full	Full		
9.3. Sustainability reporting and disclosure should be independently assured.	Financial reporting is prepared in accordance with International Financial Reporting Standards and the Botswana Companies Act.	Full	Full	Full		

RISK MANAGEMENT

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

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

COMBINED ASSURANCE MODEL

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

We consider CAM at Botswana Life and Bifm level as appropriate given the risk profiles, business size and maturity of these entities.

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

THREE LINES OF DEFENCE GOVERNANCE MODEL

01 First Line of Defence (Management)

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

02 Second Line of Defence (Internal Assurance Providers)

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

03 Third Line of Defence (External Assurance Providers)

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

RISK MANAGEMENT (CONTINUED)

Insurance Industry Act, 2015
The new Insurance Industry Act has been promulgated and is currently on notice. The regulations to be applied in conjunction with the new Act have not yet been shared with the Industry, but in the meantime a compliance plan to the new legislative requirements has been shared with business to commence alignment of the business processes to the changes

THE RETIREMENT FUND ACT, 2017

The Retirement Fund Act was introduced in April 2017, repealing the Pension & Provident Fund Act. A compliance plan was developed following the impact analysis of the legislation. The compliance plan addresses key areas to ensure continued operational efficiency and adherence to the regulatory changes.

FINANCIAL INTELLIGENCE ACT 2009

Though the FIAct was introduced in 2009, the results of a National Risk Assessment report released in 2017 highlighted compliance gaps which necessitated the Insurance Industry and other Financial Institutions to tighten their internal controls to combat risks of money laundering and financing of terrorism. The group has developed plans to close all the gaps in order to fully comply.

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

"Our team is made up of dedicated individuals who are all committed to playing their part in engineering the future."

RISK MANAGEMENT (CONTINUED)

RISK

Types
The Group is exposed to the following main risks:

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

3.5

Principle of King III Code

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

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

RISK MANAGEMENT (CONTINUED)

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

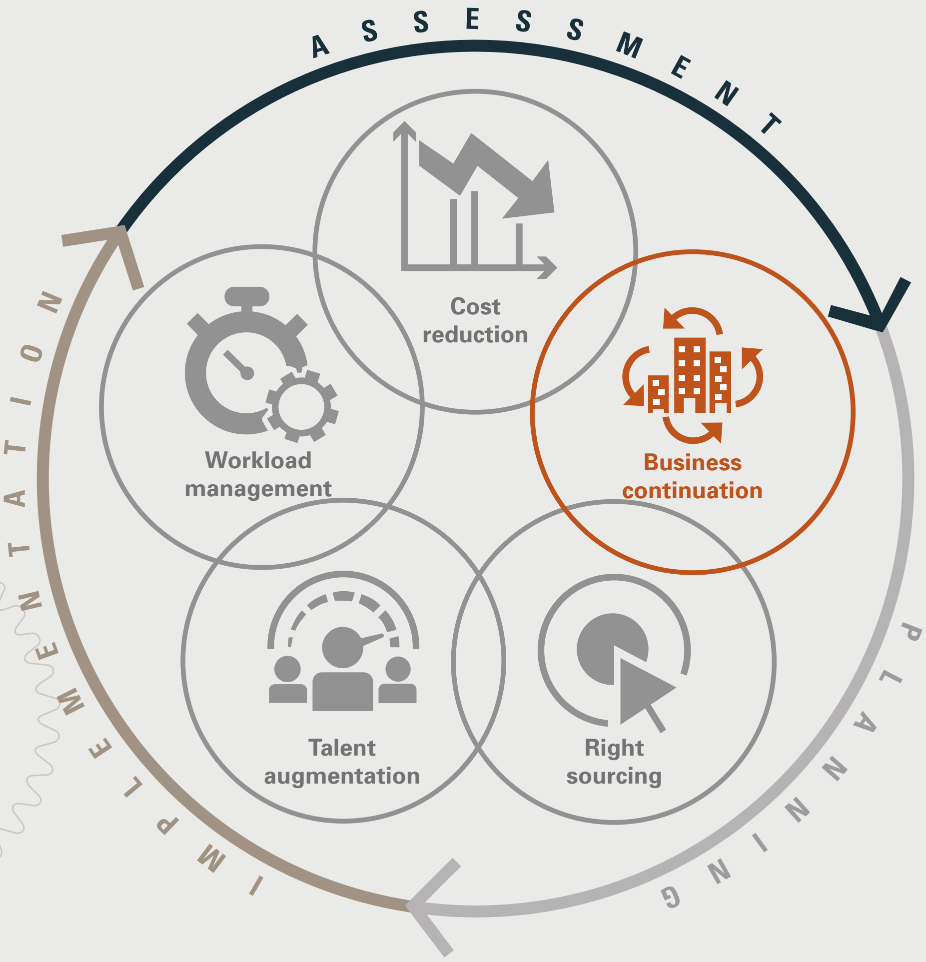
RISK MANAGEMENT (CONTINUED)

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

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

RISK MANAGEMENT (CONTINUED)

BUSINESS CONTINUITY MANAGEMENT



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

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

During the review period, the Disaster Recovery site in Phakalane and the BCM site in Kgale were further enhanced with upgrades to the communications infrastructure that connects the sites. The seating capacity at the BCM site was increased, and a facility to allow for IP telephony installed.

There were several successful simulation tests of the Business Continuity and DR plans during the year. These tests are performed to gauge the business preparedness in the event of an actual disruption. The results of these tests are used to note any gaps in processes or resources that are then remedied prior to the next scheduled test.

The BIHL Group continues to organise training workshops for Business Continuity Champions as well as management and staff to firmly embed a culture of BCM in support of the Group's business objectives.

05

Annual Financial Statements

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


BIHL GROUP

DIRECTORS' REPORT

The Board of Directors of Botswana Insurance Holdings Limited ("the Company") has pleasure in submitting its report and the audited financial statements of the Company and its subsidiaries for the year ended 31 December 2017.

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 2017.

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

Results for the Year
The Group reported a net profit, after tax, for the year to 31 December 2017 of P349 million (31 December 2016: P475 million). Shareholders' equity at 31 December 2017 was P2.958 billion (31 December 2016: P2.937 billion). The results are fully explained in the financial statements.

Stated Capital
The issued and fully paid share capital at 31 December 2017 of 282,370,652 ordinary shares (December 2016: 281,070,652).

Dividends
A gross interim dividend of 55 thebe (2016: 55 thebe) per share was declared during the year. The directors propose a final dividend of 67 thebe (2016: 67 thebe) per share and a special dividend of 35 thebe (2016: Nil), making the total dividend for the year 157 thebe per share (31 December 2016: 122 thebe per share).

Directors' Shareholdings
The aggregate number of Botswana Insurance Holdings Limited shares held directly or indirectly by directors of the Company was 214,087 (31 December 2016: 451,367). Details of the holding of these shares are disclosed in note 19 to the financial statements.

Events Subsequent to the Reporting Date
Refer to Note 27 to the financial statements for the disclosures on events subsequent to the reporting date

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

Company Secretary and Registered Address
H Ndzinge
Fairgrounds Office Park,
Plot 66458
P. O. Box 336,
Gaborone

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

Statutory Actuary
Edwin Splinter

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

DIRECTORS' STATEMENT OF RESPONSIBILITY

The Directors of the Group and Company are responsible for the annual financial statements and all other information presented therewith

Their responsibility includes the maintenance of true and fair financial records and the preparation of annual financial statements in accordance with International Financial Reporting Standards and in the manner required by the Insurance Industry Act (CAP 46:01) and the Companies Act (CAP 42:01).

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

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

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

The annual financial statements set out here were authorised for issue by the board of Directors on 29 May 2018 and were signed on their behalf by:

B Dambe-Groth
Chairperson

C Lesetedi
Group Chief Executive Officer

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated and separate financial statements of Botswana Insurance Holdings Limited (the Group) set out on pages 105 to 193, which comprise the consolidated and separate statements of financial position as at 31 December 2017, and the consolidated and separate income statements, statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, and the notes, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of the Botswana Insurance Holdings Limited as at 31 December 2017, and of its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act (CAP 42:01) and the Insurance Industry Act (CAP 46:01).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and other independence requirements applicable to performing the audit of the Group.

We have fulfilled our other ethical responsibilities in accordance with the IESBA Code, and in accordance with other ethical requirements applicable to performing the audit of the Group. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

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

Key Audit Matter	How the matter was addressed in the audit
1. Valuation of policyholder liabilities under insurance contracts (Consolidated financial statements) As described in note 8 Policyholder liabilities, the Group has significant insurance contract liabilities stated at P9.4 billion at December 31, 2017 representing 74% of the Group's total liabilities. We considered the valuation of policyholder liabilities under insurance contracts to be significant to the audit of the Botswana Insurance Holdings Limited (Group). Actuarial assumptions and methodologies used in the valuation involve judgements about future events, both external and internal to the Group, for which small changes may result in a material impact to the valuation of insurance contract liabilities. Economic assumptions, such as risk discount rates and allowance for credit defaults, and other actuarial assumptions such as expense assumptions, mortality, longevity, disability and morbidity and persistency rates, are key inputs used to estimate these long-term liabilities. Furthermore, the Group changed its yield curve methodology with effect from 1 January 2017 for annuities to improve the matching position and allow for the utilisation of additional explicit discretionary reserves to mitigate severe adverse investment market impacts, which required additional auditor attention.	We performed the following audit procedures, among others: • We tested the effectiveness of key internal controls over the actuarial process including management's determination and approval process for setting of economic and actuarial assumptions. • We involved EY's internal actuarial specialists to assist us in performing our audit procedures over the models and assumptions • We considered the appropriateness of the methodologies and models used, which may vary depending on the specifications of the policy. • Our assessments of the assumptions included challenging, as necessary, specific economic and actuarial assumptions, considering management's rationale for the actuarial judgments applied, along with comparison to applicable industry experiences. • Where appropriate, we have tested the mathematical accuracy of the calculations performed. • We evaluated the key sources of profit and loss and assessed management's analysis of movements in insurance contract liabilities and obtained evidence to support large or unexpected movements.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Key Audit Matter	How the matter was addressed in the audit
	• We considered the level of margins held, management's justification for holding these margins and how these will be released in the future. • We performed procedures to evaluate management's grouping of data for input into the actuarial valuation models. • We also assessed the adequacy of the disclosures regarding these liabilities in the consolidated financial statements to determine they were in accordance with IFRS.
2. Valuation of unlisted bonds (Consolidated financial statements) We considered the valuation of unlisted bonds to be significant to the audit due to the sensitivity thereof to the various unobservable valuation inputs, uncertain future cash flows and assumptions that require considerable judgement. Refer to Note 25 of the Group financial statements (Fair Value Disclosures),	We performed the following audit procedures, among others: • We assessed the methodology and the appropriateness of the valuation models used to value the unlisted bonds. • We tested the accuracy of key inputs used in the valuation by comparing the expected cash flows to contracted amounts, comparing the risk free rates to external data and benchmarking the credit spreads to the internal group matrix localised for country specific factors where necessary. • We involved our internal valuation specialists to reconstruct the yield curve used. • We also evaluated the company's assessment of whether objective evidence of impairment exists for individual investments. • We tested the mathematical accuracy of calculations performed. • We assessed the completeness and accuracy of the disclosures relating to investments to assess compliance with IFRS disclosure requirements, specifically the fair value hierarchy disclosures.
3. Impairment assessment of investments in associates (Consolidated and Separate financial statements) The consideration of impairment for the two most significant associates of the Group, Nico Holdings Limited and Letshego Holdings Limited, required additional focus in the current year due to the difficult economic environment in which these associates operate. Nico operates in Malawi which is exposed to severe currency fluctuations whilst Letshego operates in the micro-financing industry through its subsidiaries across Africa which experienced difficulties in the current market environment. These uncertain circumstances create difficulties in determining the appropriateness of the assumptions such as growth rates and risk discount rates used in the discounted cash flow (DCF) model which is used to assess the potential impairment of these associates. The consideration of Letshego related to the consolidated financial statements only and the consideration of Nico related to both the consolidated and separate financial statements. Refer to Note 4.5 of the financial statements (Investments in associates and joint ventures).	We performed the following audit procedures, among others: • We evaluated the cash flow projections used for valuation against the associates most recent financial performance and considered the appropriateness of key inputs. • We focused on the long-term growth rates used to extrapolate the cash flows and the risk discount rates. We compared these to available industry, economic and financial data, and to market outlook. • We assessed the historical accuracy of management's forecasts, and compared current performance to forecasts. • We involved our internal valuation specialists to assist in performing and evaluating the Discounted Cash Flow models, particularly in determining the risk discount rate for each associate. • We tested the mathematical accuracy of the models used. • We also assessed the adequacy of the disclosures regarding the associates in the consolidated financial statements to determine they were in accordance with IFRS.

Other Information

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

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

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

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

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

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

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

Ernst + Young

Ernst & Young
Practicing member: Thomas Chitambo

Partner
Certified Auditor
Membership number: 20030022
Gaborone

30 May 2018

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

GROUP CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

		Group		Company	
		2017	2016	2017	2016
	Note	P'000	P'000	P'000	P'000
Assets					
Property and equipment	2	155,350	156,006	5,242	7,369
Intangible assets	3	92,273	100,357	1,227	1,542
Investment property	4.4	112,101	110,747	-	-
Investments in associates and joint ventures	4.5	1,714,610	1,878,439	236,880	266,711
Long-term reinsurance assets	8.5	2,417	2,936	-	-
Interest in subsidiaries	4.5	-	-	301,217	257,245
Non-current asset held for sale	4.6	54,222	94,396	-	-
Financial assets at fair value through profit or loss		12,960,069	11,024,458	-	-
Bonds (Government, public authority, listed and unlisted corporates)	4.1	7,585,630	7,036,769	-	-
Investment in property funds and companies	4.4	244,021	153,584	-	-
Equity investments (Local and foreign)	4.2	3,656,189	3,322,194	-	-
Policy loans and other loan advances	4.3	496,229	416,530	-	-
Money market instruments	4.1	978,000	95,381	-	-
Insurance and other receivables	5	290,858	203,977	2,414	11,762
Tax refund due	16	4,809	248	-	329
Related party balances	19	-	-	54,391	12,176
Cash, deposits and similar securities	23	184,254	819,280	82,368	14,406
Total assets		15,570,963	14,390,844	683,739	571,540
Equity and Liabilities					
Equity attributable to equity holders of parent					
Stated capital	6	154,936	130,821	154,936	130,821
Non - distributable reserves	7	397,914	444,269	28,608	25,063
Retained earnings		2,388,707	2,341,425	453,418	382,702
Total equity attributable to equity holders of parent		2,941,557	2,916,515	636,962	538,586
Non- controlling interests	9	16,823	20,583	-	-
Total equity		2,958,380	2,937,098	636,962	538,586
Liabilities					
Policyholder liabilities under:	8	12,218,341	10,956,497	-	-
Insurance contracts		9,388,540	8,800,323	-	-
Investment contracts		2,829,801	2,156,174	-	-
Deferred tax liability	10	9,702	17,620	892	892
Insurance and other payables	11	364,724	459,773	21,511	29,879
Non life insurance contracts liabilities	11.1	-	9,525	-	-
Tax payable	16	-	4,083	1,845	-
Related party balances	19	4,134	6,248	22,529	2,183
Liabilities classified as held for sale	4.6	15,682	-	-	-
Total equity and liabilities		15,570,963	14,390,844	683,739	571,540

GROUP CONSOLIDATED INCOME STATEMENT

As at 31 December 2017

	Note	Group 2017 P'000	Group 2016 P'000	Company 2017 P'000	Company 2016 P'000
Revenue			Restated		
Net insurance premium income	12	2,320,046	2,074,927	-	-
Gross insurance premium income		2,351,260	2,102,035	-	-
Insurance premium ceded to reinsurers		(31,214)	(27,108)	-	-
Other investment income		719,020	3,203	428,806	356,571
Fee revenue		103,075	91,176	-	-
Investment income	13	658,193	752,120	428,806	356,571
Profit on sale of associates		12,993	-	-	-
Net loss from financial assets held at fair value through profit and loss	13.1	(55,241)	(840,093)	-	-
Net Income		3,039,066	2,078,130	428,806	356,571
Net insurance and investment contract benefits and claims		(2,027,157)	(1,104,613)	-	-
Gross insurance benefits and claims	14	(1,381,519)	(1,541,590)	-	-
Reinsurance claims	14	6,992	8,371	-	-
Change in liabilities under investment contracts	8.1	(64,932)	676,641	-	-
Change in policy holder liabilities under insurance contracts	8.1	(588,217)	(248,141)	-	-
Change in contract liabilities ceded to reinsurers	8.7	519	106	-	-
Expenses		(660,458)	(622,819)	(15,184)	(87,145)
Sales remuneration		(336,295)	(312,255)	-	-
Administration expenses	15	(324,163)	(310,564)	(15,184)	(87,145)
Profit before share of profit of associates and joint ventures		351,451	350,698	413,622	269,426
Share of profit of associates and joint ventures	4.5	72,927	224,671	-	-
Profit before tax		424,378	575,369	413,622	269,426
Income tax expense	16	(76,092)	(100,581)	(24,580)	(26,624)
Profit for the year from continuing operations		348,286	474,788	389,042	242,802
Discontinued operations					
Profit for the year from discountinued operations	4.6	1,041	524	-	-
Profit for the year		349,327	475,312	389,042	242,802
Profit attributable to:					
- Equity holders of the parent from continuing operations		348,016	473,589	389,042	242,802
- Equity holders of the parent from discontinuing operations	4.6	1,041	524	-	-
- Non-controlling interests from continuing operations	9.1	270	1,199	-	-
		349,327	475,312	389,042	242,802
Earnings per share (thebe) (attributable to ordinary equity holders of the parent)					
- basic	17	127	174		
- diluted	17	126	171		
Earnings per share (thebe) from continuing operations					
- Basic		126	174		
- Diluted		125	171		

GROUP CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

As at 31 December 2017

	Note	Group 2017 P'000	Group 2016 P'000 Restated	Company 2017 P'000	Company 2016 P'000
Profit for the year		349,327	475,312	389,042	242,802
Other comprehensive income					
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):					
Exchange differences on translation of foreign operations	7	(33,589)	(145,686)	-	-
Total comprehensive income for the year		315,738	329,626	389,042	242,802
Total comprehensive income attributable to:					
- Equity holders of the parent		314,427	327,903	389,042	242,802
- Equity holders of the parent from discontinued operations		1,041	524	-	-
- Non-controlling interests		270	1,199	-	-
		315,738	329,626	389,042	242,802

GROUP CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 31 December 2017

	Equity attributable to equity holders of the parent				
	Stated capital P'000	Treasury shares P'000	Share based payment reserve P'000	Capital Reserve Account P'000	Solvency Reserve Account P'000
GROUP					
Balance at 1 January 2016	130,821	(65,917)	105,355	532,974	946
Total comprehensive income	-	-	-	-	-
Profit for the year	-	-	-	-	-
Foreign currency translation	-	-	-	-	-
Share based payment expense (Note 7)	-	-	11,816	-	
(Transfer to statutory reserves)/transfer from retained income	-	-	-	100,588	-
(Transfer from consolidation reserve)/ Transfer to retained income	-	-	-	-	-
Cost of treasury shares (acquired)/disposed	-	170	-	-	-
Dividends paid	-	-	-	-	-
Balance at 31 December 2016	130,821	(65,747)	117,171	633,562	946
Total comprehensive income	-	-	-	-	-
Profit for the year	-	-	-	-	-
Foreign currency translation	-	-	-	-	-
Share based payment expense (Note 7)	-	-	8,109	-	
(Transfer to statutory reserve)/ Transfer from retained income	-	-	(42,100)	26,946	507
(Transfer from consolidation reserve)/ Transfer to retained income *	-	-	-	-	-
Cost of treasury shares (acquired)/disposed	-	8	-	-	-
Dividends paid	-	-	-	-	-
Issue of new Shares	24,115	-	-	-	-
Other movements in reserves	-	-	-	-	-
Change in reserves in associates	-	-	-	-	-
Balance at 31 December 2017	154,936	(65,739)	83,180	660,508	1,453
COMPANY					
Balance at 1 January 2016	130,821	-	11,460	9,762	-
Profit for the year	-	-	-	-	-
Share based payment expense	-	-	3,841	-	-
Dividends paid	-	-	-	-	-
Balance at 31 December 2016	130,821	-	15,301	9,762	-
Profit for the year	-	-	-	-	-
Share based payment expense	-	-	3,545	-	-
Issue of new Shares	24,115	-	-	-	-
Dividends paid	-	-	-	-	-
Balance at 31 December 2017	154,936	-	18,846	9,762	-

Total dividend per share for the year was 122 thebe per share (2016:122 thebe) gross of withholding tax.

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

GROUP CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

Equity attributable to equity holders of the parent						
Foreign currency translation reserve	Consolidatio reserve	Total non-distributable reserves	Retained income	Total	Non -controlling interest	Total Equity
P'000	P'000	P'000	P'000	P'000	P'000	P'000
15,895	(104,572)	484,681	2,297,105	2,912,607	18,474	2,931,081
(145,686)	-	(145,686)	474,112	328,426	1,199	329,625
-	-	-	474,112	474,112	1,199	475,311
(145,686)	-	(145,686)	-	(145,686)	-	(145,686)
-	-	11,816	-	11,816	-	11,816
-	-	100,588	(100,588)	-	-	-
-	(11,900)	(11,900)	11,900	-	-	-
-	4,600	4,770	1,801	6,571	910	7,481
-	-	-	(342,906)	(342,906)		(342,906)
(129,791)	(111,872)	444,269	2,341,424	2,916,515	20,583	2,937,098
(33,589)	-	(33,589)	349,057	315,468	270	315,738
-	-	-	349,057	349,057	270	349,327
(33,589)	-	(33,589)	-	(33,589)	-	(33,589)
-	-	8,109	-	8,109	-	8,109
-	-	(14,647)	14,647	-	-	-
-	(7,509)	(7,509)	7,509	-	-	-
-	1,273	1,281	(4,079)	(2,799)		(2,799)
-	-	-	(342,906)	(342,906)	(4,030)	(346,936)
-	-	-	-	24,115	-	24,115
-	-	-	51,875	51,875	-	51,875
-	-	-	(28,820)	(28,820)	-	(28,820)
(163,380)	(118,108)	397,914	2,388,707	2,941,557	16,823	2,958,380
-	-	21,222	457,088	609,131	-	609,131
-	-	-	242,802	242,802	-	242,802
-	-	3,841	-	3,841	-	3,841
-	-	-	(317,188)	(317,188)	-	(317,188)
-	-	25,063	382,702	538,586	-	538,586
-	-	-	389,042	389,042	-	389,042
-	-	3,545	-	3,545	-	3,545
-	-	-	-	24,115	-	24,115
-	-	-	(318,326)	(318,326)	-	(318,326)
-	-	28,608	453,418	636,962	-	636,962

GROUP CONSOLIDATED STATEMENT OF CASH FLOWS

As at 31 December 2017

	Note	Group 2017 P'000	Group 2016 P'000	Company 2017 P'000	Company 2016 P'000
Net cashflows from operating activities		1,047,859	985,603	83,489	92,112
Cash generated from operations	22	1,206,418	1,168,158	(557)	78,514
Interest received		88,360	69,051	823	3,227
Dividend received from equity investments		89,597	98,313	-	-
Dividend received from subsidiaries		-	-	423,955	353,344
Dividend received from associates and joint ventures		101,354	108,644	-	-
Tax paid	16.1	(90,934)	(115,657)	(22,406)	(25,785)
Dividend paid		(346,936)	(342,906)	(318,326)	(317,188)
Net cashflows utilised in investing activities		(1,682,885)	(1,221,409)	(15,527)	(125,566)
Purchase of property and equipment	2	(9,296)	(9,913)	(271)	(1,354)
Purchase of computer software	3	(5,835)	(15,725)	(456)	-
Decrease/(increase) in investment in associates and joint ventures	4.5	232,661	(265,420)	(14,800)	(124,212)
Net withdrawals of investments		(1,900,415)	(930,351)	-	-
Net (decrease)/increase in cash and cash equivalents		(635,026)	(235,806)	67,962	(33,454)
Cash and cash equivalents at the beginning of the year		819,280	1,055,086	14,406	47,860
Cash and cash equivalents at the end of the year	23	184,254	819,280	82,368	14,406

The money market instruments on the face of the SOFP amounting to P978 million (2016: P95 million) are policyholder assets and are not available for use by BIHL. As a result, the change in cash flows of the money market instruments have been included in the net cash flows from investing activities on the statement of cash flows.

BASIS OF PRESENTATION AND ACCOUNTING POLICIES

for the year ended 31 December 2017

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

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

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

1. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

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

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

The assets, liabilities and activities of the policyholders and shareholders in respect of the life insurance business are managed separately and are governed by the valuation bases for policy liabilities and profit entitlement rules, which are determined in accordance with prevailing legislation, IFRS and generally accepted actuarial practice. The valuation bases in respect of policy liabilities and the profit entitlement of shareholders are set out on page 117. The Financial Soundness Valuation methodology as outlined in the report of the Statutory Actuary is equivalent to the liability adequacy test.

2. BUSINESS COMBINATIONS

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

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date through profit or loss. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed an asset or liability, will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be re-measured until it is finally settled within equity.

3. CHANGES IN ACCOUNTING POLICIES

New and amended standards and interpretations

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2017. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the impact of each new standard and amendment is described below. Although these new standards and amendments applied for the first time in 2017, they did not have a material impact on the annual consolidated financial statements of the Group.

IAS 7 Disclosure Initiative – Amendments to IAS 7

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods.

BIHL Group adopted the standard on 1 January 2017. The Group's liabilities towards policyholders have detailed disclosures regarding net cash flows and fair value changes. The liabilities relating to shareholders consist of trade and other payable balances. The Group does not have liabilities arising from financing activities, therefore the adoption of the standard did not result in significant changes to the current disclosures or results of the Group. The Group has included additional disclosures associated with changes in liabilities as reflected in the statement of cash flows.

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

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

BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

for the year ended 31 December 2017

3. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. These amendments did not have any impact on the Groups financial statements.

Annual Improvements 2014-2016 Cycle
These improvements include:

IFRS 12 Disclosure of Interests in Other Entities - Clarification of the scope of the disclosure requirements

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale. The amendments are effective from 1 January 2017 and must be applied retrospectively.

The amendment will result in additional disclosures in the Group's financial statements if the entity's interest in an associate are classified as held for sale in future.

IAS 7 Disclosure Initiative – Amendments to IAS 7

Effective for annual periods beginning on or after 1 January 2017.

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and help users of financial statements better understand changes in debt.

The amendments require the Group to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendment, BIHL Group is not required to provide comparative information for preceding periods. Early application is permitted.

BIHL Group adopted the standard on 1 January 2017.
The Group's liabilities towards policyholders have detailed disclosures regarding net cash flows and fair value changes. The liabilities relating to shareholders consist of trade and other payable balances. The Group does not have liabilities arising from financing activities, therefore the adoption of the standard did not result in significant changes to the current disclosures or results of the Group.

Standards issued but not yet effective

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

New or revised standards and interpretations:

NEW OR REVISED STANDARDS	Effective for accounting period beginning on or after
IFRS 9 Financial Instruments	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 2 Classification and Measurement of Share-based Payment Transactions - Amendments to IFRS 2	1 January 2018
Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - Amendments to IFRS 4	1 January 2018
Transfers of Investment Property (Amendments to IAS 40)	1 January 2018
IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
IFRS 1 First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters	1 January 2018
IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment - by - investment choice	1 January 2018
IFRS 16 Leases	1 January 2019
IFRIC 23 Uncertainty over income tax treatments	1 January 2019
Prepayment Features with Negative Compensation - Amendments to IFRS 9	1 January 2019
Long-term Interests in Associates and Joint Ventures - Amendments to IAS 28	1 January 2019
IFRS 3 Business Combinations - Previously held interests in a joint operation	1 January 2019
AIP IFRS 11 Joint Arrangements - Previously held interests in a joint operation	1 January 2019
IAS 12 Income Taxes - Income tax consequences of payments on financial instrument classified as equity	1 January 2019
IAS 23 Borrowing Costs - Borrowing costs eligible for capitalisation	1 January 2019
IFRS 17 Insurance contracts	1 January 2021
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or indefinitely Joint Venture	Effective date deferred indefinitely

The above new standards and amendments to existing standards issued but not yet effective are not expected to have an impact on the Company except for IFRS 9, IFRS 15, IFRS 16 and IFRS 17 as listed below:

BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

for the year ended 31 December 2017

IFRS 9 Financial Instruments: Classification and Measurement of Financial Assets

The Group will adopt IFRS 9 using a modified approach when it becomes effective on 01 January 2018

Classification and measurement of financial assets
From a classification and measurement perspective, the new standard will require all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

The IAS 39 measurement categories will be replaced by: Fair value through profit or loss (FVPL), fair value through other comprehensive income (FVOCI), and amortised cost. IFRS 9 will also allow entities to continue to irrevocably designate instruments that qualify for amortised cost or fair value through OCI instruments as FVPL, if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Equity instruments that are not held for trading may be irrevocably designated as FVOCI, with no subsequent reclassification of gains or losses to the income statement. The accounting for financial liabilities will largely be the same as the requirements of IAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at FVPL. Such movements will be presented in OCI with no subsequent reclassification to the income statement, unless an accounting mismatch in profit or loss would arise.

Having completed its initial assessment, the Group has concluded that:

- Insurance and other receivables, cash, deposits and similar securities which are classified as loans and receivables under IAS 39 are expected to be measured at amortised cost under IFRS 9
- Related party balances, insurance and other payables and short term insurance contract liabilities- currently measured at amortised costs will continue to be measured at amortised cost under IFRS 9.
- Financial assets and liabilities designated at FVPL are expected to continue to be measured at FVPL
- Debt instruments are subsequently measured at fair value through profit or loss (FVTPL), amortised cost, or fair value through other comprehensive income (FVOCI), on the basis of their contractual cash flows and the business model under which the debt instruments are held.

Impairment
IFRS 9 will also fundamentally change the loan loss impairment methodology. The standard will replace IAS 39's incurred loss approach with a forward-looking expected loss (ECL) approach. The Group will be required to record an allowance for expected losses for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts. The allowance is based on the expected credit losses associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination, in which case, the allowance is based on the probability of default over the life of the asset.

The Group has established a policy to perform an assessment at the end of each reporting period of whether credit risk has increased significantly since initial recognition by considering the change in the risk of default occurring over the remaining life of the financial instrument.

- To calculate ECL, the Group will estimate the risk of a default occurring on the financial instrument during its expected life. ECLs are estimated based on the present value of all cash shortfalls over the remaining expected life of the financial asset, i.e., the difference between: the contractual cash flows that are due to the Group under the contract, and
- The cash flows that the Group expects to receive, discounted at the effective interest rate of the loan. In comparison to IAS 39, the Group expects the impairment charge under IFRS 9 to be more volatile than under IAS 39 and to result in an increase in the total level of current impairment allowances.

IFRS 9 Financial Instruments: Classification and Measurement of Financial Assets

Hedge accounting
The Group does not apply hedge accounting.

IFRS 15 - Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Group expects to apply IFRS 15 using the modified retrospective application. Given insurance contracts are scoped out of IFRS 15, the Group expects the main impact of the new standard to be on the accounting for income from administrative services. Leases will continue to fall outside the scope of IFRS 15 and will be regulated by IFRS 16 Leases. The Group does not expect the impact to be significant.

IFRS 16 Leases

The new standard does not significantly change the accounting for leases for lessors. However, it does require lessees to recognise most leases on their balance sheets as lease liabilities, with the corresponding right-of-use assets. Lessees must apply a single model for all recognised leases, but will have the option not to recognise 'short-term' leases and leases of 'low-value' assets. Generally, the profit or loss recognition pattern for recognised leases will be similar to today's finance lease accounting, with interest and depreciation expense recognised separately in the statement of profit or loss.
IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted provided the new revenue standard, IFRS 15, is applied on the same date. Lessees must adopt IFRS 16 using either a full retrospective or a modified retrospective approach.

The Group does not anticipate early adopting IFRS 16 and is currently evaluating its impact.

BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

for the year ended 31 December 2017

3. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

IFRS 17 Insurance Contracts

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

Key requirements

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

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

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

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

BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

for the year ended 31 December 2017

4. ABBREVIATIONS AND KEY

A list of insurance specific abbreviations used throughout the publication:

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

A glossy of insurance specific terminology:

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

BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

for the year ended 31 December 2017

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

(i) Estimate of future benefit payments and premiums arising

from long-term insurance contracts

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

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

Estimates are also made as to future investment income arising from the assets backing long-term insurance contracts. These estimates are based on the medium to long-term inflation assumption for the Botswana plus a risk gap for different asset classes.

The balance of policyholder liabilities at 31 December 2017 was P 9 386.1 million (31 December 2016: P8, 800 million). Refer to statutory actuary's report for assumptions on the actuarial valuation of the liability.

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

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

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

The carrying amount of these instruments at year-end was P 731 million (2016: P419 million).

(iii) Impairment of financial assets

The investments in unlisted equity instruments, debentures and other loans have been impaired where applicable based on the expected cash flows, discounted at the effective interest rates. This impairment assessment requires the Group to make estimates about expected future cash flows and discount rates and hence they are subject to significant estimation uncertainty. Impairment losses written off in the current year amounted to P10,022 (31 December 2016: PNIL).

(iv) Impairment of non-financial assets

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

(v) Determination of fair value of investment properties

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

(vi) Deferred tax assets

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

Deferred tax assets are recognised in respect of tax losses to the extent that there is convincing evidence that that taxable profit will be available, against which the losses can be utilised.

BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

for the year ended 31 December 2017

Judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax planning strategies.

(vii) Liability for Life Insurance Contracts

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

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

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

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

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

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

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

The carrying value at the reporting date for Life Insurance contract liabilities are P9,389 million (31 December 2016: P8,800 million)-refer to note 8.1 for assumptions on the actuarial valuation of the liability.

Bonus stabilisation reserves

The group business and individual stabilised bonus portfolios are valued on a retrospective basis. If the fair value of the assets in such a portfolio is greater than the actuarial liabilities, a positive bonus stabilisation reserve is created which will be used to enhance future bonuses. Conversely, if the fair value of assets is less than the actuarial liabilities, a negative bonus stabilisation reserve is created. A negative bonus stabilisation reserve will be limited to the amount that the Statutory Actuary expects will be recovered through the declaration of lower bonuses during the ensuing three years, if investment returns are in line with long-term assumptions. Bonus stabilisation reserves are included in long-term policy liabilities. The carrying value included in the liabilities is P36.7 million (2016: P32.4 million)

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

Provision for future bonuses

Future bonuses of 3% (2016: 3%) per annum are allowed for in the gross premium valuation.

Reversionary bonus business

The business is valued on a prospective basis assuming 3% (2016: 3%) per annum bonus rates going forward and allowing for prescribed margins.

Individual stable bonus and market-related business

For policies where the bonuses are stabilised or directly related to the return on the underlying investment portfolios, the liabilities are equated to the retrospectively accumulated fair value of the underlying assets. No second tier margins are held on this business, except to the extent that negative Pula reserves are eliminated. The carrying amount is P38 million (2016: P38.0 million)

Participating annuities

There are very few such policies on the book. Participating annuities have been in force for nine years on average. The carrying amount of participating annuities is P64.6 million (2016: P65.6 million) of which P9.5 million (2016: P11.5 million) is for future bonus appropriations.

Non-participating annuity business

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

All profits or losses accrue to the shareholders when incurred. A discretionary margin is held for this block of business. The carrying amount for non-participating annuity business is P7 084.8 million (2016: P6 533.7 million)-Refer to statutory actuary report. This carrying amount includes an annuity discretionary reserves of P 260.2 million (2016: P151.7 million) and this is recognised as a policyholder liability for insurance contracts.

Other non-participating business

Other non-participating business forms less than 5% of the total liabilities. Most of the other non-participating business liabilities are valued on a discounted cash flow basis at interest rates based on the bond yield curve at the valuation date. The carrying amount (net of reinsurance) for other non-participating business is P313 million, (2016: P293.3 million)

HIV/AIDS

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

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

BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

for the year ended 31 December 2017

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

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

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

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

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

As the company does not have significant history of claims from which to develop a claims development pattern, industry averages are used to estimate the IBNR reserve at year-end combined with management's evaluation of the relationship between the business lines and the industry rates. The average industry rates are based on 10% of net written premiums after considering the reinsurance premiums. The claims provision for Legal Guard is based on 10% of claims as allowed by the regulator. The carrying amount of the provision at reporting date was P 4.5 million (2016: P4.8 million). Refer to note 11.

(ix) Unexpired risk provisions
An unexpired risk provision is made for any deficiencies arising when unearned premiums, net of associated acquisition costs are insufficient to meet expected claims and expenses likely to arise after the end of the financial year from contracts concluded before that date. The expected claims are calculated having regards to events that have occurred prior to reporting date. Unexpired risks surpluses and deficits are aggregated where business classes are managed together. No unexpired risk provision was raised at 31 December 2017 or 31 December 2016 as management did not have any reason to provide for this at year-end.

(x) Fair value measurement
A number of assets and liabilities included in the Group's financial statements require measurement at, and/or disclosure of, fair value. The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):
Level 1: Quoted prices in active markets for identical items (unadjusted)
Level 2: Observable direct or indirect inputs other than Level 1 inputs
Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur

The Group measures a number of items at fair value.
- Investment property (note 4.4)
- Financial instruments (notes 4, 5,11, and 24)

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

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

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

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

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

BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

for the year ended 31 December 2017

6. OFF-BALANCE SHEET SEGREGATED FUNDS

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

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

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

Specifically, revenue is recognised as follows:

a) Fees for investment management services

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

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

b) Investment income

Interest income is accounted for by the effective interest rate method

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature.

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

c) Deposit administration fund income

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

d) Fee income – long-term policy contracts

Investment and insurance contract policyholders are charged for policy administration, risk underwriting and other services. These fees are recognised as revenue on an accrual basis as the related services are rendered.

e) Premium income

The monthly premiums in terms of the policy contracts are accounted for when due. Group life insurance premiums are accounted for when receivable. Where premiums are not determined in advance, they are accounted for upon receipt. Single premiums on insurance contracts are recognised as income when received. The unearned portion of accrued premiums is included within long-term policy liabilities.

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

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

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

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

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

f) Reinsurance premiums

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

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

BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

for the year ended 31 December 2017

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Reinsurance assets

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

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

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

Benefits, claims and expenses recognition

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

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

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

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

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

Claims handling costs are accounted for separately.

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

Basis of consolidation
The consolidated financial statements comprise the financial statements of Botswana Insurance Holdings Limited (BIHL) and its subsidiaries as at 31 December 2017. The reporting dates of the subsidiaries and the Group are within three months of the Group's reporting date and all use consistent accounting policies. In the company only accounts, Subsidiaries, associates and Joint ventures are accounted for at cost less accumulated impairment losses.

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

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

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

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.

BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

for the year ended 31 December 2017

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

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

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

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

If the Group loses control over a subsidiary, it:

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

(ii) Associates

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

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

(iii) Interest in a joint venture

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

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

(iv)Acquisition of non-controlling interests

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

Investment properties

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

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

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.

BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

for the year ended 31 December 2017

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Financial instruments at fair value through profit or loss

A financial asset or financial liability at fair value through profit or loss is a financial asset or financial liability that meets the following conditions.
(a)It is classified as held for trading. A financial asset or financial liability is classified as held for trading if:

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

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

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

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

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

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

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

Loans and receivables

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

Derecognising financial assets

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

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

Financial liabilities at fair value through profit or loss

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

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

Financial liabilities are designated at initial recognition as at fair value through profit or loss if the following criteria are met:
(i)the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis; or
(ii)the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy;

BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

for the year ended 31 December 2017

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

Financial liabilities at amortised cost

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

Derecognising financial liabilities

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

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

Impairment of financial assets and non-financial assets

(i) Financial assets at amortised cost

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

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

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

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

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

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

(ii) Non- financial assets

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

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

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

BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

for the year ended 31 December 2017

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Offsetting financial instruments

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

Cash and cash equivalents

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

Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences on remeasurement and settlement of monetary items are taken to profit or loss. Non- monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non -monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively). Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(iii) Foreign operation financial statements

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

Property and equipment

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 (5-10 years)

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

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

An item of property and equipment is derecognised upon disposal or when no future economic benefits are

BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

for the year ended 31 December 2017

expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

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

Owner-occupied property

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

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

Intangible assets

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

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

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

(i) Computer software

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

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

(ii) Goodwill

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the acquisition date fair value of the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss as a bargain purchase gain.

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

Non-current assets held for sale and discontinued operations

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

BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

for the year ended 31 December 2017

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area
- of operations

Or

- Is a subsidiary acquired exclusively with a view to resale

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

Additional disclosures are provided in Note 4.6. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

Provisions

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

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

Taxes and Value Added Tax (VAT)

(i) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- ·where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- ·in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

for the year ended 31 December 2017

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

(ii) Current income tax

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

(iii) Value Added Tax (VAT)

Revenue, expenses and assets are recognised net of the amount of the VAT except:

- where the VAT incurred on the purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable, and
- receivables and payables that are stated with the amount of VAT included.

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

Stated capital

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

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

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

Employee benefits

(i) Pension obligations

The defined contribution plan

The Group operates a defined contribution plan. Under the defined contribution plan;

(a) the group's legal or constructive obligation is limited to the amount that it agrees to contribute to the fund. Thus, the amount of the post-employment benefits received by the employee is determined by the amount of contributions paid by an entity (and also the employee) to a trustee administered fund, together with investment returns arising from the contributions; and

(b) in consequence, actuarial risk (that benefits will be less than expected) and investment risk (that assets invested will be insufficient to meet expected benefits) fall on the employee.

Defined benefit contributions are recognised as expenses when incurred.

(ii) Medical aid

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

The Group has no post-retirement medical funding obligations.

(iii) Termination benefits

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

The Group recognises a liability and expense for termination benefits at the earlier of the following dates:

(a) when the entity can no longer withdraw the offer of those benefits; and

(b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and involves the payment of termination benefits.

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

(iv) Leave pay accrual

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

(v) Profit sharing and bonus plans

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

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

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

(vi) Share-based compensation

Employees of the Group receive remuneration in the form

BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

for the year ended 31 December 2017

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

of share-based payment compensation, whereby employees render services as consideration for equity instruments. Until 2009, the Group has been operating an equity settled group share based payment scheme. The scheme is divided into two, one for management staff and one for other staff. The objective of the scheme was to retain staff. The scheme will continue until the entire granted shares vest but there will not be any new allocations under the scheme. Transactions within the management scheme and the staff scheme are accounted for as equity settled.

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

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

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

Equity-settled transactions

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

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

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

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

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

Cash-settled transactions

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

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

Dividends

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

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

BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

for the year ended 31 December 2017

departments are allocated to group and individual business, and then furthermore for individual business by acquisition and maintenance in accordance with the function performed by the departments. Premium collection costs are accounted for on the accrual basis.

Leases (where the Group is the lessee)

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

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

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

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

Non-distributable reserves
Non-distributable reserves include the following:

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

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

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

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

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

Share Based Payment Reserve
This is associated with equity settled share based payment compensation as described in the heading Employee Benefits.

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

Insurance Contracts Liabilities
The Group's main insurance products are;
- non-participating annuities;
- employee benefits;
- universal individual life product "Mompati" and;
- insurance contracts with discretionary participation features

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

BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

for the year ended 31 December 2017

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- To ensure that the Group is able to withstand any losses due to the mismatch of asset and liability cash flows

- To provide against reinvestment risk that arises because of the duration of the assets being shorter than the liabilities. The shorter term of the assets may result in future asset proceeds being re-invested on less favourable terms than were available at policy inception. The Group is exposed to financial risk if the investment returns on re-invested asset proceeds are lower than were allowed for in the product pricing.

Valuation bases and methodology

The valuation bases and methodology used to calculate the policy liabilities of all material lines of long-term insurance business and the corresponding shareholder profit entitlement are set out below:

The value of policy liabilities at 31 December 2017 and 31 December 2016 exceeded the minimum requirements in terms of the Botswana Insurance Industry Act and NBFIRA's.

Life insurance contract liabilities

Life insurance liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are measured by using the gross premium method. The entity calculates discounted cashflow reserves, bonus stabilisation reserves, unit reserves, sterling reserves, unexpired premium and unexpired risk reserves, IBNR and discretionary reserves (including data reserves).

Discounted cashflow reserves are calculated using the gross premium valuation method. The liability is determined as the sum of the discounted value of expected future benefits (including any declared bonuses), claims handling and policy administration expenses, policyholder options and guarantees less the discounted value of the expected premiums and investment income from assets backing the reserves, which are directly related to the contract. Bonus stabilisation reserves are calculated for contracts with discretionary benefits, by building up retrospective reserves with policyholder allocated profits. To the extent that these reserves differ (less or more) from the calculated discounted cashflow reserves, the insurer holds bonus stabilisation reserves.

Unit reserves are set equal to the value of unitised funds underlying unit-linked contracts, by multiplying number of units by the price of these units. The company also has Pula reserves under its unit-linked contracts. These are calculated using the gross premium valuation method and represent the liability faced by the insurance company, that relate to cashflows the insurer will be liable for under a contract after setting up the unit reserves. The liability is determined as the sum of the discounted value of expected future benefits in excess of any unit-linked benefits, claims handling and policy administration expenses, policyholder options and guarantees less the discounted value of the expected charges and investment income from assets backing the Pula reserves, which are directly related to the contract.

The liability calculations are based on current assumptions, including allowance for compulsory and discretionary margins as per Botswana regulation IPR1L. Discretionary reserves are also held, some of which are based on judgement (e.g. expert data reserves) and others are built up and released using specifically developed methodologies. Furthermore, the liability for life insurance includes provisions for unearned premiums and unexpired risks, as well as for claims outstanding, which includes an estimate of the incurred claims that have not yet been reported to the company. Adjustments to the liabilities at each reporting date are recognised in the profit or loss. The liability is derecognised when the contract expires, is discharged or is cancelled.

Classification of contracts

A distinction is made between investment contracts (which fall within the scope of IAS 39 Financial Instruments: Recognition and Measurement), investment contracts with discretionary participating features and insurance contracts (where the Financial Soundness Valuation (FSV) method continues to apply, subject to certain requirements specified in IFRS 4 Insurance Contracts). A contract is classified as insurance where the Group accepts significant insurance risk by agreeing with the policyholder to pay significant additional benefits if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary. Significant insurance risk exists where it is expected that for the duration of the policy or part thereof, policy benefits payable on the occurrence of the insured event will significantly exceed the amount payable on early termination, before allowance for expense deductions at early termination. Once a contract has been classified as an insurance contract, the classification remains unchanged for the remainder of its lifetime, even if the insurance risk reduces significantly during this period.

Policy contracts not classified as insurance contracts are classified as investment contracts and comprise of the following categories:

- Investment contracts with DPF;
- Investment contracts with investment management services; and
- ·Other investment contracts.

An investment contract with DPF entitles the policyholder to receive benefits or bonuses in addition to guaranteed benefits. These additional benefits have the following features:

- The benefits constitute a significant portion of each policy's total benefits;
- The timing and amount of the benefits are at the discretion of the BIHL Group, which has to be exercised in a reasonable way; and
- The benefits are based on the investment performance of a specified pool of underlying assets.

All investment contracts that fall within the scope of IAS 39 (i.e. all investment contracts without DPF) are designated as at fair value through profit or loss.

Investment contracts are classified between contracts with and without DPF. The accounting policies for investment contract liabilities with DPF are the same as those for life insurance contract liabilities.

BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

for the year ended 31 December 2017

Non-life insurance contract liabilities
Non-life insurance contract liabilities include the outstanding claims provision, the provision for unearned premium and the provision for premium deficiency. The outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these cannot be known with certainty at the reporting date. The company uses an industry average to calculate the cost. The liability is not discounted for the time value of money. The liabilities are derecognised when the obligation to pay a claim expires, is discharged or is cancelled.

The provision for unearned premiums represents that portion of premiums received that relates to a risk period beyond the current financial period. The provision is recognised when contracts are entered into and premiums are charged, and is brought to account as premium income over the term of the contract in accordance with the pattern of insurance service provided under the contract.

Investment contract liabilities
Investment contract liabilities without DPF are recognised when contracts are entered into and premiums are charged.

Deposits and withdrawals are recorded directly as an adjustment to the liability in the statement of financial position, known as deposit accounting.

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

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

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

Investment contracts expose the investor to financial risks.

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

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

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

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

The Group manages its capital structure and adjusts it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2016 and 31 December 2017.

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 a capital reserve. This reserve can be utilised at least once every five years to increase the paid up stated capital of the Group.

Capital includes shareholders equity and long-term debt. As at year end there was no long-term debt.

	2017 P000	2016 P000
Shareholder's equity	2,958,380	2,937,098
Prescribed Capital Target (Life business only)	228,235	214,762
Ratio of Excess Assets to Prescribed Capital Target (Life business only)	9.32	13.58

BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

for the year ended 31 December 2017

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governance structure

The agenda of the BIHL Board focuses on Group strategy, capital management, accounting policies, financial results, dividend policy, human resource development and corporate governance and BSE requirements. The BIHL Board is responsible for statutory matters across all BIHL businesses as well as monitoring operational efficiency and risk issues throughout the Group.

The Group operates within a decentralised business model environment. In terms of this philosophy, the BIHL Board sets the Group risk management policies and frameworks and the individual businesses take responsibility for all operational and risk-related matters on a business level, within the limits set by these policies and frameworks. The following diagram generically depicts the flow of risk management information from the individual businesses to the BIHL Board.

Governance structure

BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

for the year ended 31 December 2017

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 Committee:** 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	**Credit Review Committee:** Reviews, assesses, approves and monitors specific counterpart credit risk as well as to manage the credit risk inherent in the portfolios on an on-going basis	**Internal Audit:** Assists the BIHL Board and management by monitoring the adequacy and effectiveness of risk management in businesses

BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

for the year ended 31 December 2017

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Group risk policies and guidelines
All risks are managed in terms of the policies and guidelines of the Board and its committees. Some of the main policies are: The BIHL Group Enterprise Risk Management (ERM) Policy; Group Risk Escalation Policy; Group Business Continuity Management Policy;

These policies were developed by Group Risk Management and have to be implemented by all Group businesses. The maturity of the implementation does however vary from business to business due to different cost/benefit scenarios, complexity of risks and the degree of risk integration. At the quarterly Group Risk Forum meetings, risk management reports by each business are tabled that must also indicate the extent of compliance with the ERM Policy.

BIHL Group Enterprise Risk Management Policy
The Group ERM policy includes the following components:

- The broad objectives and philosophy of risk management in the Group;
- The roles and responsibilities of the various functionaries in the Group tasked with risk management; and
- The Group's minimum standards for implementation of risk management in the businesses.

BIHL Group Risk Escalation policy
The Risk Escalation policy defines the circumstances in which risk events and emerging risks should be escalated to the BIHL Group level. This includes quantifiable and unquantifiable measure.

General operational risks

Operational risk
Operational risk is the risk of loss due to factors such as inadequate systems, management failure, inadequate internal controls, fraud or human error. The business mitigates these risks through its culture and values, a comprehensive system of internal controls, internal audit, forensic and compliance functions and other measures such as back-up facilities, contingency planning and insurance.

The initiation of transactions and their administration is conducted based on the segregation of duties, designed to ensure the correctness, completeness and validity of all transactions. Control is further strengthened by the settlement of transactions through custodians. The custodians are also responsible for the safe custody of the business's securities. To ensure validity, all transactions are confirmed with counter-parties independently from the initial executors.

The business has a risk-based internal audit approach, in terms of which priority is given to the audit of higher risk areas, as identified in the planning phase of the audit process. The internal control systems and procedures are subject to regular internal audit reviews.

The BIHL Investment Committee is responsible for the implementation and monitoring of risk management processes to ensure that the risks arising from trading positions are within the approved risk parameters.

The following functionaries assist in mitigating operational risk:

Internal audit
A board-approved internal audit charter governs internal audit activity within the Group. Regular risk-focused reviews of internal control and risk management systems are carried out. The internal audit function is appointed in consultation with the chairperson of the Audit and Risk Committee and has unrestricted access to the chairperson of the Committee. The authority, resources, scope of work and effectiveness of the functions are reviewed regularly.External auditThe Group's external auditors are EY. The report of the independent auditors for the year under review is contained on page TBA of these financial statements. The external auditors provide an independent assessment of certain systems of internal financial control, which they may rely on to express an independent opinion on the annual financial statements. Non-audit services rendered by the external auditors are strictly governed by a Group policy in this regard. A compulsory rotation of audit partners has also been implemented.

External consultants
The Group appoints external consultants to perform an annual review of the Group's risk management processes. The purpose of this review is to continuously identify potential areas for improved risk management in line with developing international best practice.

Information and technology risk
IT risks are managed across the Group in an integrated manner following the Enterprise Risk Management framework. Group IT is the custodian of the Group's IT Policy framework and ensures explicit focus on, and integration with the Group's IT Governance framework, which includes the governance of Information Security. The Head of Group IT facilitates the process of identifying emerging IT risks as well as unpacking significant IT risks with Group-wide strategic or operational impact. A quarterly IT Governance report, summarising the Group-wide situation is also delivered to the Risk and Compliance committee.

Going concern /business continuity risk
The Board regularly considers and records the facts and assumptions on which it relies to conclude that BIHL will continue as a going concern. Reflecting on the year under review, the Directors considered an opinion that adequate resources exist to continue business and that BIHL will remain a going concern in the foreseeable future. The Board's statement to this effect is also contained in the statement on the responsibility of directors in the annual financial statements.

Compliance risk

Laws and regulations:
BIHL considers compliance with applicable laws, industry regulations and codes an integral part of doing business. The Group compliance function, together with the compliance 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.

BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

for the year ended 31 December 2017

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

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

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

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

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

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

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

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

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

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

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

Long term insurance risk
The Investment Committee and Actuarial Committee are established within the long-term insurance businesses. The principle aim of these committees is to ensure that insurance and investment contract liabilities are matched with appropriate supporting assets based on the type of benefits payable to the contract holders. Separate asset portfolios are maintained for the different products and categories of long-term policy liabilities.

BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

for the year ended 31 December 2017

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The business' long-term insurance operations are subject to the general operational risks described above, but also to specific long-term insurance risks, which include the following:

Risk management: per type of risk

Underwriting risk

Underwriting risk is the uncertainty about the ultimate amount of net cash flows from premiums, commissions, claims, and claim settlement expenses paid under a contract and timing risk, defined as uncertainty about the timing of the receipt and payment of those cash flows. Note 24 to the financial statements gives further information on the quantitative aspects of our Insurance risks.

Insurance events are random and the actual number and amount of claims will vary from estimates. The business manages these risks through its product development process and underwriting policy to prevent anti-selection and ensure appropriate premium rates (loadings) for substandard risks. It also ensures adequate reinsurance arrangements are in place to limit exposure per policyholder and manage concentration of risks, the claims handling policy and adequate pricing and reserving. For life insurance products, half yearly actuarial valuations are also performed to assist in the timely identification of experience variances.

Underwriting strategy

The following policies and practices are used by the business as part of its underwriting strategy to mitigate underwriting risk:

- All long-term insurance product additions and alterations are required to pass through the approval framework that forms part of the life insurance business' governance process. The Statutory Actuary approves the policy conditions and premium rates of new and revised products;
- Specific testing for HIV/AIDS is carried out in all cases where the applications for risk cover exceed a set limit. Product pricing and reserving policies also include specific allowance for the risk of HIV/AIDS;
- Applications for risk cover are reviewed by experienced underwriters and evaluated against established standards. Retention limits are applied to limit the exposure per individual life;
- Reasonable income replacement levels apply to disability insurance;
- The experience of reinsurers is used where necessary for the rating of substandard risks;
- The right to re-rate premiums is retained as far as possible. The risk premiums for group risk business and most of the in-force individual risk business can be adjusted within 12 months should claims experience deteriorate to the extent that such an adjustment is considered necessary. Most of the individual new business is sold with a guarantee that risk premiums would not be increased for the first 5 to 15 years;
- Risk profits are determined monthly;
- Regular investigations into mortality and morbidity experience are conducted to ensure that corrective action, for example re-rating of premiums, is taken where necessary; and
- Expenses are continuously monitored and managed through the business's budgeting process

Reinsurance

All risk exposures in excess of specified monetary limits are reinsured. Credit risk in respect of reinsurance is managed by limiting the business's exposure to companies with high international or similar credit ratings.

Claims risks

The risk that the business may pay fraudulent claims (claims risk) is mitigated by training client service staff to ensure that fraudulent claims are identified and investigated timeously. The legitimacy of claims is verified by internal, financial and operating controls that are designed to contain and monitor claims risks. The forensic investigation team also advises on improvements to internal control systems.

Non-participating annuities

Interest rate risk is the principle financial risk in respect of non-participating annuities, given the long-term profile of these liabilities. Liabilities are matched with assets, mostly interest-bearing, to ensure that the duration of assets and liabilities are closely matched. The duration of annuity assets and liabilities are shown below:

	2017 Years	2016 Years
Liabilities	9.76	9.71
Assets	8.29	8.49

The effect of a 1% upward parallel change in interest rates is approximately P64.6 m (2016: P44.9m) on operating profits while a 1% downward parallel shift has an impact of - P61.8m (2016: P-67.2m).

BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

for the year ended 31 December 2017

The table below indicates the impact of changes in assumptions

2017

P'000	Base value	Investment returns and inflation -1%	Equity and Property prices -10%	Equity and Property returns +1%	Maintenance expense -10%	Discontinuance rates -10%	Mortality and morbidity rates -5%
Individual Life Business	2,002,208	2,007,692	2,016,949	1,994,850	1,981,936	1,989,116	1,996,450
Annuity Business	7,084,786	7,146,630	7,084,786	7,084,786	7,077,812	7,084,786	7,084,786
Group Life Business	298,149	298,149	298,149	298,149	297,254	298,149	288,459
Total	9,385,143	9,452,471	9,399,884	9,377,785	9,357,002	9,372,051	9,369,695

2016

P'000	Base value	Investment returns and inflation -1%	Equity and Property prices -10%	Equity and Property returns +1%	Maintenance expense -10%	Discontinuance rates -10%	Mortality and morbidity rates -5%
Individual Life Business	1,915,282	1,919,656	1,930,424	1,920,653	1,895,579	1,904,300	1,912,289
Annuity Business	6,599,306	6,669,413	6,599,306	6,599,306	6,591,146	6,599,306	6,665,540
Group Life Business	285,734	285,734	285,734	285,734	284,877	285,734	276,448
Total	8,800,322	8,874,803	8,815,464	8,805,693	8,771,602	8,789,340	8,854,277

The above sensitivities are after taking into account the re-rating of premiums but before the impact of reinsurance. The impact of reinsurance is not material for the disclosed sensitivities.

Sensitivity analysis of insurances risks

Scenario	VIF AFTER TAX 2017 P'000	VIF AFTER TAX 2016 P'000
Base value	1 477 997	1,406,461
Increase risk discount rate by 1%	1 403 169	1,337,045
Decrease risk discount rate by 1%	1 562 203	1,484,169
Investment return (and inflation) decreased by 1% and with bonus rates and discount rates changing commensurately	1 556 678	1,492,379
Equities/ property assets fall by 10% without a corresponding fall/ rise in dividend/ rental yield	1 475 095	1,403,991
Increase expected return on equities/ property assets by 1% p.a. due to a change in the equity/ property risk premium with no consequential change to discount rates	1 486 293	1,412,612
Non-commission maintenance unit expenses (excluding investment expenses) decrease by 10%	1 509 807	1,426,896
Discontinuance rates - life insurance business - decrease by 10%	1 531 736	1,458,694
Base mortality and morbidity rates decreased by 5% for life assurance business	1 536 834	1,443,796
Base mortality and morbidity rates decreased by 5% for life annuity business	1 479 396	1,408,950

Capital adequacy risk

The business must maintain a shareholders' fund that will be sufficient to meet obligations in the event of substantial deviations from the main assumptions affecting the business. A deterministic modelling process is used to simulate a number of investment scenarios which in turn is used to determine required capital levels that will ensure sustained solvency given a number of shock scenarios. Capital adequacy requirements were covered as indicated by the Companies' shareholders' fund, (as determined according to IPR3L-Prescibed Capital Target (PCT) for Long-term Insurers by NBFIRA). The Prescribed Capital Target (PCT) for the life business is covered 9.32 times (31 December 2016: 13.58 times).

Concentration of insurance risk

Long-term insurance risks do not vary significantly in relation to the location of the risk insured. Concentration by amounts insured could however increase the relative portfolio risk. The tables below provide analyses of the concentration of insured benefits per individual life insured (excluding annuity payments) as well as per annuity payable per annum per life assured. The figures below represent the benefits payable on the occurrence of the insurance event and not the liability held in the balance sheet in relation to the insured benefit.

BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

for the year ended 31 December 2017

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Benefits insured per individual life

	Number of lives		Concentration before reinsurance		Concentration after reinsurance	
	2017	2016	2017	2016	2017	2016
P'000			%	%	%	%
0 - 500	635,813	644,387	42	68	66	96
500 - 1000	2,248	1,151	8	6	9	1
1000 - 5000	5,920	2,065	46	25	24	3
5000 - 8000	90	20	3	1	1	1
> 8000	24	3	1	0	0	0
Total	644,095	647,626	100	100	100	100

Non-participating annuity payable

	Number of lives		Concentration before reinsurance		Concentration after reinsurance	
	2017	2016	2017	2016	2017	2016
P'000			%	%	%	%
0-20	3,135	2,416	6	6	6	6
20-40	1,948	1,699	11	10	11	10
40-60	1,371	1,301	13	14	13	14
60-80	1,059	1,020	15	15	15	15
80-100	841	811	15	15	15	15
>100	1,418	1,327	40	40	40	40
Total	9,772	8,574	100	100	100	100

Fair values

The carrying amounts and fair values of financial assets and financial liabilities are the same because financial assets and liabilities are either designated at fair value through profit or loss or have short-term duration such that their carrying amounts approximate fair value.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

1 SEGMENTAL ANALYSIS

Basis of segmentation

For management purposes, the group is organised into three principal business areas based on their products and services and these make up the three reportable operating segments as follows:

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

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

3) The general insurance segment which provides legal insurance to its customers through BIHL Insurance Company Limited, a subsidiary of the Group.

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

Inter-segment transactions that occurred during 2017 and 2016 between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segmental income, segment expense and segment results will then include those transfers between business segments, which will be eliminated on consolidation.

Business segments

At 31 December 2017, the Group's operating businesses are organised and managed separately according to the nature of the products and services offered, with each segment representing a strategic business unit that offers varying products and serves different markets. This is the basis on which the Group reports its segment information. The Group is therefore organised into three principal areas of business – Life Insurance, Asset Management Services and Legal insurance.

Geographical segments

The Group under its 100% owned subsidiary, BIFM Holdings, has associates in Zambia. For management purposes, the Zambia operations are reported under BIFM Holdings. The group also has a 25.1% stake in a Malawian operation, Nico Holdings Limited. These investments are not material and therefore the Group only has significant operations in Botswana hence a geographical segment analysis has not been provided. The results for African Life Financial Services (Zambia) Limited, Quantum Assets Zambia Limited and Nico Holdings, the associate companies are disclosed in note 4.5.

The amounts used for segment reporting are measured using IFRS principles.

Other segments

Due to their immaterial nature Unit trust business, Holding Company and the Corporate Social Investment Trust are included in the "other segments" column.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2017

1. SEGMENTAL ANALYSIS (CONTINUED)

	LIFE BUSINESS		ASSET MANAGEMENT		GENERAL INSURANCE Held for sale	
	2017 P'000	2016 P'000	2017 P'000	2016 P'000	2017 P'000	*2016 P'000
1.1 Segment information by products and services						
Premium revenue	2,320,046	2,074,927	-	-	-	-
Fee revenue						
- Internal	-	-	2,380	3,054	-	-
- External	-	-	118,017	93,398	-	-
Investment income	495,609	517,086	157,621	228,507	-	-
Profit on sale of associates	-	-	12,993	-	-	-
Net loss from financial assets held at fair value through profit and loss	34,579	57,000	89,820)	(887,596)	-	-
Total net income	2,850,234	2,649,013	201,191	(562,637)	-	
Profit before share of profit of associates and joint ventures	327,108	358,392	78,224	67,571	-	-
Depreciation	6,031	7,881	985	578	-	-
Amortisation	9,553	7,429	-	-	-	-
Share-based expense	-	-	-	-	-	-
Income tax expense	70,935	83,521	11,269	18,967	-	-
Selling expenses	336,295	312,255	-	-	-	-
Net Insurance benefits and claims	1,374,527	1,533,219	-	-	-	-
Change in policyholder liabilities under life insurance contracts	587,698	(248,035)	-	-	-	-
Change in liabilities under investment contracts	-	-	(64,932)	676,641	-	-
Total Assets	11,836,936	11,303,499	6,117,539	5,560,917	62,133	37,225
Total Liabilities	9,796,902	9,204,701	5,663,569	5,791,780	37,566	21,800
Capital expenditure	9,747	17,262	588	3,121	1,882	1,977
Associates and joint venture						
Share of profit of associates	-	-	-	-	-	-
Investment in associates and Joint ventures	1,335,784	1,451,308	105,146	302,734	-	-

*The 2016 figures were restated

Included in the 2016 figure for investment in associates and joint ventures is Feune which was classified as held for sale in the Balance Sheet

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2017

ASSOCIATES AND JOINT VENTURES		OTHER		INTER SEGMENTAL		CONSOLIDATED TOTAL	
2017 P'000	2016 P'000	2017 P'000	*2016 P'000	2017 P'000	*2016 P'000	2017 P'000	*2016 P'000
-	-	-	-	-	-	2,320,046	2,074,927
-	-	-	-	(2,380)	(3,054)	-	-
-	-	(14,942)	(2,222)	-	-	103,075	91,176
-	-	429,017	338,017	(424,054)	(331,490)	658,193	752,120
-	-	-	-	-	-	12,993	-
-	-	-	(9,497)	-	-	(55,241)	(840,093)
-	-	414,075	326,297	(426,434)	(334,545)	3,039,066	2,078,130
-	-	411,368	283,963	(465,250)	(359,229)	351,451	350,698
-	-	2,474	2,609	-	-	9,490	11,068
-	-	771	1,815	-	-	10,324	9,244
-	-	-	-	8,109	11,266	8,109	11,266
-	-	56	22,414	(6,168)	(24,321)	76,092	100,581
-	-	-	-	-	-	336,295	312,255
-	-	-	-	-	-	1,374,527	1,533,219
-	-	-	-	-	-	587,698	(248,035)
-	-	-	-	-	-	(64,932)	676,641
-	-	791,107	2,617,721	(3,236,752)	(5,128,518)	15,570,963	14,390,844
-	-	57,506	1,515,965	(2,942,960)	(5,080,500)	12,612,583	11,453,746
-	-	2,914	3,277	-	-	15,131	25,637
72,927	224,671	-	-	-	-	72,927	224,671
-	-	335,659	218,793	(61,979)	-	1,714,610	1,972,835

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2017

2. PROPERTY AND EQUIPMENT

GROUP

2017	Owner-occupied property P'000	Computer equipment P'000	Furniture and fittings P'000	Motor vehicles P'000	Leasehold improvements P'000	Total P'000
At 1 January 2017	135,042	37,687	21,478	2,613	24,150	220,970
Additions	-	3,358	3,387	677	1,874	9,296
Assets classified as held for sale	-	(1,200)	(2,144)	-	-	(3,344)
At 31 December 2017	135,042	39,845	22,721	3,290	26,024	226,922
Accumulated depreciation						
At 1 January 2017	1,725	31,464	18,108	1,690	11,977	64,964
Current year charge	1,380	4,649	1,506	699	1,256	9,490
Classified as held for sale	-	(1,005)	(1,877)	-	-	(2,882)
At 31 December 2017	3,105	35,108	17,737	2,389	13,233	71,572
Carrying amount						
At 1 January 2017	133,317	6,223	3,370	923	12,173	156,006
At 31 December 2017	131,937	4,737	4,984	901	12,791	155,350

The gross carrying amount of fully depreciated property and equipment that were still in use amounted to P77.4 million (2016: P41.4 million).

2016	Owner-occupied property P'000	Computer equipment P'000	Furniture and fittings P'000	Motor vehicles P'000	Leasehold improvements P'000	Total P'000
Cost						
At 1 January 2016	135,042	35,323	22,931	7,022	24,174	224,492
Additions	-	3,979	2,805	-	3,129	9,913
Disposals	-	(1,615)	(4,258)	(4,409)	(3,153)	(13,435)
At 31 December 2016	135,042	37,687	21,478	2,613	24,150	220,970
Accumulated depreciation						
At 1 January 2016	1,712	25,365	18,011	5,775	18,125	68,988
Current year charge	13	7,713	2,586	143	843	11,298
Disposals	-	(1,614)	(2,489)	(4,228)	(6,991)	(15,322)
At 31 December 2016	1,725	31,464	18,108	1,690	11,977	64,964
Carrying amount						
At 1 January 2016	133,330	9,958	4,920	1,247	6,049	155,504
At 31 December 2016	133,317	6,223	3,370	923	12,173	156,006

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2017

COMPANY

2017	Computer Equipment P'000	Furniture and fittings P'000	Motor Vehicles P'000	Leasehold improvements P'000	Total P'000
Cost					
At 1 January 2017	7,294	2,131	179	5,145	14,749
Additions	244	27	-	-	271
Disposals	-	-	-	-	-
At 31 December 2017	7,538	2,158	179	5,145	15,020
Accumulated depreciation					
At 1 January 2017	5,382	1,206	176	616	7,380
Current year charge	1,559	322	3	514	2,398
Disposal	-	-	-	-	-
At 31 December 2017	6,941	1,528	179	1,130	9,778
Carrying amount					
At 1 January 2017	1,912	925	3	4,529	7,369
At 31 December 2017	597	630	-	4,015	5,241
2016					
Cost					
At 1 January 2016	7,148	1,814	179	4,267	13,408
Additions	146	317	-	891	1,354
Disposals	-	-	-	(13)	(13)
At 31 December 2016	7,294	2,131	179	5,145	14,749
Accumulated depreciation					
At 1 January 2016	3,692	904	140	128	4,864
Current year charge	1,690	302	36	488	2,516
Disposals	-	-	-	-	-
At 31 December 2016	5,382	1,206	176	616	7,380
Carrying amount					
At 1 January 2016	3,456	910	39	4,139	8,544
At 31 December 2016	1,912	925	3	4,529	7,369

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2017

3. INTANGIBLE ASSETS

GROUP

2017	Goodwill P'000	Computer software P'000	Total P'000
Cost			
At 1 January 2017	114,923	97,276	212,199
Additions	-	5,835	5,835
Assets classified as held for sale	-	(4,243)	(4,243)
At 31 December 2017	114,923	98,868	213,791
Accumulated amortisation and impairment			
At 1 January 2017	48,966	62,876	111,842
Current year amortisation	-	10,324	10,324
Assets classified as held for sale	-	(648)	(648)
At 31 December 2017	48,966	72,552	121,518
Carrying amount			
At 1 January 2017	65,957	34,400	100,357
At 31 December 2017	65,957	26,316	92,273
2016			
Cost			
At 1 January 2016	114,923	81,551	196,474
Additions	-	15,725	15,725
At 31 December 2016	114,923	97,276	212,199
Accumulated amortisation and impairment			
At 1 January 2016	20,160	53,606	73,766
Current year amortisation	-	9,270	9,270
Impairment	28,806	-	28,806
At 31 December 2016	48,966	62,876	111,842
Carrying amount			
At 1 January 2016	94,763	27,945	122,708
At 31 December 2016	65,957	34,400	100,357

COMPANY

2017	Computer software P'000	Total P'000
Cost		
At 1 January 2017	10,825	10,825
Additions	456	456
At 31 December 2017	11,281	11,281
Accumulated amortisation and impairment		
At 1 January 2017	9,283	9,283
Current year amortisation	771	771
At 31 December 2017	10,054	10,054
Carrying amount		
At 1 January 2017	1,542	1,542
At 31 December 2017	1,227	1,227

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2017

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

Impairment testing of goodwill

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

Asset management business and Non-life insurance business

	2017 P'000	2016 P'000
Carrying amount of goodwill		
Asset management business	65,957	65,957
Non-Life insurance	-	-
Total	65,957	65,957

Management estimates that the recoverable amount of the Asset management cash generating unit (CGU) exceeds or equals the carrying amount. Management estimates include a new review of the performance of CGU when compared to estimates applicable at the original recognition of the goodwill. The performance of the asset management business has shown a positive trend on a year on year basis. The full amount of goodwill relating to the non- life insurance business was fully impaired in the previous years.

Asset management business

The recoverable amount of the asset management business unit, was determined based on the value-in-use calculation using the cashflow projections on financial budgets approved by senior management covering a 10 year period and perpetual growth of 3.5% (2016: 4%) thereafter. A pre-tax Group specific risk adjusted discount rate of 16.5% (2016: 17.0%) is used. The projected cashflows are determined by budgeted margins based on past performances and management expectations and market developments.

"Botswana Insurance Holdings Limited
Group financial statements
for the year ended 31 December 2017"

The key assumptions used for the impairment calculations of the asset management business are:

	2017	2016
Investment income/surplus return	6.5%	6.9%
Investment growth on AUM (after tax)	6.2%	6.6%
Net inflows as a % of AUM	-1.0%	-3.0%

Sensitivity to changes in assumptions

For the asset management business, a reasonably possible change in the investment market conditions assumption will cause the carrying amount to exceed the recoverable amount. The actual recoverable amount exceeds its carrying amount by P61 million (2016: P18 million). Management recognised the fact that current investment market conditions reflect stable and profitable margins. Unfavourable conditions could materially affect the growth margins of these markets. A reduction of 2% in the funds flow as a % of AUM would result in the reduction in the recoverable amount of the asset management business by P36 million (2016: P40 million).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2017

4. INVESTMENTS

Fair values

At 31 December 2017 and 31 December 2016, the carrying value of financial instruments reported in the financial statements approximate their fair value.

	GROUP		COMPANY	
	2017 P'000	2016 P'000	2017 P'000	2016 P'000
Investments designated as at fair value through profit or loss				
At the beginning of the year	10,870,874	10,775,021	-	-
Net contributions & withdrawals	1,900,415	935,946	-	-
Fair value adjustments on investments	(55,241)	(840,093)	-	-
At the end of the year	12,716,048	10,870,874	-	-
4.1 Bond, notes, policy loans and similar securities				
Designated as at fair value through profit or loss				
Bonds (Government, public authority, listed and unlisted corporates)	7,585,630	7,036,769	-	-
Money market instruments	978,000	95,381	-	-
Policy loans and other loan advances (Note 4.3)	496,229	416,530	-	-
Equity investments (Note 4.2)	3,656,189	3,322,194		
	12,716,048	10,870,874	-	-

The bonds are made up of both listed and unlisted bonds. Listed bonds have fixed interest rates which range from 5.75% to 10.23% (2016: 6.00% to 10.23%). Bond repayment terms range between 0 and 20 years (0 - 11 years : 2016) for all listed and unlisted bonds.

Fair value measurement:

Listed bonds:
The closing prices at the year end have been used to value these investments. Listed bonds have fixed interest rates which range from 6.00% to 10.23%.

Unlisted bonds:
The fair values of unlisted bonds have been calculated by discounting expected future cash flows at the risk adjusted interest rates applicable to each financial asset. The cash flows for the unlisted bonds are determined with reference to contractual rates of return and the timing of the cash flow. Refer to Note 25 for the additional disclosures.

Interest rates for unlisted bonds are fixed, with coupon rates falling between 3.25% and 11% annually, calculated and compounded on a quarterly basis. Bond repayments terms range between 10 and 25 years for all listed and unlisted bonds.

Money markets constitutes funds invested in call accounts. The average market interest rate for money market instruments was 4.6% for 2017 (2016: 4.9%). 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 2017

	GROUP		COMPANY	
	2017 P'000	2016 P'000	2017 P'000	2016 P'000
4.2 Equity investments				
Listed in Botswana	924,223	1,374,429	-	-
Listed foreign markets	2,000,604	1,893,953	-	-
Unlisted	731,362	53,812	-	-
	3,656,189	3,322,194	-	-
Sectorial analysis for bonds, money market and equity instruments				
Consumer discretionary	761,667	743,297	-	-
Financials	3,495,756	4,367,839	-	-
Energy	100,275	112,548	-	-
Education	52,362	97,501	-	-
Property	1,527,456	421,406	-	-
Tourism	112,848	112,929	-	-
Offshore foreign equities	2,247,467	1,893,953	-	-
Government	3,921,988	3,069,890	-	-
	12,219,819	10,819,363	-	-

Listed financial assets:

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

Unlisted financial assets:

These investments have been valued based on an independent valuation done by third parties. The fair value of unlisted financial assets have been calculated by discounting expected future cash flows at the risk adjusted interest rates applicable to each financial asset. The cash flows for the unlisted investments are determined with reference to contractual rate of return and the timing of the cash flow.

The valuation is based on assessment of risk in comparison to similar market based instruments. The risk assumed is specific to each instrument and is used to determine risk premium per instrument. The risk premium is the extra risk attributable to an unlisted instrument due to the factors arising from it not being traded on the open market. The average risk premium for the unlisted bonds and notes held by the Group was determined as 90 basis points in current year (2016: 90 basis points) on the basis of the risk surrounding the operations of the Group. The risk premium has been used as a risk adjustment to the Government risk free rate. The risk adjusted discount rate reflects the credit risk of the counterparty.

Unlisted equities

The fair value of unlisted equities is determined by reference to the underlying fair value of the net asset value held in the investee company.

Direct equity instruments

For direct equity instruments the DCF model takes into account the estimated cash flows and a risk adjustment discount rate that incorporates marketability and liquidity restrictions

Unlisted units in funds

The fair value of the assets is calculated based on units held and unit prices provided by the Fund Managers. The underlying funds in which the company invests in are unlisted and valued using discounted cash flow and price earnings methods with significant inputs that are not based on observable market data hence the classification under Level 3

Debt instruments

For debt instruments the contractual cash flows are used and a discount rate reflecting the time value of money and a credit risk adjustment. Credit risk adjustments range from 0% to 6.94% (2016: 0% to 6.94%)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2017

4. INVESTMENTS (CONTINUED)

Investments (continued)	GROUP 2017 P'000	GROUP 2016 P'000	COMPANY 2017 P'000	COMPANY 2016 P'000
4.3 Policy loans and other loan advances				
Opening balance	416,530	408,432	-	-
New loans	93,546	50,000	-	-
Interest charges	6,708	3,104	-	-
Repayments	(7,831)	(39,755)	-	-
Impairment	(10,022)	(400)	-	-
Loan redemption from units	(2,702)	(4,851)	-	-
	496,229	416,530	-	-
Loans secured against the company's insurance policies	8,835	21,444	-	-
Other loans	487,394	395,086	-	-

Policy loans
These loans are secured against the investment assets on insurance contracts and have repayment terms of approximately 4 years otherwise the loans are recouped against the surrender value of the investment policy. The Interest rate is variable depending on Botswana local bank prime lending rates. The interest rate at December 2017 was 17.0% (2016: 17.5%)

As at the year end, an amount of P10.0 million (2016: P0.4 million) was charged as an impairment as the related investment assets fell below the loan value. All policy loans are secured against investment assets on insurance contracts and limits to the loan amount that can be taken is built into the policy loan contract.

Other loans
The loans are advances to Public Private Partnerships which are partnerships between private companies and the government of Botswana for construction projects. The interest rate on the loans are based on the prime lending rates in Botswana and terms of the loans range from 10 years to 17 years. As at year end the prime rate was 6.5% (2016: 7%)

The fair value of the loans is based on assessment of risk in comparison to similar market based instruments. The risk assumed is specific to each instrument and is used to determine risk premium per instrument. The risk premium is the extra risk attributable to an unlisted instrument due to the factors arising from it not being traded on the open market and credit risk of the borrower. The average risk premium for the other loans held by the Group was determined as 50 to 100 basis points in current year (2016: 50 to 100 basis points). The risk premium has been used as a risk adjustment to the Government risk free rate.

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

Long term Loan		
Loan to Babereki Investments (Pty) Ltd	50,000	51,512

The loan to Babereki Investments is repayable over 10 years from 2016. The loan is secured through a cession of the loan book and guarantee and surbodination agreement with BOPEU. The interest rate is a fixed interest rate of 12% per annum payable quarterly. As at 31 December 2017 interest amount of PNIL (2016:P1.5 million) was receivable.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2017

	GROUP		COMPANY	
	2017 P'000	2016 P'000	2017 P'000	2016 P'000
4.4 Investment property & Investments in unlisted property funds				
At beginning of the year	264,331	266,630	-	-
Purchase of investments	89,694	-	-	-
Revaluations	2,097	(2,299)	-	-
	356,122	264,331	-	-
Physical properties held	112,101	110,747	-	-
Investments in unlisted property companies	244,021	153,584	-	-

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

Investments properties:

	GROUP 2017 P'000	GROUP 2016 P'000	COMPANY 2017 P'000	COMPANY 2016 P'000
Opening balance at 1 January	110,747	110,073	-	-
Net gains from fair value adjustment	1,354	674	-	-
Closing balance at 31 December	112,101	110,747	-	-
Rental income derived from investment properties	14,893	18,580	-	-
Direct operating expenses (including repairs and maintenance) generating rental income	6,130	6,252	-	-

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

Investments in properties funds:

	GROUP 2017 P'000	GROUP 2016 P'000	COMPANY 2017 P'000	COMPANY 2016 P'000
Opening balance at 1 January	153,584	156,557	-	-
gains/(loss) from fair value adjustments	90,437	(2,973)	-	-
Closing balance at 31 December	244,021	153,584	-	-

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

Analysed as follows:

	GROUP 2017 P'000	GROUP 2016 P'000	COMPANY 2017 P'000	COMPANY 2016 P'000
Shareholder portion	18,686	9,154	-	-
Policyholder portion	337,436	255,177	-	-
Total	356,122	264,331	-	-

Investment properties & investments in unlisted property funds are stated at fair value which has been determined based on valuations performed by Knight Frank; MG Properties (Pty) Ltd; Wragg (Pty) Ltd and Kwena Property Services (Pty) Ltd, who are accredited independent valuers, as at 31 December 2017 and 31 December 2016 for the current and previous years respectively. These valuers are specialist in valuing these types of investment properties.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

There are no restrictions on the realisability of the investment properties or the remittance of income and proceeds of disposal. There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

In calculating the market value of commercial properties the investment method being a discounted cashflow approach had been adapted whereupon the current contractual annual rentals is netted off against relevant expenses including normal repairs and maintanance, operating costs, management/collection commission fees, insurance and rates amongst others. The resulting net income is discounted at a market related discount rate to arrive at the market value. The following primary inputs have been used.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2017

4. INVESTMENTS (CONTINUED)

	2017	2016
Inflation rate (%)	2.9%	3.7%
Capitalisation rates	8.25%-12.5%	8.25%-12.5%
Long-term vacancy rates	0% - 20%	0% - 58%

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

Valuations and appraisals were carried out in accordance with the RICS Appraisal and Valuation Standards ("The Red Book"), by valuers who conform to its requirements, and with regard to relevant statues or regulations and with reference to market evidence of transaction prices for similar properties.
Properties are valued individually and valuations and appraisals are carried out on a basis appropriate to the purpose for which they are intended and accordance with the relevant definitions, commentary and assumptions contained in The Red Book.

The fair value of the investment in unlisted property companies is determined with reference to the fair value of the underlying property. As detailed above.

For direct equity instruments the DCF model takes into account the estimated cash flows and a risk adjustment discount rate that incorporates marketability and liquidity restrictions.

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

	GROUP		COMPANY	
	2017 P'000	2016 P'000	2017 P'000	2016 P'000
Carrying amounts at beginning of the year	1,878,439	1,741,680	523,956	426,800
Share of results after tax	72,927	224,671	-	-
Dividend received	(101,354)	(108,644)	-	-
(Disposal)/Additional investment in associates, joint ventures and subsidiaries	(72,993)	265,420	(5,932)	153,025
Reclassification of the Feune interest to non-current assets held for sale	-	(94,396)	-	-
Impairment reversal/(expense)	-	-	20,073	(55,869)
Adjustment in carrying value due to correction of error in associate	(28,820)	-	-	-
Foreign currency translation loss	(33,589)	(150,292)	-	-
Carrying amount at the end of the year	1,714,610	1,878,439	538,097	523,956

The Group, through its 100% owned subsidiary Bifm Holdings ,has a 50% interest in Khumo Property Asset Management, a jointly controlled entity involved in property management. The Group's interest in Khumo Property Asset Management is accounted for using the equity method in the consolidated financial statements. The year end for the jointly controlled entity is 31 October. The table on the next page illustrates the summarised financial information of the joint venture, based on its IFRS financial statements, and reconciliation with the carrying amount of the investment in the consolidated financial statements.

The Group, through its 100% owned subsidiary BIFM, has invested in various associates being Plot 21, Bongwe, African Life Financial Services (Zambia) Ltd and Quantum Assets Zambia. The table on the next page shows the Group's percentage shareholding and total summarised financial interest. During the year the Group disposed off 23.85% interest in Feune and 30% in Healthcare Holdings at a profit of P12.9 million.

The Group, through its 63% owned subsidiary KYS, has a 20% interest in The Minor Hotel Group Gaborone (Pty) ltd which is trading as Avani Gaborone.

The Group, through its 100% owned subsidiary Bifm Holdings Limited, has a 49% interest in African Life Financial Services (Zambia) Ltd. African Life Financial Services (Zambia) Ltd is based in Zambia. The entity is involved in provision of asset management and employee benefits administration. The Group's interest in African Life Financial Services (Zambia) Ltd is accounted for using the equity method in the consolidated financial statements. The entity is strategic to the Group's activities.

The Group, through its 100% owned subsidiary Botswana Life Insurance Limited ("BLIL") has a 26.17% (2016: 26.28%) interest in Letshego Holdings Limited (LHL), which is involved in the provision of short - to - medium-term secured and unsecured loans in the public, quasi-public and private sectors. The company is incorporated in Botswana and has subsidiaries in various countries in Africa . LHL is a public company listed on the Botswana Stock Exchange (BSE) . The Group's interest in LHL is accounted for using the equity method in the consolidated financial statements. The entity is strategic to the Group's activities. The table on the next page illustrates the summarised financial information of the Group's investment in LHL:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2017

The Group through its 100% owned subsidiary BLIL owns 35.8% (2016: 36.6%) of Funeral Services Group Limited (FSG). FSG is involved in the manufacturing and distribution of coffins and caskets, providing funeral services and establishing and managing private cemeteries.

The company is incorporated in Botswana and has a subsidiary in Zambia. Until 3 December 2015 FSG was a public company listed on the Botswana Stock Exchange (BSE). The Group's interest in FSG is accounted for using the equity method in the consolidated financial statements. The entity is strategic to the Group's activities. The table on the next page illustrates the summarised financial information of the Group's investment in FSG:

The fair value of the listed associates (Letshego Holdings Limited and Nico Holdings Limited) was P1,175 million (2016:P 1,443 million)

The Group also has a 25.1% interest in Nico Holdings Limited (NICO). The latter Group operates in five countries including Malawi, Tanzania, Uganda, Zambia and Mozambique and approximately 70% of NICO operations remain in Malawi. NICO operates its business through six segments which are, general insurance business, life insurance & pensions business, banking business, asset management, information technology and investment holding. It is also involved in the hospitality industry and real estate industry as portfolio investments through some of its subsidiaries and associate companies. The company is incorporated in Malawi and it is a public company listed on the Malawi Stock Exchange. The Group's interest in NICO is accounted for using the equity method in the consolidated financial statements. The entity is strategic to the Group's activities. The table on the next page illustrates the summarised financial information of the Group's investment in NICO:

Impairment assessment of investments in associates (Consolidated and Separate financial statements)
The consideration of impairment for the two most significant associates of the Group, Nico Holdings Limited and Letshego Holdings Limited, required additional focus in the current year due to the difficult economic environment in which these associates operate. Nico operates in Malawi which is exposed to severe currency fluctuations whilst Letshego operates in the micro-financing industry through its subsidiaries across Africa which experienced difficulties in the current market environment. These uncertain circumstances create difficulties in determining the appropriateness of the assumptions such as growth rates and risk discount rates used in the discounted cash flow (DCF) model which is used to assess the potential impairment of these associates. Consequently impairment reversal of P6.6 million (2016: impairment loss of P15.1 million) and foreign currency translation losses of P9.5 million (2016: P23.1 million) have been recognised for NICO. For Letshego, impairment losses of P172.1 million (2016: PNIL) and foreign currency translation losses of P12.3 million (2016: P98.9 million)

In the company numbers, a reversal of impairment of P15 million was recognised in relation to NICO and P8.2 million in relation to Unit Trust. These businesses saw some improvements in their trading environment.

In 2016 the BIHL Group acquired 50% in a jointly controlled company called Teledimo (Pty) Ltd, which holds a 100% investment in a short term insurance company, Botswana Insurance Company Ltd (BIC). Teledimo is a non-operating holding company and only has one investment i.e. the investment in BIC. The company is incorporated in Botswana and is a private company. The Group's interest in BIC is accounted for as a joint venture using the equity method in the consolidated financial statements.

Letshego Holdings Limited restated their financial statements for the years 2014 - 2016 to correct an error in their tax expenses

Letshego Holdings Limited ("LHL") suffers withholding taxes ("WHT") in various tax jurisdictions from where it earns interest, management fees and other income. The Botswana Income Tax Act (the "Act") allows LHL to claim these WHT as credits against income tax payable in Botswana arising from such foreign income. The Act restricts such credits to the lesser of the following -

(a) the tax payable in the other country; or
(b) the tax charged under the Act, on such foreign income.

LHL has claimed these WHT as credits in its income tax returns in Botswana for each of the years up to financial year ended 31 December 2016. For the 2014, 2015 and 2016 financial years, the Botswana Unified Revenue Services ("BURS") paid these credits as refunds to LHL

A recent review of LHL's tax position found these refunds to be inconsistent with the Act. As a consequence, LHL inadvertently but improperly claimed and received credits amounting to P15.5 million in 2014, P43.1 million in 2015 and P59.7 million in 2016. The resulting adjustments to the LHL financial statements are considered to be errors in accordance with IAS 8 Accounting policies, change in accounting estimates and errors.

The BIHL Group adjusted their financials to take into account for the impact on the movement in reserves of LHL through retained earnings in terms of IAS 28 and a corresponding entry in the carrying amount of the investments is associates in the balance sheet

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2017

4. INVESTMENTS (CONTINUED)

GROUP	Joint Ventures and Associates Khumo Property Asset Management	Teledimo	The Minor Hotel Group Gaborone	Funeral Services Group	Plot 21 Investments
4.5 Interest in associates and joint ventures (continued)					
2017					
Carrying amount (P'000)	11,206	121,553	35,461	78,315	5,102
Interest in issued share capital					
Shareholders' fund	50.00%	50.00%	20.00%	35.80%	33.00%
additional investment	-	-	-	-	-
Share of earnings after tax for current year (P'000)	2,932	10,621	1,014	13,401	2,400
Foreign Currency Transalation differences	-	-	-	-	-
Change in reserves in associates	-	-	-	-	-
(Disposal)/Additional investment in associates, joint ventures and subsidiaries	-	-	-	-	-
Distributions received P'000	-	(10,762)	-	(9,579)	-
Total assets and liabilities of the joint venture and associates (P'000)					
Non-current assets	1,257	210,206	112,414	200,452	3
Current financial assets, excluding cash and cash equivalents	7,733	83,182	7,379	12,447	2,237
Cash and cash equivalents	5,896	41,022	67,281	48,482	4,824
Non current financial liabilities excluding trade and other payables	-	(8,917)	(7,472)	(10,003)	-
Current financial liabilities excluding trade and other payables and provisions	(5,022)	(61,855)	(1,924)	4,969	(2,345)
Current liabilities	(2,713)	(12,924)	(12,882)	(30,451)	(150)
Shareholders equity	7,151	250,714	164,796	225,896	4,569
Carrying amount (P'000)	11,206	121,553	35,461	78,315	5,102
Calculated carrying value	3,576	125,357	32,959	80,871	1,508
Effects of fair value adjustments and Goodwill at initial recognition	7,630	(3,804)	2,502	(2,556)	3,594
Summarised statement of profit or loss of the joint ventures and associates (P'000)					
Revenue	19,470	152,764	137,982	135,560	13,641
Interest income	102	7,649	-	780	129
Cost of sales	-	-	(8,466)	(24,797)	(3,184)
Administration expenses, excluding depreciation and amortisation	(11,978)	(156,039)	(115,947)	(70,996)	(577)
Depreciation and amortisation	(206)	-	(7,551)	-	-
Finance costs, including interest expense	-	-	-	(1,293)	(694)
Profit /Loss before tax	7,389	4,374	6,018	39,254	9,315
Share of loss of Joint Venture				(750)	
Income tax expense	(1,425)	(5,719)	(522)	(9,023)	(2,103)
Profit/Loss for the year (continuing operations)	5,964	(1,345)	5,496	29,481	7,212
Group's share of profit/loss for the year	2,932	10,621	1,014	13,401	2,400

The Statement of Financial Position and the Statement of Comprehensive income show the total amounts as extracted from the respective financial statements of the entities. Net assets are shared on the basis of absolute shareholdings, without excluding minority interests.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2017

		Joint Ventures and Associates					
Healthcare	Feune	Bongwe	African Life Financial Services (Zambia) Limited	Quantum assets Zambia Limited	Nico Holdings Limited	Letshego Holdings Limited	Total
-	-	5,124	86,652	2,071	112,409	1,256,717	1,714,610
-	-						
-	-	33.00%	49.00%	49.00%	25.10%	26.17%	
-	-	-	-	-	-	-	-
5,690	958	(202)	10,733	-	26,527	(1,147)	72,927
-	-	-	(11,755)	-	(9,548)	(12,286)	(33,589)
-	-	-	-	-	-	(28,820)	(28,820)
(72,036)	(958)	-	-	-	-	-	(72,994)
-	-	-	-	-	(3,169)	(77,844)	(101,354)
-	-	174,060	17,249	50,051	3,861,817	426,335	5,053,844
-	-	1,000	72,077	10,899	1,001,176	8,042,067	9,240,196
-	-	16,270	3,659	28	398,146	492,367	1,077,976
-	-	(178,430)	(26,054)	(10,562)	(2,722,902)	(3,989,896)	(6,954,236)
-	-	(1,630)	(10,716)	-	(1,552,424)	(438,630)	(2,069,577)
-	-	(1,860)	(7,207)	(3,879)	(373,658)	(261,751)	(707,475)
-	-	9,410	49,008	46,537	612,155	4,270,492	5,640,729
-	-	5,124	86,652	2,071	112,409	1,256,717	1,714,610
-	-	3,105	24,014	22,803	153,651	1,117,588	1,565,432
-	-	2,019	62,638	(20,732)	(41,242)	139,129	149,178
-	-	12,000	66,070	11,184	1,537,914	2,525,401	4,611,986
-	-	16,570	2,629	1,224	151,526	-	180,610
-	-	(10,910)	-	-	-	-	(47,357)
-	-	(5,570)	(37,012)	(14,117)	(1,387,586)	(1,051,158)	(2,850,979)
-	-	-	-	-	-	-	(7,757)
-	-	(12,960)	-	-	(50,018)	(470,630)	(535,595)
-	-	(870)	31,687	(1,709)	251,836	1,003,613	1,350,907
-	-						
-	-	40	(10,917)	1,782	(81,021)	(322,367)	(431,275)
-	-	(830)	20,770	74	170,815	681,246	918,882
5,690	958	(202)	10,733	-	26,527	(1,147)	72,927

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2017

4. INVESTMENTS (CONTINUED)

GROUP	Joint Ventures and Associates				
	Khumo Property Asset Management	Teledimo	The Minor Hotel Group Gaborone	Funeral Services Group	Plot 21 Investments
4.5 Interest in associates and joint ventures					
2016					
Carrying amount (P'000)	8,274	121,694	34,447	74,493	2,702
Interest in issued share capital					
Shareholders' fund	50%	50%	20%	36.6%	33%
Share of earnings after tax for current year (P'000)	2,317	5,482	6,896	15,901	187
Distributions received	-				
Shareholders' fund (P'000)	-	8,000	-	11,939	-
Total assets and liabilities of associated company (P'000)					
Non-current assets	1,501	220,692	49,705	189,308	4,171
Current financial assets , excluding cash and cash equivalents	2,961	85,963	13,129	24,600	533
Cash and cash equivalents	10,421	48,104	100,573	47,951	14,281
Non current financial liabilities excluding trade and other payables and provisions	-	(9,806)	(4,152)	(14,144)	(8,751)
Current financial liabilities excluding trade and other payables and provisions	(3,973)	(69,788)	(15,472)	(3,780)	(2,339)
Current liabilities	(52)	(8,570)	(3,227)	(30,451)	(522)
Shareholders equity	10,858	266,595	140,556	213,484	7,374
Carrying amount (P'000)	8,274	121,694	34,447	74,493	2,702
Calculated carrying value	5,429	133,297	28,111	78,135	2,433
Effects of fair value adjustments and Goodwill at initial recognition	2,845	(11,603)	6,336	(3,642)	269
Summarised statement of profit or loss of the joint venture and associates (P'000)					
Revenue	16,950	140,974	172,284	161,383	4,080
Interest income	120	8,953	4,198	1,383	1,855
Cost of sales	-	-	(83,347)	(28,887)	(3,709)
Administration expenses, excluding depreciation and amortisation	(11,212)	(136,666)	(50,301)	(84,742)	(312)
Depreciation and amortisation	(206)	-	(7,057)	-	-
Finance costs, including interest expense	-	-	-	(1,949)	(1,195)
Profit before tax	5,651	13,262	35,777	47,188	718
Income tax expense	(1,016)	(2,299)	(6,777)	(11,731)	(158)
Profit for the year (continuing operations)	4,635	10,963	29,000	35,457	560
Group's share of profit for the year	2,317	5,482	6,896	15,901	187

The Statement of Financial Position and the Statement of Comprehensive income show the total amounts as extracted from the respective financial statements of the entities. Net assets are shared on the basis of absolute shareholdings, without excluding minority interests.

Included in the 2016 figure for investment in associates and joint ventures is Feune which was classified as held for sale in the Balance Sheet

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2017

Joint Ventures and Associates							
Healthcare	Feune	Bongwe	African Life Financial Services (Zambia) Limited	Quantum assets Zambia Limited	Nico Holdings Limited	Letshego Holdings Limited	Total
66,345	94,396	5,326	87,674	2,071	98,599	1,376,815	1,972,835
30%	25%	33%	49%	49%	25.10%	26.28%	
5,230	16,364	1,052	17,443	5,442	(7,636)	155,993	224,671
		-	-	-	2,259	86,446	108,644
215,186	806,938	192,070	18,233	51,496	1,979,646	375,849	4,104,794
2,704	46,088	523	25,226	8,099	331,540	6,970,831	7,512,197
22,706	11,121	21,186	939	309	264,060	529,494	1,071,145
(2,004)	(113,310)	(199,898)	-	(6,479)	(1,421,914)	(3,395,719)	(5,176,177)
(1,451)	(5,553)	(940)	(6,649)	(1,753)	(952,047)	(190,528)	(1,254,273)
(107)	(9,232)	(2,039)	(5,128)	(703)	(151,330)	(294,955)	(506,316)
237,034	736,052	10,902	32,621	50,968	49,955	3,994,972	5,751,370
66,345	94,396	5,326	87,674	2,071	98,599	1,376,815	1,972,835
70,162	184,013	3,598	15,984	24,974	12,539	1,049,879	1,608,554
(3,817)	(89,617)	1,728	71,690	(22,903)	86,060	326,936	364,281
22,933	146,219	15,569	46,061	22,849	1,052,033	1,874,143	3,675,477
77	36	18,107	-	1,236	283,389	-	319,354
-	-	(14,153)	-	(160)	-	-	(130,257)
(3,517)	(24,833)	(989)	(4,781)	(13,166)	(1,260,218)	(741,104)	(2,331,840)
-	-	-	(157)	(376)	-	-	(7,797)
-	(52,625)	(14,699)	-	-	-	(175,014)	(245,482)
19,493	68,798	3,834	41,123	10,383	75,203	958,025	1,279,456
(1,978)	(3,342)	(887)	-	1,416	(32,272)	(304,819)	(363,862)
17,515	65,456	2,948	41,123	11,799	42,932	653,206	915,594
5,230	16,364	1,052	17,443	5,442	(7,636)	155,993	224,671

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2017

4. INVESTMENTS (CONTINUED)

4.6 a) Non-Current Assets Held For Sale

On 16 May 2017, the Board of Directors of Botswana Insurance Holdings (Pty) Limited approved the disposal of 100% of its stake in BIHL Insurance Company Limited t/a Legal Guard to prospective related party/affiliate of the Group. BIHL holds 100% of Legal Guard (Pty) Ltd through a direct shareholding. The transaction price and conditions of sale were not yet finalised by the date of signing these financial statements. However, an agreement is projected to be concluded within the first half of 2018, subject to approval by the relevant authorities. The fairvalue measurement less cost to sale was assessed at year-end and was considered not to be materially different from the carrying value of the company. The results for the year are presented below

	2017	2016
Revenue		
Insurance premium revenue	44,935	48,036
Interest income	892	637
Other income	137	18
Total income	45,964	48,691
Gross insurance claims	(17,045)	(18,169)
Expenses for the acquisition of insurance contracts	(918)	(2,963)
Expenses for marketing and administration	(26,667)	(27,030)
Profit before tax	1,334	529
Taxation	(293)	(5)
Profit for the year	1,041	524
Other comprehensive income (net of tax)	-	-
Total comprehensive income for the year	1,041	524

The major classes of assets and liabilities of BIHL Insurance Company classified as held for sale as at 31 Decenber 2017 are as follows

	2017	2016
ASSETS		
Property and equipment	462	672
Intangible assets	3,595	2,075
Insurance and other receivables	473	485
Short-term money market instruments	37,166	16,452
Working capital assets	12,526	17,620
Current income tax receivable	-	68
Cash and bank balances	12,526	17,552
Total assets held for sale	54,222	37,304
Liabilities		
Deferred tax liabilities	47	47
Related party payables	1,085	6,691
Insurance contracts liabilities	14,359	9,715
Current income tax payable	191	-
Liabilities classified as held for sale	15,682	16,453

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2017

The net cash flow incurred by BIHL Insurance Companay are as follows

Cash flow from operating activities	2,718	9,332
Cash generated from operations	1,861	7,993
Interest received	892	637
Tax received /(paid)	(35)	702
Cash flow utilised in investment activities	(22,544)	(11,638)
Money market investment	(20,696)	(9,452)
Purchase of property and equipment	(137)	(284)
Purchase of intangible assets	(1,711)	(1,902)
Cashflow from financing activities		
Shareholder's loan	14,800	-
Decrease in cash and cash equivalents	(5,026)	(2,306)
Balance at the beginning of the year	17,552	19,858
Balance at the end of the year	12,526	17,552

4.6 b) Feune (Proprietary) Limited

Non-current assets held for sale are reported at the lower of the carrying amount or the fair value less estimated costs to sell. At its sitting on the 16th of November 2016, the Board of Directors of the group approved the disposal of a 23.85% interest in Feune (Proprietary) Limited to a third party. BIFM held a total interest of 24.85% in Feune directly and an additional 50% interest on behalf of Policy holders. The transaction price and conditions of sale were established and negotiated prior to the end of the financial year, however the agreement was concluded in the first half of 2017 after approval by the Competition Authority of Botswana. The associate was disposed at a profit of P10.5 million and Group now holds only 1% in Feune and is accounted for as an investement under the asset management operating segment. The carrying value of Feune classified as held for sale was P94.326 million as at December 2016.

5. INSURANCE AND OTHER RECEIVABLE

	Group		Company	
	2017 P'000	2016 P'000	2017 P'000	2016 P'000
5.1 Insurance and other receivables				
Insurance receivables				
Due from policyholders, agents and brokers	142,625	93,211	-	-
Due from reinsurers	2,427	1,828	-	-
	145,052	95,039	-	-
Other amounts receivables	145,806	108,938	2,414	11,762
	290,858	203,977	2,414	11,762

Trade receivables are non-interest bearing and are generally on 30 days terms.
Other amounts receivable relates to fees receivable, commission advances and broker loans.

The aging analysis of these receivables is as analysed below:

	Group		Company	
	2017 P'000	2016 P'000	2017 P'000	2016 P'000
Impaired	1,167	6,668		
Neither past due nor impaired	148,706	110,766	2,414	11,762
Past due but not impaired:	142,152	93,211	-	-
Less than 30 days	94,011	51,385	-	-
30 - 60 days	14,682	35,806	-	-
60 - 90 days	33,459	6,020	-	-
	290,858	203,977	2,414	11,762

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2017

5. INSURANCE AND OTHER RECEIVABLE
(CONTINUED)

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

Impairment movement
As at 31 December 2017 outstanding premiums with a nominal value of PNIL were reversed during the year (2016: PNIL). Movements in the provision for impairment of outstanding premiums were as follows and relate to 100% of the uncertain amounts:

	Group		Company	
	2017 P'000	2016 P'000	2017 P'000	2016 P'000
At 1 January	6,668	4,962	-	-
Provision utilised	-	(54)	-	-
Provision reversed	(5,501)	-		
Provision raised	-	1,760	-	-
At 31 December	1,167	6,668	-	-

6. STATED CAPITAL

Authorised shares (number)	282,370,652	281,070,652	282,370,652	281,070,652
Ordinary shares issued and fully paid				
282,370,652 (2016: 281,070,652) ordinary shares at no par value	154,936	130,821	154,936	130,821

7. NON-DISTRIBUTABLE RESERVES

	Group		Company	
	2017 P'000	2016 P'000	2017 P'000	2016 P'000
Foreign currency translation reserve				
Opening balance	(129,791)	15,895	-	-
Movement for the year	(33,589)	(145,686)	-	-
Balance at end of year	(163,380)	(129,791)	-	-
Consolidation reserve				
Opening balance	(111,872)	(104,572)	-	-
Transfer from retained earnings	(7,509)	(11,900)	-	-
Cost of shares disposed/(purchased)	1,273	4,600	-	-
Balance at end of year	(118,108)	(111,872)	-	-
BIHL shares held by policyholders				
Number of shares held at 31 December:	6,370	6,375	-	-
	6,370	6,375	-	-
Market price per share (Pula)	18.54	17.55	-	-
Non-distributable reserves				
Treasury shares				
Number of shares held at 31 December:				
Shareholders' fund 000s	38	527	-	-
Opening balance	(65,747)	(65,917)	-	-
Cost of treasury shares/(purchased)/disposed	8	170	-	-
Balance at end of year	(65,739)	(65,747)	-	-
Share based payment reserve				
Opening balance	117,171	105,355	15,301	11,460
Expense arising from equity-settled share-based payment transactions	8,109	11,816	3,545	3,841
Transfer to retained earnings	(42,100)	-	-	-
Balance at end of year	83,180	117,171	18,846	15,301
Capital Reserve Account				
Opening balance	633,562	532,974	9,762	9,762
Transfer from profit for the year	26,946	100,588	-	-
Balance at end of year	660,508	633,562	9,762	9,762

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2017

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

Solvency Reserve Account				
Opening balance	946	946	-	-
Transfer from profit for the year	507	-	-	-
	1,453	946	-	-

The general insurance company maintains a statutory solvency reserve as required by Section 11 of the Insurance Industry Act of Botswana. In accordance with the Act, the company transfers every year, before any dividend is declared , a sum equivalent to 10% of gross profits or, where the transfer of 10% of its gross profits would result in the total sum in the reserve exceeding 25% of gross premiums received in the previous financial year, so much as is necessary to raise the total sum in the reserves to a sum equivalent to 25% of the gross premiums received in the previous financial year. The statutory solvency reserve can neither be reduced nor encumbered provided that the Registrar of Insurance may by notice in writing to the company specify circumstances in which it may be reduced or encumbered. The entity is not required to make the transfer in the event of losses.

Total non-distributable reserves	397,914	444,269	28,608	25,063

8. POLICYHOLDER LIABILITIES

		Group		Company	
		2017 P'000	2016 P'000	2017 P'000	2016 P'000
8.1 Analysis of movement in policy liabilities					
Life insurance contracts					
Income		2,922,491	2,706,129	-	-
Premium income		2,351,260	2,102,030	-	-
Investment return		571,231	604,099	-	-
Outflow		(2,334,274)	(2,461,138)	-	-
Policy benefits		(1,944,364)	(2,054,686)	-	-
Fees, risk premiums and other payments to shareholders' fund		(389,910)	(406,452)	-	-
Net movement for the year		588,217	244,991	-	-
Balance at beginning of the year		8,800,323	8,555,332	-	-
Balance at end of the year	8.3	9,388,540	8,800,323		
Investment contracts					
Balance at the beginning of the year		2,156,174	2,377,782	-	-
Pension and investment contributions		1,118,826	666,078	-	-
Net investment return		64,932	(676,641)	-	-
Benefits paid and withdrawals		(510,131)	(211,045)	-	-
Balance at end of the year	8.3	2,829,801	2,156,174	-	-
Total policyholder liabilities		12,218,341	10,956,497	-	-
Segregated funds accounted for off the Statement of Financial Position		22,095,703	21,013,932	-	-

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2017

8. POLICYHOLDER LIABILITIES (CONTINUED)

8.2 Composition of policy liabilities under investment contracts

Individual business				
Linked and market-related liabilities	2,829,801	2,156,174	-	-
Composition of policy liabilities under insurance contracts				
Individual business	9,075,944	8,507,448	-	-
Linked and market-related liabilities	1,833,978	1,821,431	-	-
Stable bonus fund	34,412	48,694	-	-
Reversionary bonus policies	44,346	38,017	-	-
Non-participating annuities	7,098,473	6,533,696	-	-
Other non-participating liabilities	64,735	65,610	-	-
Employee benefits business	312,596	292,875	-	
Other non-participating liabilities	312,596	292,875	-	-
Total policy liabilities	12,218,341	10,956,497	-	-

8.3 Maturity analysis of policy holder liabilities

2017	On demand P'000	< 1 year P'000	1-5 years P'000	>5 years P'000	open ended P'000	Total P'000
Maturity analysis of policy holder liabilities under investment contracts						
Linked and market-related liabilities	2,829,801	-	-	-	-	2,829,801
Maturity analysis of policy holder liabilities under insurance contracts						
Linked and market-related liabilities	-	72,368	353,855	1,407,755	-	1,833,978
Smoothed bonus business	-	5,871	19,073	9,468	-	34,412
Guaranteed business	-	27,236	16,697	412	-	44,345
Non-participating annuities	-	1,965	18,922	7,077,586	-	7,098,473
Annuities - participating	-	-	-	-	64,735	64,735
Non participating risk business	-	25,593	139,575	136,457	10,971	312,596
Total	2,829,801	133,033	548,122	8,631,678	75,706	12,218,340

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

	Group		Company	
	2017 P'000	2016 P'000	2017 P'000	2016 P'000
8.4 Policy liabilities include the following:				
HIV/Aids reserve	9,344	1,089	-	-
Asset mismatch reserve	40,960	114,032	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2017

Asset mismatch reserve refers to reserve held to cushion against losses that may occur due to movement in interest rates as the value of liabilities does not move in line with the value of assets backing those liabilities.

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

8.5 Reinsurance Assets				
Balance at the beginning of the year	2,936	3,042	-	-
Movement in reinsurer's share of insurance contract liabilities	(519)	(106)	-	-
Balance at end of the year	2,417	2,936	-	-
8.6 Movement in life insurance contract liability				
Change in policyholder liabilities under insurance contracts	588,217	248,141	-	-
Change in contract liabilities ceded to reinsurers	(519)	(106)	-	-
Movement in the income statement	587,698	248,035	-	-

9. NON -CONTROLLING INTERESTS

9.1 Non-controlling interests movement

Balance at beginning of the year	20,583	18,474	-	-
Share of profit	270	1,199	-	-
Dividend payment	(4,030)	-	-	-
Purchase of shares	-	910	-	-
Balance at end of the year	16,823	20,583	-	-

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

Name	Country of incorporation and operations	2017 %	2016 %
KYS Investments Limited	Botswana	37.10	37.10
Private Property Botswana (Pty) Ltd	Botswana	26.00	26.00
Accumulated balances of material non-controlling interest:			
KYS Investments Limited		16,617	15,854
Private Property Botswana (Pty) Ltd		206	4,729
		16,823	20,583
Profit/(loss) allocated to material non-controlling interest:			
Kgolo Ya Sechaba (KYS)		326	2,542
Private Property Botswana (PPB)		(56)	1,972
		270	4,514

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

	Kgolo Ya Sechaba (KYS) P'000	Private Property Botswana (PPB) P'000
Summarised profit or loss for 2017		
Revenue	1,060	1,480
Cost of sales	-	-
Administrative expenses	(178)	(1,262)
Net (losses)/gains on financial assets held at fair value through profit or loss		(1,984)
Profit before tax	882	(1,766)
Income tax	-	1,544
Profit for the year from continuing operations	882	(222)
Total comprehensive income	882	(222)
Attributable to non controlling interests	326	(56)
Dividends paid to non controlling interests	-	4,030

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2017

9. NON -CONTROLLING INTERESTS (CONTINUED)

	Kgolo Ya Sechaba (KYS) P'000	Private Property Botswana (PPB) P'000
Summarised profit or loss for 2016		
Revenue		
Cost of sales	11,086	2,249
Administrative expenses	-	-
Finance costs	(164)	(439)
Profit before tax	10,922	1,810
Income tax	(4,067)	(273)
Profit for the year from continuing operations	6,855	1,537
Total comprehensive income	6,855	1,537
Attributable to non controlling interests	2,542	1,972
Summarised statement of financial position as at 31 December 2017		
Trade receivables and cash and bank balances (current)	2,455	3,181
Property and equipment and other non-current financial assets (non- current)	40,088	-
Trade and other payable (current)	(365)	(2,975)
Total equity	42,178	206
Attributable to:		
Equity holders of parent	25,849	-
Non-controlling interests	16,329	206
Summarised statement of financial position as at 31 December 2016		
Trade receivables and cash and bank balances (current)	102	1,159
Property, plant and equipment and other non-current financial assets (non- current)	42,819	26,878
Trade and other payable (current)	(189)	(2,715)
Interest-bearing loans and borrowing and deferred tax liabilities (non-current)	-	(7,133)
Total equity	42,732	18,189
Attributable to:		
Equity holders of parent	26,878	13,460
Non-controlling interests	15,854	4,729
Summarised cash flow information for year ending 31 December 2017:		
Operating	247	(16,787)
Investing	-	26,878
Financing	2,107	(7,133)
Net increase/(decrease) in cash and cash equivalents	2,354	2,958
Summarised cash flow information for year ending 31 December 2016:		
Operating	(118)	(153)
Net increase/(decrease) in cash and cash equivalents	(118)	(153)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2017

10. DEFERRED TAX

Deferred tax included in the Statement of Financial Position and changes recorded in the income tax expense are as follows:

GROUP

	Deferred tax asset 2017 P'000	Deferred tax liability 2017 P'000	Profit or loss 2017 P'000	Deferred tax asset 2016 P'000	Deferred tax liability 2016 P'000	Profit or loss 2016 P'000
Balance at the beginning of the year	-	(17,620)	-	41	(18,360)	-
Charge to the income statement	-	7,871	7,871	(41)	740	699
Available for sale assets	-	47	-	-	-	-
Balance at end of the year	-	(9,702)	7,871	-	(17,620)	699
Representing:						
Accelerated depreciation for tax purposes	-	5,379	15,342	-	4,473	3,506
Unrealised gains on shareholders' investments	-	4,788	(7,471)	-	5,765	(2,807)
SIM recharges deferred tax	-	(418)	-	-	-	-
Prior year adjustments	-	-	-	-	7,382	-

No deferred tax asset was recognised in the holding company due to the assessable tax losses amounting to 10.4 mil (2016: 12.4 mil). There is uncertainty when taxable profits will be available which can be utilised.

Company

	Deferred tax asset 2017 P'000	Deferred tax liability 2017 P'000	Profit or loss 2017 P'000	Deferred tax asset 2016 P'000	Deferred tax liability 2016 P'000	Profit or loss 2016 P'000
Balance at the beginning of the year	-	(892)	(892)	-	-	-
Charge to the income statement	-	-	-	-	(892)	(892)
Balance at end of the year	-	(892)	(892)	-	(892)	(892)
Representing:						
Accelerated depreciation for tax purposes	-	892	(892)	-	(892)	(892)

There were no temporary differences associated with investment in subsidiaries, associates and interest in joint ventures for which deferred tax liabilities have not been recognised.

Withholding taxes are paid to the government and they are a portion of the total dividend that is declared. Where the Company receives a dividend on which withholding tax is levied, that withholding tax is recognised as a current tax expense.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2017

11. INSURANCE AND OTHER PAYABLES

	GROUP		COMPANY	
	2017 P'000	2016 P'000	2017 P'000	2016 P'000
Insurance payables				
Due to agents and brokers	38,032	44,934	-	-
Due to reinsurers	11,600	3,817	-	-
Life Insurance claims payable	172,740	197,221	-	-
Life Insurance premiums received in advance	75,616	98,972	-	-
Short term Insurance payables	(15,146)	320	-	-
Other payables				
Other accounts payable	81,882	114,509	21,511	29,879
	364,724	459,773	21,511	29,879

Terms and conditions of the above financial liabilities are:
Trade payables are non-interest bearing insurance related liability and their terms and conditions are as follows.
- Insurance claims are settled within 30 days
- Reassurance payable are settled within 90 days
- Due to agents and brokers - these are Intermediary retention balances held on behalf of brokers and agents and are released on the anniversary of the policy.

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

	GROUP		COMPANY	
	2017 P'000	2016 P'000	2017 P'000	2016 P'000
11.1 Non life insurance contracts liabilities				
Claims reported and loss adjustment expenses	-	4,721	-	-
Claims incurred but not reported	-	4,804	-	-
Balance at the end of the year	-	9,525	-	-
Claims lodged with the insurance company are payable within 30 days				
11. 2 Claims reported and loss adjustment expenses				
Balance at the beginning of the year	4,721	1,347	-	-
Current year provisions	5,144	3,374	-	-
Claims classified as held for sale	(9,865)	-	-	-
Balance at the end of the year	-	4,721	-	-
This provision is included as part of Insurance payables				
11. 3 Claims incurred but not reported				
Balance at the beginning of the year	4,804	4,468	-	-
Current year provisions	-	336	-	-
Utilised in the current year	(311)	-	-	-
Claims classified as held for sale	(4,493)	-	-	-
Balance at the end of the year	-	4,804	-	-
This provision is included as part of Insurance payables				

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2017

12. PREMIUM REVENUE

	GROUP		COMPANY	
	2017 P'000	2016 P'000	2017 P'000	2016 P'000
Life Insurance				
Individual life	1,835,740	1,697,709	-	-
Gross premium	1,856,917	1,712,528	-	-
- Recurring premium	1,122,260	1,022,914	-	-
- Single	734,657	689,614	-	-
Premium ceded to reinsurers	(21,177)	(14,819)	-	-
Group and employee benefits	484,306	377,218	-	-
Gross premium	494,343	389,508	-	-
- Recurring premium	128,321	89,245	-	-
- Single	366,022	300,263	-	-
Premium ceded to reinsurers	(10,037)	(12,290)	-	-
Total	2,320,046	2,074,927	-	-

13. INVESTMENT INCOME

	GROUP 2017 P'000	GROUP 2016 P'000	COMPANY 2017 P'000	COMPANY 2016 P'000
Shareholders' investment income				
Interest income on financial assets at fair value through profit or loss	16,628	8,393	-	-
Cash and cash equivalents interest income	7,467	7,550	823	3,227
Rental income on investment properties	4,254	23,954	-	-
Other income	-	-	4,028	-
Dividends	165	10,651	423,955	353,344
Investment management fees	(2,380)	(10,259)	-	-
	26,134	40,289	428,806	356,571
Policyholders' investment income				
(i) Policyholder insurance contracts				
Interest income on financial assets at fair value through profit or loss	489,495	501,104	-	-
Rental income on investment properties	10,676	17,790	-	-
Dividends	10,187	19,305	-	-
Investment management fees	(34,407)	(34,535)	-	-
	475,951	503,664	-	-
(ii) Policyholder investment contracts				
Interest income on financial assets at fair value through profit or loss	64,265	52,472	-	-
Rental income on investment properties	2,411	68,032	-	-
Dividends	89,432	87,663	-	-
	156,108	208,167	-	-
Total Policyholder's investment income	632,059	711,831	-	-
Total Investment income	658,193	752,120	428,806	356,571

13.1 Net losses from financial assets held at fair value through profit or loss

	GROUP 2017 P'000	GROUP 2016 P'000	COMPANY 2017 P'000	COMPANY 2016 P'000
Shareholders' net losses from financial assets held at fair value through profit or loss				
Shareholder				
Fair value losses on investments	(1,135)	(7,000)	-	-
Foreign exchange losses	(23,421)	(14,056)	-	-
	(24,556)	(21,056)	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2017

13. INVESTMENT INCOME (CONTINUED)

	GROUP 2017 P'000	GROUP 2016 P'000	COMPANY 2017 P'000	COMPANY 2016 P'000
Net gains/(losses) from financial assets held at fair value through profit or loss				
Policyholders' net gain from financial assets held at fair value through profit or loss				
(i) insurance contracts				
Fair value gains on investments	109,264	109,868	-	-
Foreign exchange losses	(48,774)	(41,539)	-	-
	60,490	68,329	-	-
(ii) investment contracts				
Fair value losses on investments	(91,175)	(887,366)	-	-
	(91,175)	(887,366)	-	-
Total Policyholder net (losses)/gains from financial assets held at fair value through profit or loss	(30,685)	(819,037)	-	-
Total net losses from financial assets held at fair value through profit or loss	(55,241)	(840,093)	-	-

14. NET INSURANCE BENEFITS AND CLAIMS

	GROUP 2017 P'000	GROUP 2016 P'000	COMPANY 2017 P'000	COMPANY 2016 P'000
Life insurance contracts				
Individual life				
Death and disability claims	111,848	149,534	-	-
Maturity claims	244,412	490,769	-	-
Policy surrenders	146,088	176,177	-	-
Annuities	510,448	480,764	-	-
Reinsurance share on death and disability claims	(2,225)	(1,910)	-	-
Total individual life	1,010,571	1,295,334	-	-
Group and employee benefits				
Death and disability claims	200,138	96,584	-	-
Policy surrenders	168,585	147,762	-	-
Reinsurance share on death and disability claims	(4,767)	(6,461)	-	-
Total group and employee benefits	363,956	237,885	-	-
Total net insurance benefits and claims	1,374,527	1,533,219	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2017

15. ADMINISTRATION EXPENSES INCLUDE:

	GROUP		COMPANY	
	2017 P'000	2016 P'000	2017 P'000	2016 P'000
		Restated		
Auditors' remuneration				
- audit fee current period	4,136	4,191	650	465
- other services	529	972	-	-
Impairment of goodwill	-	28,806	-	-
Impairment expense/reversal of impairment investment in subsidiaries and associates	139,613	-	23,397	55,869
Depreciation of property and equipment	9,490	11,068	2,398	2,516
Amortisation of intangible assets	10,324	9,244	771	1,815
Directors' fees				
- for services as directors	3,287	3,331	2,907	2,432
- for managerial services	13,904	14,967	13,904	14,967
- pension contribution	527	311	527	311
Operating lease rentals	19,535	12,078	1,976	1,739
Staff costs				
Salaries and wages for administration staff	123,515	125,955	18,379	20,165
Pension costs	12,963	11,909	2,313	1,985
Restructuring costs	27,362	-	-	-
Share based payment	8,109	11,266	3,545	3,841
CSP	8,109	11,266	3,545	3,841
Total staff costs	171,949	149,130	24,237	25,991
Average number of employees	338	408	27	25

16. TAXATION

	GROUP 2017 P'000	GROUP 2016 P'000	COMPANY 2017 P'000	COMPANY 2016 P'000
Current tax	(82,290)	(93,689)	-	-
Deferred tax	6,198	699	-	(892)
Withholding tax on dividends	-	(1,397)	(24,580)	(25,732)
Capital gains tax	-	(6,194)	-	-
Tax charge	(76,092)	(100,581)	(24,580)	(26,624)

16.1 Tax reconciliation

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

	GROUP 2017 P'000	GROUP 2016 P'000	COMPANY 2017 P'000	COMPANY 2016 P'000
Profit before tax	424,379	575,369	413,622	269,426
Tax calculated at a tax rate of 22%	93,363	126,581	90,997	59,274
Expenses not deductible for tax	17,226	15,785	2,241	14,244
Income not subject to tax	(11,839)	(40,384)	(44,078)	(21,162)
Withholding tax on dividends	-	1,397	(24,580)	(25,732)
Effect of assessed losses	(48)	(733)	-	-
Capital gains tax	(22,610)	(2,065)	-	-
Tax charge	76,092	100,581	24,580	26,624

Income not subjected to tax includes dividends from subsidiaries and associates. Expenses not deductible relate to impairment and head office expenses incurred in the generation of non taxable income. These expenses result in permanent differences. The holding company had assesseble losses amounting to P10.4 million (2016: P12.3 million). In terms of Botswana tax laws the amounts can be carried for a period not exceeding 5 years.

16.2 Tax Paid

	GROUP 2017 P'000	GROUP 2016 P'000	COMPANY 2017 P'000	COMPANY 2016 P'000
Opening balance	3,835	18,064	(276)	(276)
Tax charge	82,290	101,428	24,580	25,732
Opening balance	4,809	(3,835)	(1,845)	329
Tax paid	90,934	115,657	22,406	25,785

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2017

17. EARNINGS PER SHARE (GROUP ONLY)

Earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

	GROUP	
	2017 P'000	2016 P'000
Net profit attributable to ordinary equity holders of the parent for basic earnings and diluted earnings	348,016	473,589
Number of shares in issue	282,371	281,071
Staff share scheme and treasury shares	(6,902)	(7,660)
Weighted average number of shares used for calculating basic earnings per share	275,468	273,309
Weighted number of dilutive options	2,451	3,968
Weighted average number of shares used for calculating diluted earnings per share	277,919	277,277
Earnings per share (thebe) attributable to ordinary equity holders of the parent		
- basic	127	174
- diluted	126	171
Earnings per share (thebe) for continuing operations		
- Basic	126	174
- Diluted	125	171

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 AND PROPOSED (GROSS OF WITHHOLDING TAX)

Declared and paid during the year:	P'000
Final dividend for the year to 31 December 2016:67 thebe (2016: 67 thebe)	188,317
Interim dividend for six months to 30 June 2017: 55 thebe (2016: 55 thebe)	154,589
	342,906
Dividend proposed after year end not recognised in the financial statements:	
Final dividend for the year to 31 December 2017: 67 thebe (2016: 67 thebe)	189,189
Special dividend for the year to 31 December 2017: 35 thebe (2016: NIL Thebe)	98,830
Dividend proposed for approval at AGM (Before withholding tax - not recognised as liability at 31 December)	288,019

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2017

19. RELATED PARTY DISCLOSURES

The financial statements include the financial statements of Botswana Insurance Holdings Limited, subsidiaries, associates and joint venture as listed in the following table:

Principal subsidiaries	Country of incorporation	% of interest held 2017	2016	Nature of business
Directly held				
Botswana Life Insurance Limited	Botswana	100	100	Life insurance
Bifm Holdings Limited	Botswana	100	100	Holding company
IGI Insurance Holdings Limited	Botswana	100	100	Dormant
Bifm Unit Trusts (Pty) Ltd	Botswana	-	100	Unit Trusts
Genebase Holdings (Pty) Ltd	Botswana	100	100	Dormant
BIHL Insurance Company Limited	Botswana	100	100	Short term insurance
BIHL Trust	Botswana	N/A	N/A	Corporate Social Responsibility
BIHL Employee Share Scheme Trust	Botswana	N/A	N/A	Employee Share Trust
KYS Investments (Pty) Ltd	Botswana	63	63	Hospitality industry
Private Property (Botswana) (Pty) Ltd	Botswana	74	74	Real estate
Letshego Guard (Pty) Limited	Botswana	100	100	Dormant
Indirectly held				
Botswana Insurance Fund Management Limited	Botswana	100	100	Asset management
Bifm Holdings and Financial Services Limited	Isle of Man	100	100	Holding company
Bifm Capital Investment Fund 1	Botswana	100	100	Corporate finance
Bifm Unit Trusts (Pty) Ltd	Botswana	100	-	Unit Trusts

The Holding Company

The ultimate holding company of the Group is Sanlam Limited which is based and listed in South Africa and Namibia.

Associates and Joint ventures

In 2016, the Group acquired a 50% interest in Teledimo (Pty) Ltd which owns 100% of Botswana Insurance Company (BIC). The Group's interest in associates and joint ventures is disclosed in note 4.5 to the financial statements.

	GROUP 2017 P'000	GROUP 2016 P'000	COMPANY 2017 P'000	COMPANY 2016 P'000
19.1 Related party transactions				
Transactions on insurance contracts (Expense)/Income				
i) Sanlam Limited (59% shareholder of BIHL)				
- Premium ceded to reinsurer	-	(5,027)	-	-
- Claim recoveries from reinsurer	-	9,008	-	-
- Recoveries, travel claims and other meeting expenses	(144,329)	915	-	-
ii) Letshego Holdings Limited (Associate company of BIHL)				
Credit life income	133,051	115,701	-	-
Claims paid	(96,319)	(94,901)	-	-
Dividends received	77,844	86,446	-	-
iii) Funeral Services Group Limited (FSG) (Associate company of BIHL)				
Share of income	6,240	5,919	-	-
Dividends received	9,579	11,939	-	-
iv) Aflife Zambia (Associate company of Bifm Holdings Ltd)				
Technical fees	4,690	3,052	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2017

19. RELATED PARTY DISCLOSURES (CONTINUED)

19.1 Related party disclosures (continued)

	GROUP		COMPANY	
	2017 P'000	2016 P'000	2017 P'000	2016 P'000
Summary of transactions with related parties				
- Shared expenses				
- Botswana Life Insurance Limited (100% owned by BIHL)	-	-	5,038	7,773
- BIFM (100% owned by BIHL)	-	-	2,608	3,411
- BIHL Unit Trusts (100% owned by BIHL)	-	-	218	281
- BIHL Trust (CSI)	-	-	952	1,074
- BIHL Insurance Company Limited (100% owned by BIHL)	-	-	1,799	2,705
- Dividends received				
- Botswana Life Insurance Limited (100% owned by BIHL)	-	-	286,276	295,357
- BIFM (100% owned by BIHL)	-	-	112,197	28,929
- BLI Investments (Pty) Limited (100% owned by BIHL)	-	-	-	-
Year end balances arising from transactions on other services other than insurance contracts				
Amount receivable/(payable)				
- Botswana Life Insurance Limited (100% owned by BIHL)	-	-	(7,792)	(2,183)
- BIFM(100% owned by BIHL)	-	-	21,726	4,162
- BIHL Unit Trusts (100% owned by BIHL)	-	-	-	3,027
- Letshego Guard (Pty) Limited (100% owned by BIHL)	-	-	(14,737)	-
- BIHL Employee Share Scheme Trust			30,678	3,040
- BLI Investments (Pty) Limited (100% owned by BIHL)	-	-	-	1,314
- BIHL Trust	-	-	1,525	633
- BIHL Insurance Company Limited (100% owned by BIHL)	-	-	462	-
- Sanlam (59% shareholder of BIHL)	(4,134)	(6,248)	-	-

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 2017, the Group did not record an impairment of receivables relating to amounts owed by related parties (2016: NIL). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Transactions with key management

(i) Compensation of key management personnel of the Group

	GROUP 2017 P'000	GROUP 2016 P'000	COMPANY 2017 P'000	COMPANY 2016 P'000
- Short-term employee benefits	25,905	20,507	6,895	7,850
- Pension costs - defined contribution plans	3,607	2,796	784	2,124
- Share based payments	5,605	4,404	3,564	12,008
- Other long-term benefits	6,583	7,961	-	-
	41,700	35,668	11,243	21,982

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

	2017 No of shares	2016 No of shares
B Dambe-Groth	23,923	23,923
M Mpugwa	5,569	5,324
G. Hassam	-	238,230
T.C Masire	1,296	591
C Lesetedi	183,299	183,299
	214,087	451,367

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2017

19. RELATED PARTY DISCLOSURES (CONTINUED)

Total	GROUP		COMPANY	
	2017	2016	2017	2016
(iii) Non - executive directors' remuneration	P'000	P'000	P'000	P'000
- For services as directors	3,268	3,189	2,750	2,687
- For other services	86	141	-	-
	3,354	3,330	2,750	2,687

(iii)Executive directors emoluments (Group and Company)

The remuneration of executive directors comprises salaries and other short-term incentives as well as participation in long term incentive plans.

(a) Short-term emoluments

Name	Months of service	Salary P'000	Bonus P'000	Other benefits P'000	Total P'000
2017					
C Lesetedi	12	2,206	450	67	2,723
Total executive directors		2,206	450	67	2,723
2016					
C Lesetedi	10	2,028	-	4,480	6,508
G Hassam	2	298	1,750	6,411	8,459
Total executive directors		2,326	1,750	10,891	14,967

(b) Long-term emoluments
Share purchase plans

Name	No. of options	No of grants CSP	Strike price (Pula)	Exercised	Forfeited	Outstanding	Expiry date
2017							
C Lesetedi							
Granted 2010	231,413	-	17.13	(231,413)	-	-	-
Granted 2013	-	89,489	15.20	(89,489)	-	-	-
Granted 2013	-	66,158	16.30	(66,158)	-	-	-
Granted 2014	-	65,270	18.55	65,270	-	-	-
Granted 2015	-	105,846	-	-	-	105,846	2025
Granted 2016	-	80,402	-	-	-	80,402	2026
Granted 2017	-	71,423	-	-	-	71,423	2027
Total	231,413	478,588		(321,790)	-	257,671	
2016							
C Lesetedi							
Granted 2010	231,413	-	17.13	(231,413)	-	-	-
Granted 2013	-	89,489	15.20	(89,489)	-	-	-
Granted 2013	-	66,158	16.30	(66,158)	-	-	-
Granted 2014	-	65,270	-	-	-	65,270	2024
Granted 2015	-	105,846	-	-	-	105,846	2025
Granted 2016	-	80,402	-	-	-	80,402	2026
Total	231,413	407,165	-	(387,060)	-	251,518	

All shares as disclosed above are granted and are exercisable until the expiry date as disclosed. Refer to note 21(b) for additional information on the scheme.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2017

20. COMMITMENTS

	GROUP		COMPANY	
	2017 P'000	2016 P'000	2017 P'000	2016 P'000
Operating lease commitments				
(i) The future minimum lease payments under non-cancellable operating leases				
Within one year	4,693	8,510	1,518	3,141
More than 1 year, but less than 5 years	4,222	17,069	3,253	5,619

The operating lease is for buildings that the Group is renting f
or business purposes. The lease is over a period of three years.

(ii) The Group has entered into commercial property leases on its investment property portfolio. These non– cancellable leases have remaining terms of between one and five years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

The future minimum lease payments under non-cancellable operating leases				
Future minimum lease rentals receivable				
Within one year	6,427	7,181	-	-
More than 1 year, but less than 5 years	15,644	19,984	-	-
More than 5 years	-	-	-	-

(ii) The company has entered into operating leases on a portion of its owner occupied property. Contingent rents are recognised as revenue in the period in which they are earned. Leases are subject to escalations on an anniversary of the lease as agreed with the lessor.

21. EMPLOYEE BENEFITS

(a) Retirement benefit plan

Defined contribution plan

A defined contribution plan is a pension plan under which the Group pays fixed contributions; there is no legal or constructive obligation to pay further contributions. The assets of the plan are held separately from those of the Group in a fund under the control of trustees.

The total expense charged to income of P 13.3 million (2016: P11.9 million) represents contributions payable to these plans by the Group at rates specified in the rules of the plan.

(b) Share-based payment

The Group has a share based payment scheme. The scheme is divided for (i) Management (ii) Other Staff.

The Group introduced additional two new schemes in 2010. These are (a) The Share Option Scheme and (b) Conditional Share plan

(i) Management Staff scheme

The management scheme is classified as equity settled share based payment. The objective of the scheme is to retain staff. Management staff are granted options to purchase shares of the Holding Company - Botswana Insurance Holdings Limited after a period of 2 years of continuous service to the Group. The share options vest after a period of 6 years, of continuous service, from the grant date; 1/3 vesting after every 2 years. The options are issued at the ruling market price on the date of grant.

After the share options have vested, employees are given a period of 10 years from the date of vesting to exercise their option. The amount carried in the share based reserve at 31 December 2017 is P21 million (31 December 2016: P 21 million). The expense recognised in the income statement is PNIL (2016: PNIL).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2017

	2017 Number of share options '000	2017 Weighted average exercise price Pula	2016 Number of share options '000	2016 Weighted average exercise price Pula
Movement during the year				
Outstanding at the beginning	892	16.90	925	16.90
Granted	-	-	-	-
Forfeited	-	-	-	-
Exercised	(742)	16.90	(33)	8.70
Outstanding at the end of year	150	16.90	892	16.90
Exercisable at 31 December	150	16.90	892	16.90

Price (Pula)	Number of options outstanding
16.90	150,000
	150,000

The weighted average remaining contractual life for the shares outstanding as at 31 December 2017 is 1 years (2016: 2 years)
There were no new grants during the year. (2016: NIL)
The range of exercise prices for options outstanding at the end of the year was P16.90 (2016: P8.70 -P16.90).

(ii) Other Staff

Staff are granted share options after a period of 2 continuous years of service to the group. The share options vest after a period of 3 years of continuous service from the grant date; therefore the employee has to be continuously employed with the group for 5 years before the shares vest. Staff do not pay for the share options. As the settlement is by way of shares, the scheme is classified as equity settled for accounting purposes. The scheme has been wound up and the share based payment reserve of P42.1 million was moved to retained earnings.

(iii) The Share Option Scheme (SOS)

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

After the share options have vested, employees are given a period of 10 years from the offer date to exercise their option. The amount carried in the share based reserve at 31 December 2017 is P752k (31 December 2016: P2.2 million). The expense recognised in the income statement is PNIL (2016: PNIL).

	2017 Number of share options '000	2017 Weighted average exercise price Pula	2016 Number of share options '000	2016 Weighted average exercise price Pula
Movement during the year				
Outstanding at the beginning	177	11.60	548	10.82
Exercised	(112)	11.60	(371)	16.59
Outstanding at the end of year	65	11.60	177	11.60
Exercisable at 31 December	65	11.60	177	11.60

The were no options granted during the year (2016: PNIL). The weighted average value of options granted during the year was PNIL(2016: PNIL)

The weighted average remaining contractual life for the shares outstanding as at 31 December 2017 is 5 years (2016: 5 years)
The range of exercise prices for options outstanding at the end of the year was P11.00 - P11.75 (2016: P11.00 - P11.75)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2017

21. EMPLOYEE BENEFITS (CONTINUED)

(b) Conditional Share Plan (CSP)
The purpose of the plan is to recognise contributions made by selected employees and to provide for an incentive for their continuing relationship with the Group. The awards are given as grants. The awards are aligned to strategic periods and targets. Employees must remain in service for a period of three consecutive years from the date of grant. Vesting is based on satisfactory performance of individuals as per their scorecards over the stated three years. BIHL grants the employees to obtain shares in BIHL. The employer companies will, however, remain responsible to fund the procurement and settlement of shares issued to its employees in terms of the scheme at the time the shares are so procured.
The amount carried in the share based reserve at 31 December 2017 is P44.7 million (31 December 2016: P44.7 million). The expense recognised in the income statement is P9.1 million (2016: P11.8 million).

	2017	2017	2016	2016
	Number of grants	Weighted average Fair value price at grant/exercise date	Number of grants	Weighted average Fair value price at grant/exercise date
Movement during the year	'000	Pula	'000	Pula
Outstanding at the beginning	3,591	10.99	3,853	10.99
Granted	517	17.55	963	15.20
Exercised	2,705	15.47	(1,225)	15.47
Outstanding at the end of year	6,813	13.27	3,591	10.59

The weighted average remaining contractual life for the grants outstanding as at 31 December 2017 is 3 years (2016: 3 years).

The number of Conditional shares granted during the year was 516,745 (2016: 962,576).

The weighted average fair value of grants granted during the year was P17.55 (2016: P15.20)
The weighted average fair value exercise prices for grants outstanding at the end of the year was P14.22 (2016: P 10.59).

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

	2017	2016
Dividend yield	6.64%	6.64%
Volatility	3.34%	5.03%
Risk free interest rate	5.38%	5.38%
Spot price	18.54	17.55
% of remaining employees	80.00%	80.00%

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

	2017	2016
Dividend yield	7.28%	6.64%
Volatility	N/A	N/A
Risk free interest rate	N/A	N/A
Spot price	18.54	17.55
% of remaining employees	80%	80%

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2017

Options pricing model

Since the BIHL employee share options are not tradable, IFRS 2 requires that the fair value of these options be calculated using a suitable option-pricing model. In terms of best practice, we have adopted a modified binomial tree model for valuation purposes, which can be described, at a high-level, as follows:

i) The life of the option is divided into a large number of small time periods.

ii) A binomial tree is developed with time-dependent nodes corresponding to projected upward and downward movements of the BIHL share. This projection is calculated as a function of the volatility of the underlying share, and by assuming that the share price follows a stochastic process.

iii) Starting from the maturity date of the option, the model works backward through the tree, and at each node determines two possible values for the option: (a) the value of the option if one were to continue to hold it at that point in time, and (b) the value of the option if one were to exercise it at that node. Value (a) above is calculated using arbitrage-free principles and risk-neutral valuation theory, while value (b) is calculated simply as the difference between the projected spot price of the underlying share at that node and the strike price of the option.

iv) For time periods subsequent to the vesting date of each option, the model uses the greater of the two values referred to above to estimate the option's value at that node. For time periods prior to the vesting date, only value is used to estimate the option's value, reflecting the fact that the option cannot be exercised prior to vesting date.

v) Once the value at a particular node has been determined, that value is discounted to the prior period using the risk-free yield curve, and taking into account the probability of realising that value. Eventually, the value at the first node (i.e. corresponding with valuation date) is calculated. This represents the fair value of the option.

Other inputs used

Generally, there are seven variables that determine the price of an employee share option:
i)The market price of the underlying share at the grant date;
ii) The strike price of the option;
iii) The time remaining until the option expires (i.e. the expiry date of the option);
iv) The time remaining until the option vests;
v) The expected dividend yield of the underlying share over the life of the option;
vi) The expected volatility of the underlying share over the life of the option; and
vii) The risk-free interest rate over the life of the option.

Volatility

The volatility input to the pricing model is a measure of the expected price fluctuations of the underlying security over a given period of time. Volatility is measured as the annualised standard deviation of the daily price changes in the underlying share under the assumption that the share price is log-normally distributed. This is in line with market practice. All else being equal, the more volatile the underlying share, the greater the price of the option.

There are two common approaches to calculating volatility. The first method uses historical price data of the underlying share, while the second technique employs data from the options market itself (provided that an active market exists for the options under consideration). Because there are no options trading in the market that are similar to the BIHL share options, historical data from a period prior to each grant date, which is commensurate with the options' contractual term to maturity, was used to calculate the expected volatility of the BIHL shares over the options' lifetimes.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2017

22. CASH GENERATED FROM OPERATIONS

	GROUP		COMPANY	
	2017 P'000	2016 P'000	2017 P'000	2016 P'000
Profit before tax from continuing operations	424,378	575,369	413,622	269,426
Non cash flow items	(94,547)	683,517	(13,359)	64,054
Loss on sale of property and equipment	-	-	-	13
Impairment of goodwill	-	28,806	-	-
Depreciation	9,490	11,298	2,398	2,516
Amortisation and impairment	10,324	9,270	771	1,815
Impairment of investment in subsidiaries	-	-	(20,073)	55,869
Unrealised fair value gains on shareholder assets	24,556	21,056	-	-
Net unrealised (gains)/losses from financial assets held at fair value through profit or loss	(59,752)	822,010	-	-
Unrealised fair value gains on investment properties	(1,354)	(674)	-	-
Profit on sale of Associates	(12,993)	-	-	-
Equity-accounted earnings	(72,927)	(224,671)	-	-
Fair value adjustments on equity accounted investments	-	4,606	-	-
Share - based payments	8,109	11,816	3,545	3,841
Items disclosed separately	(177,957)	(167,364)	(424,778)	(356,571)
Interest income	(88,360)	(69,051)	(823)	(3,227)
Dividend income	(89,597)	(98,313)	(423,955)	(353,344)
Working capital changes:	1,054,544	76,636	23,958	101,605
Net (increase)/decrease in insurance and other receivables	(101,131)	15,917	11,980	108,135
Net increase in policyholder liabilities	1,261,844	23,383	-	-
Decrease in reinsurance assets	519	106	-	-
Net (decrease)/increase in insurance and other payables	(106,688)	37,230	11,987	(6,530)
Cash generated from operations	1,206,418	1,168,158	(557)	78,514

23. CASH AND BANK

Cash and bank	101,886	100,477	82,368	14,406
Funds on deposit	82,368	718,803	-	-
Cash and cash equivalents	184,254	819,280	82,368	14,406

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 3.35% (2016: 2.25%). Funds on deposit have a maturity of three months or less.
The carrying amounts disclosed above reasonably approximate fair values at year end.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2017

24. RISK MANAGEMENT

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2017

24. RISK MANAGEMENT (CONTINUED)

24.2 Market risk

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

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

24.3 Interest rate risk

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

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

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

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

Sensitivity analysis to interest rate risk

The sensitivity analysis is based on Bank of Botswana 91 days Floating paper for Pula deposit and LIBOR for USD deposits.
The Group is exposed to interest rate risk through a change in interest income or expense based on floating rate instruments and through changes in fair value of financial instruments at fair value through profit and loss based on fixed rate instruments. The impact on equity is the post tax amount.

The purpose of this note is to enable the user to have a better understanding of the effect of interest rate movement on interest bearing instruments. Interest rate risk relates to variable rate financial instruments, call deposit accounts and floating rate fixed income securities. The following table sets out the carrying amounts of the Group's financial instruments that are exposed to interest rate risk.

Variable interest rates

Group	Change in variables	Value (P000)	Increase / (decrease) in profit before tax (P000)	Increase / (decrease) in equity (P000)
2017				
BWP	0.5%	232,525	1,163	907
BWP	-0.5%	232,525	(1,163)	(907)
USD	0.5%	9,477	47	37
USD	-0.5%	9,477	(47)	(37)
2016				
BWP	0.5%	650,345	3,252	2,537
BWP	-0.5%	650,345	(3,252)	(2,537)
USD	0.5%	367,366	1,837	1,433
USD	-0.5%	367,366	(1,837)	(1,433)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2017

Company	Change in variables	Value (P000)	Increase / (decrease) in profit before tax (P000)	Increase / (decrease) in equity (P000)
2017				
BWP	0.5%	82,368	412	321
BWP	-0.5%	82,368	(412)	(321)
2016				
BWP	0.5%	14,406	72	56
BWP	-0.5%	14,406	(72)	(56)

24.4 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's principal transactions are carried out in Botswana Pula and its exposure to foreign exchange risk arises primarily with US dollar. It is the Group's objective to minimise currency risk to a minimum.

The main foreign exchange risk arises from recognised assets denominated in currencies other than those in which Insurance and Investment liabilities are expected to be settled. The Group does not have a specific policy to manage foreign exchange risk. It does not make use of any derivative financial instruments to manage foreign exchange rate risk.

Group	United States Dollar 000	Other currencies 000	Total 000
2017			
Equity investments	14,089	-	14,089
Money market investments	9,120	-	9,120
Bonds	179	-	179
Foreign currency exposure	23,388	-	23,388
Average rate	10.34	-	10.34
Closing rate	10.00	-	10.00

	United States Dollar 000	Other currencies 000	Total 000
2016			
Equity investments	1,894	-	1,894
Money market investments	6,142	-	6,142
Bonds	6,145	-	6,145
Foreign currency exposure	14,181	-	14,181
Average rate	10.97	-	10.97
Closing rate	10.68	-	10.68

Currency sensitivity

The following table demonstrates the sensitivity (for shareholder funds and assets backing non participating policies) to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2017

24. RISK MANAGEMENT (CONTINUED)

Group	Change in variables	Value (P000)	Increase / (decrease) in profit before tax (P000)	Increase / (decrease) in equity (P000)
2017				
USD	5%	23,388	1,169	912
USD	-5%	23,388	(1,169)	(912)
2016				
USD	5%	1,906,240	95,312	74,343
USD	-5%	(1,906,240)	(95,312)	(74,343)

24.5 Price risk

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

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

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

Price sensitivity analysis

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

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

Group	Change in variables	Value (P000)	Increase / (decrease) in profit before tax (P000)	Increase / (decrease) in equity (P000)
2017				
Botswana Stock Exchange	3%	144,314	4,329	3,377
Listed Property companies - Botswana	3%	977	29	23
World Equity Index	1%	14,089	141	110
Botswana Unit Trusts	3%	91,216	2,736	2,134
Total exposure		250,596	7,235	5,644

	Change in variables	Value (P000)	Increase / (decrease) in profit before tax (P000)	Increase / (decrease) in equity (P000)
2016				
Botswana Stock Exchange	3%	6,534	196	153
Listed Property companies - Botswana	3%	852	26	20
World Equity Index	1%	87,351	874	682
Botswana Unit Trusts	3%	12,331	370	289
Total exposure		107,068	1,466	1,144

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2017

24.6 Credit risk

Credit risk in the Group arises from the possibility of investments in bonds, offshore money markets, long term reinsurance assets, insurance and other receivables, reinsurance contracts receivables, deferred insurance acquisition cost, local money markets, policy loans and other loans, related party receivables and cash and bank balances with banks will not be redeemed by the relevant counter parties when they become due.

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

A Group credit risk policy setting out the assessment and determination of what constitutes credit risk for the Group. Compliance with the policy is monitored and exposures and breaches are reported to the Group Investment Committee. The policy is regularly reviewed for pertinence and for changes in the risk environment. It is the Group's objective to minimise credit risk to a minimum.
Net exposure limits are set for each counterparty or group of counterparties, geographical and industry segments; i.e. limits are set for investments and cash deposits, foreign exchange trade exposures and minimum credit ratings for investment that may be held.

The Group sets the maximum amounts and limits that may be advanced to corporate counterparties by reference to their long term credit ratings.
Reinsurance is placed with highly rated counterparties and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year and are subject to regular reviews.

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

The policyholder and shareholder funds follow specific investment mandates that have been agreed with asset managers. These mandates depict how much type of assets to hold in each portfolio based on their perceived risk and thereby reducing both concentration of specific assets and of currency. There is also a diversity in the different sectors of economy in which our funds are invested, see note 4. Investments in government bonds, money markets and corporate bonds are managed by BIFM the asset management subsidiary as per signed mandates.

There is no concentration on Money markets, cash and bank, the risk is spread as the Group and company invest with various banks in the country.

Maximum credit risk exposure

The table below shows the maximum exposure to credit risk for the components of the balance sheet. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting or collateral agreements and the use of credit derivatives.

The disclosures are based on both shareholder and policyholder assets

Group	2017 Total P000	2016 Total P000
Investment in Property Funds and companies	244,021	153,584
Long term Reinsurance assets	2,417	2,936
Bonds - Government	3,921,988	3,069,890
- Corporate (listed, unlisted)	3,663,642	3,966,879
Money market instruments	978,000	95,381
Policy loans and other loan advances	496,229	416,530
Insurance and other receivables	290,858	203,977
Cash, deposits and similar securities	184,254	819,280
Maximum credit risk exposure	9,781,409	8,728,457

Company	2017 Total P000	2016 Total P000
Other receivables	2,414	11,762
Related party balances	54,391	12,176
Cash, deposits and similar securities	82,368	14,406
Maximum credit risk exposure	139,173	38,344

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2017

24. RISK MANAGEMENT (CONTINUED)

24.6 Credit risk (continued)

Credit quality of interest bearing financial assets

The table below shows the maximum exposure to credit risk for the components of the balance sheet. Generally most companies' financial instrument do not have official credit ratings therefore majority of balances are not rated. Moody's Investors Service retained the stable outlook and the A2 rating (2016: 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 the country has institutional strength supporting a well designed macroeconomic framework and a stable political environment.

Group	Botswana Pula	A2 rated	Not rated	Total P000
2017				
Long term Reinsurance assets	2,417	-	2,417	2,417
Government bonds	3,748,085	3,748,085	-	3,748,085
Corporate bonds and other	3,837,545	-	3,837,545	3,837,545
Money Markets	948,000	-	948,000	948,000
Policy loans and other loan advances	496,229	-	496,229	496,229
Insurance and other receivables	290,858	-	290,858	290,858
Cash and bank balances	184,254	-	184,254	184,254
TOTAL ASSETS	9,537,388	3,748,085	5,789,303	9,537,388

	Botswana Pula	A2 rated	Not rated	Total P000
2016				
Long term Reinsurance assets	2,936	-	2,936	2,936
Government bonds	3,069,890	3,069,890	-	3,069,890
Corporate bonds and other	3,966,879	-	3,966,879	3,966,879
Money Markets	95,381	-	95,381	95,381
Policy loans and other loan advances	416,530	-	416,530	416,530
Insurance and other receivables	203,977	-	203,977	203,977
Cash and bank balances	819,280	-	819,280	819,280
TOTAL ASSETS	8,574,873	3,069,890	5,504,983	8,574,873

With the exception of Trade and other receivables, none of the non rated assets are impaired as at 2017 and 2016 financial years. Corporate bonds and other are held by reputable financial institutions and parastatals. An annual independent evaluation is performed on the financial strengths of the corporates to asses the credit risk on these bonds. Continuous monitoring is also performed. Money market investments are with reputable local banks and reputable foreign fund managers with good financial wealth. Policy loans are secured by the policy investment value. Trade and other receivables are on 30 day terms (refer note 5).

Collateral held in respect of financial assets

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and the valuation parameters. Collateral is mainly obtained for securities lending. Credit risk is also mitigated by entering into collateral agreements. Management monitors the market value of the collateral, requests additional collateral when needed and performs an impairment valuation when applicable. Government bonds do not have collateral as these are deemed low risk and recoverable.

No transfer of ownership takes place in respect of collateral and any such collateral accepted from counterparties may not be used for any purpose other than being held as security.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2017

Unlisted bonds	2017 Collateral held P'000	2017 Credit exposure P'000	2016 Collateral held P'000	2016 Credit exposure P'000
ABC Holdings	58,635	215,831	58,635	293,766
Botho Park	175,000	52,362	175,000	65,531
Botswana Savings Bank	-	64,941	-	65,780
Choppies	65,000	75,221	100,000	97,399
Cash Bazaar	150,000	125,151	-	125,422
RDC Properties	135,000	124,991	90,000	134,168
Three Partners Resort	535,000	77,461	445,377	77,055
Stanbic Bank of Botswana	-	883,291	-	823,174
First National Bank of Botswana	-	458,166	-	424,109
Lonrho Hotels Botswana	30,000	35,387	-	35,874
Real People Investment Holdings	-	65,543	-	119,057
Allied Investments	150,000	145,261	-	145,808
Prime Time holdings	81,250	81,715	-	81,908
Standard Bank	-	412,423	-	384,417
FAR property	208,300	116,407	208,300	117,246
Flip coin	120,129	97,550	120,129	97,501
BIFM other bonds and loans	-	80,172	-	159,543
BIFM Local Bond	-	111,423	-	280,921
Meybeernick Investment	-	115,977	-	115,443
Babereki Investments (Pty) Ltd	140,284	50,000		-
Total	1,848,598	3,389,273	1,197,441	3,644,122

24.7 Liquidity risk

The liquidity risk arises from the potential inability of the Group paying its policy holders and short term creditors when they become due or they mature, because assets are not properly matched. There is an Actuarial committee and an Investment Committee that meet periodically to review the matching of assets and liabilities and other investment decisions; the Group is continually looking for investments that match its liabilities.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of debt facilities from various financiers.

The maturity analysis of policyholder liabilities are based on expected maturities as modelled by the actuaries. The investment contracts are due on demand. Assets maturities have been disclosed on the basis of contractual maturities. The disclosures are based on both shareholder and policyholder assets

Company 2017 Financial Assets:	< 1 year P'000	1-5 years P'000	> 5 years P'000	On demand P'000	Open ended P'000	Total P'000
Insurance and other receivables	2,414	-	-	-	-	2,414
Related party balances	54,391	-	-	-	-	54,391
Cash, deposits and similar securities	82,368	-	-	-	-	82,368
	139,173	-	-	-	-	139,173
Financial Liabilities:						
Insurance and other payables	21,511	-	-	-	-	21,511
Related party balances	22,529	-	-	-	-	22,529
	44,040	-	-	-	-	44,040

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2017

24. RISK MANAGEMENT (CONTINUED)

2016	< 1 year	1-5 years	> 5 years	On demand	Open ended	Total
Financial Assets:	P'000	P'000	P'000	P'000	P'000	P'000
Insurance and other receivables	11,762	-	-	-	-	11,762
Related party balances	12,176	-	-	-	-	12,176
Cash, deposits and similar securities	14,406	-	-		-	14,406
	38,344	-	-	-	-	38,344
Financial Liabilities:						
Insurance and other payables	29,879	-	-	-	-	29,879
Related party balances	2,183	-	-	-	-	2,183
	32,062	-	-	-	-	32,062

Maturity analysis of Financial assets and Financial Liabilities:
The table that follows summarises the maturity profile of the financial assets and financial liabilities of the Group based on remaining undiscounted contractual obligations, including interest payable and receivable:

Group	Carrying value	< 1 year	1-5 years	> 5 years	On demand	Open ended	Total
2017	P'000	P'000	P'000	P'000	P'000	P'000	P'000
Financial Assets:							
Long term Reinsurance assets	2,417	2,417	-	-	-	-	2,417
Investment in unlisted property companies	244,021	-	-	-	-	244,021	244,021
Bonds (Government, public authority, listed & unlisted corporates)	7,585,630	383,299	1,664,004	8,569,989	-	-	10,617,292
Equity investments	3,656,189	-	-	-	-	3,656,189	3,656,189
Money market instruments	978,000	978,000	-	-	-	-	978,000
Policy loans and other loan advances	496,229	329,555	118,501	146,379	-	-	594,435
Insurance and other receivables	290,858	290,858	-	-	-	-	290,858
Cash, deposits and similar securities	184,254	184,254	-	-	-	-	184,254
Total undiscounted assets	13,437,598	2,168,383	1,782,505	8,716,368	-	3,900,210	16,567,466
Financial Liabilities:							
Policy holders liabilities							
-Insurance contracts	9,388,540	133,033	548,122	8,631,678	-	75,707	9,388,540
-Investment contracts	2,829,801	-	-	-	2,829,801	-	2,829,801
Related party balances	4,134	4,134	-	-	-	-	4,134
Insurance and other payables	364,724	364,724	-	-	-	-	364,724
Total undiscounted liabilities	12,587,199	501,891	548,122	8,631,678	2,829,801	75,707	12,587,199

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2017

Group 2016	Carrying value P'000	< 1 year P'000	1-5 years P'000	> 5 years P'000	On demand P'000	Open ended P'000	Total P'000
Financial Assets:							
Long term Reinsurance assets	2,936	2,936	-	-	-	-	2,936
Investment in physical properties	-	-	-	-	-	-	-
Investment in unlisted property companies	153,584	-	-	-	-	153,584	153,584
Bonds (Government, public authority, listed & unlisted corporates)	7,036,769	606,390	2,174,241	6,472,623	-	-	9,253,254
Equity investments	3,322,194	-	-	-	-	3,322,194	3,322,194
Money market instruments	95,381	95,381	-	-	-	-	95,381
Policy loans and other loan advances	416,530	357,506	30,016	29,008	-	-	416,530
Insurance and other receivables	203,977	203,977	-	-	-	-	203,977
Reinsurance contracts receivable	-	-	-	-	-	-	-
Cash, deposits and similar securities	819,280	819,280	-	-	-	-	819,280
Total undiscounted assets	12,050,651	2,085,470	2,204,257	6,501,631	-	3,475,778	14,267,136
Financial Liabilities:							
Policy holders liabilities							
-Insurance contracts	8,800,323	283,096	701,387	1,264,798	-	6,551,042	8,800,323
-Investment contracts	2,156,174	-	-	-	2,156,174	-	2,156,174
Related party balances	6,248	6,248	-	-	-	-	6,248
Insurance and other payables	459,773	459,773	-	-	-	-	459,773
Short term insurance contract liabilities	9,525	9,525	-	-	-	-	9,525
Deferred reinsurance acquisition revenue	-	-	-	-	-	-	-
Total undiscounted liabilities	11,432,043	758,642	701,387	1,264,798	2,156,174	6,551,042	11,432,043

Policyholders insurance liabilities are allocated into the maturity profiles based on estimated present value of claims obtained obtained through an actuarial modelling process.

24.8 Insurance risk

The principal risk the Group faces under non life insurance contracts is the actual claims and benefit payments or the timing thereof differ from expectations. This is influenced by the frequency of claims, severity of claims and actual benefits paid. Therefore, the objective of the Group is to have sufficient reserves available to cover these liabilities.

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

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

The Group principally issues legal insurance contracts. In the prior years, the Group issued the following types of general insurance contracts, motor, fire, accident, engineering, farming and legal insurance.
The table below shows the concentration of non-life insurance contract liabilities by type of contract. For life insurance contract liabilities please refer to accounting policy notes on page 15 of the annual financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2017

24. RISK MANAGEMENT (CONTINUED)

Concentration of Non-life insurance contract liabilities
2017

	Gross liability P'000	Reinsurance asset P'000	Net liability P'000
Legal Guard Insurance	-	-	-
	-	-	-

Concentration of Non-life insurance contract liabilities

2016

	Gross liability P'000	Reinsurance asset P'000	Net liability P'000
Legal Insurance	9,525	-	9,525
	9,525	-	9,525

Non Life Claims development history

The following table shows the estimates of cumulative incurred claims for Non life Insurance, including both claims notified and IBNR for each successive year at each reporting date:

Year	2017 P'000	2016 P'000	2015 P'000	2014 P'000
Incurred claims reported	-	17,980	13,796	18,588
IBNR	-	4,804	4,468	3,861
	-	22,784	18,264	22,449

Key assumptions

The non-life business underwrites legal insurance. Underwriting legal insurance business commenced in 2011. The key factors affecting the timing and uncertainty of the insurer's cashflows are average claims costs (mainly driven by inflation), for each year.

Sensitivities- Non life insurance

The following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and equity:

	Change in assumptions	Gross liabilities	Impact on profit before tax	Impact on equity (after tax)
2017				
Average claims cost	+ 3%	-	-	-
2016				
Average claims cost	+ 3%	9,525	286	223

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 2017:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2017

25. FAIR VALUE DISCLOSURES (CONTINUED)

31 December 2017	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
Non Financial Assets				
Investment properties - Physical properties	-	-	112,101	112,101
Financial Assets				
Investment properties- Investment in unlisted property companies	-	-	244,021	244,021
Bonds	3,748,085	-	3,837,545	7,585,630
Government	3,748,085	-	64,941	3,813,026
Corporate bonds - Listed and unlisted	-	-	3,772,604	3,772,604
Money market instruments	-	978,000	-	978,000
Equity investments	2,924,827	-	731,362	3,656,189
Policy loans	-	-	8,835	8,835
Other loan advances	-	-	487,394	487,394
	6,672,912	978,000	5,421,258	13,072,170
Financial Liabilities				
Long term policyholder liability - insurance contracts	-	9,388,540	-	9,388,540
Investment contract liabilities	-	2,829,801	-	2,829,801
	-	12,218,341	-	12,218,341
31 December 2016				
Non Financial Assets				
Investment properties - Physical properties	-	-	110,747	110,747
Financial Assets				
Investment properties- Investment in unlisted property companies	-	-	153,584	153,584
Bonds	3,316,706	-	3,720,063	7,036,769
Government	3,004,110	-	65,780	3,069,890
Corporate bonds - Listed and unlisted	312,596	-	3,654,283	3,966,879
Money market instruments	-	95,381	-	95,381
Equity investments	3,268,382	-	53,812	3,322,194
Policy loans	-	-	21,445	21,445
Other loan advances	-	-	395,085	395,085
	6,585,088	95,381	4,454,736	11,135,205
Financial Liabilities				
Long term policyholder liability - insurance contracts	-	8,800,323	-	8,800,323
Investment contract liabilities	-	2,156,174	-	2,156,174
	-	10,956,497	-	10,956,497

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2017

25. FAIR VALUE DISCLOSURES (CONTINUED)

Level 2

Money Market instruments - Refer to note 4.1 for interest rates. Also refer to Accounting policy note on Fair value and as per valuation techniques table on the next page

Investment contract liabilities- Refer to Accounting policy note on fair values and as per valuation techniques table on the next page. Policyholder liabilities under insurance contracts - Refer to Accounting policy note on fair values and as per valuation techniques table on the next page

Level 3 valuation

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

Unlisted Bonds - Refer to note 4.1 on how the fair value is determined.

Policy loans and other loan advances- Refer to note 4.3 on how the fair valuation is determined.

Equity investments - The fair value of the assets are calculated based on units held and unit prices provided by the Fund Managers. If one or more of the significant inputs is not based on observable market data, the unlisted instrument is included in level 3.

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

Group	Investment in physical properties	Investment in unlisted property companies	Equity investments P'000	Policy loans P'000	Other loan advances P'000	Bonds P'000	Total Assets P'000
Level 3 Financial Assets 31 December 2017							
Opening balance	110,747	153,584	53,812	21,444	395,085	3,720,063	4,454,735
Adjusted due to IFRS 13	-	-	-	-	-	-	-
Total gains/(loss) in comprehensive income	1,354	90,437	-	(10,022)	-	63,200	144,969
Reclassifications	-	-	-	-	-	-	-
Acquisitions	-	-	677,550	705	-	93,063	771,318
Issues	-	-	-	-	-	-	-
Disposals		-	-	-	-	(38,781)	(38,781)
Foreign currency translation differences	-	-	-	-	-	-	-
Settlements/ Repayments	-	-	-	(3,292)	92,309	-	89,017
Closing balance	112,101	244,021	731,362	8,835	487,394	3,837,545	5,421,259
31 December 2016							
Opening balance	110,073	156,557	54,095	27,915	380,518	3,190,283	3,919,441
Adjusted due to IFRS 13	-	-	-	-	-	-	-
Total gains/(loss) in comprehensive income	674	(2,973)	-	1,194	-	330,251	329,146
Reclassifications	-	-	-	-	-	-	-
Acquisitions	-	-	-	-	-	238,310	238,310
Issues	-	-	-	-	-	-	-
Disposals	-	-	(283)	-	-	(38,781)	(39,064)
Foreign currency translation differences	-	-	-	-	-	-	-
Settlements/Repayments	-	-	-	(7,664)	14,567	-	6,903
Closing balance	110,747	153,584	53,812	21,445	395,085	3,720,063	4,454,736

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2017

Gains and losses (realised and unrealised) included in profit or loss Group	2017 P'000	2016 P'000
Total gains or losses included in profit or loss for the period	144,969	65,068
Total unrealised gains or losses included in profit or loss for the period for assets held at the end of the reporting period	(20,676)	(11,277)

There were no transfers from level 1 to level 2 fair value measurements during the year ended 31 December 2017 (31 December 2016: NIL).

Valuation techniques used in determining the fair value of financial instruments

Instrument	Applicable to level	Valuation basis	Main assumptions	Significant inputs
Investment in physical properties	3	Discounted cashflow model (DCF)	Consumer Price Index	Estimated cashflows plus capitalization rate (Refer to note 4.4)
Investment in unlisted property companies	3	Market Price for underlying properties	n/a	Market Price for underlying properties
Money Markets	2	Discounted cashflow model (DCF)	Risk free rate plus credit spread	Discount rate (Refer to note 4.1)
Equity investments	3	Net fair value of underlying assets	n/a	Net fair value of underlying assets
Policy loans	3	Discounted cashflow model (DCF)	Cashflow plus risk adjusted rate	Discount rate and cashflow (Refer to note 4.3)
Other loans	3	Discounted cashflow model (DCF)	Cashflow plus risk adjusted rate	Discount rate and cashflows (Refer to note 4.3)
Unlisted bonds	3	Discounted cashflow model (DCF)	Risk free rate plus credit spread	Discount rate and cashflows(Refer to note 4.1)
Long term Policy liabilities	2	Current unit price multiplied by the number of units held and Discounted cashflow.	Estimated cash flows and risk adjusted interest rate	Unit price and risk adjusted interest rate
Investment contract liabilities	2	Net fair value of related assets	n/a	Net fair value of related assets

Sensitivity of Level 3 financial instruments measured at fair value to changes in key assumptions
The following table shows the impact on the fair value of Level 3 instruments of using reasonably possible alternative assumptions by class of instrument:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2017

25. FAIR VALUE DISCLOSURES (CONTINUED)

Sensitivity of Level 3 financial instruments measured at fair value to changes in key assumptions
The following table shows the impact on the fair value of Level 3 instruments of using reasonably possible alternative assumptions by class of instrument:

Group	Carrying amount	Effect of a 10% increase in estimated cashflows	Effect of a 10% decrease in estimated cashflows	Effect of a 1% increase in capitalisation rate	Effect of a 1% decrease in capitalisation rate
Financial assets: 2017	P'000	P'000	P'000	P'000	P'000
Investment in physical properties	112,101	8,744	(8,744)	(8,968)	8,968
Investment in unlisted property companies	244,021	19,034	(19,034)	(19,522)	19,522
Group 2016	P'000	P'000	P'000	P'000	P'000
Investment in physical properties	110,747	8,638	(8,638)	(8,860)	8,860
Investment in unlisted property companies	153,584	11,980	(11,980)	(12,287)	12,287

Group	Carrying amount	Effect of a 10% increase in estimated cashflows	Effect of a 10% decrease in estimated cashflows	Effect of a 2% increase in discount rate	Effect of a 2% decrease in discount rate
2017	P'000	P'000	P'000	P'000	P'000
Policy loans	8,835	3,984	(3,984)	(138)	138
Other loan advances	487,394	10,860	(10,860)	(7,603)	7,603
Bonds	3,982,792	224,277	(224,277)	(62,132)	62,132
Total	4,479,021	239,121	(239,121)	(69,873)	69,873
Group 2016	P'000	P'000	P'000	P'000	P'000
Policy loans	21,445	1,673	(1,673)	(335)	335
Other loan advances	395,085	30,817	(30,817)	(6,163)	6,163
Bonds	3,720,063	290,165	(290,165)	(58,033)	58,033
Total	4,136,593	322,655	(322,655)	(64,531)	64,531

Group	Carrying amount	Effect of a 2% increase in unit price	Effect of a 2% decrease in unit price
2017	P'000	P'000	P'000
Equity investments	731,362	11,409	(11,409)
Group 2016			
Equity investments	53,812	839	(839)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2017

Investment Policy

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

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

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

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

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

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

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

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

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

(b) Cash and money market: Bifm manages cash and short-dated money-market instruments primarily for liquidity purposes. Bifm minimises credit risk by investing with reputable banks. Bifm negotiates to get high interest rates on behalf of its clients.

Property - Property is a unique asset class, with bond-like and equity-like features, that matches the liability profiles of a large number of pension funds. Enhanced yields and rental escalations are received over time. The philosophy is to invest in A-grade properties that we believe are more likely to attract and retain corporate tenants. Property investments constitute a significant area of Bifm's drive to develop the local economy and capital markets. Bifm's subsidiary, Khumo Property Asset Management, is a fully-fledged property development and management company.

Alternative investments – The alternative assets that Bifm invests in are private equity, private debt, and hedge funds. Alternatives are utilised where the risk-reward trade-off is believed to be superior. Examples are:

(a) Private equity is becoming a more important asset class globally. In the Botswana context, private equity is a progressive approach to investment management because it is a catalyst for economic development. Bifm invests in local, regional and global private equity funds.

(b) Specialised portfolios and insurance portfolios utilise private debt instruments for matching purposes. In Botswana, private debt is a substitute for listed debt instruments. Listed debt instruments are in short supply in Botswana.

(c) Offshore hedge funds are currently used as an alternative to offshore bonds given our bearish view on the prospects for offshore bonds.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2017

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 2017	Financial assets held at fair value through profit or loss	Loans and receivables measured at amortised cost	Financial liabilities held at fair value through profit or loss	Financial liabilities measured at amortised cost	Total
Financial assets					P'000
Investment in unlisted property companies	244,021	-	-	-	244,021
Bonds (Government, public authority, listed and unlisted corporates)	7,585,630	-	-	-	7,585,630
Money market instruments	978,000	-	-	-	978,000
Equity investments	3,656,189	-	-	-	3,656,189
Policy loans and other loan advances	496,229	-	-	-	496,229
Insurance and other receivables	-	290,858	-	-	290,858
Cash, deposits and similar securities	-	184,254	-	-	184,254
Total financial assets	12,960,069	475,112	-	-	13,435,181
Financial liabilities					
Long term policyholder liability - insurance contracts	-	-	9,388,540	-	9,388,540
Long term policyholder liability - investment contracts	-	-	2,829,801	-	2,829,801
Related party balances	-	-	-	4,134	4,134
Insurance and other payables	-	-	-	364,724	364,724
Total financial liabilities	-	-	12,218,341	368,858	12,587,199
31 December 2016					
Financial assets					
Investment in unlisted property companies	153,584		-	-	153,584
Bonds (Government, public authority, listed and unlisted corporates)	7,036,769	-	-	-	7,036,769
Money market instruments	95,381	-	-	-	95,381
Equity investments	3,322,194	-	-	-	3,322,194
Policy loans and other loan advances	416,530	-	-	-	416,530
Insurance and other receivables	-	203,977	-	-	203,977
Cash, deposits and similar securities	-	819,280	-	-	819,280
Total financial assets	11,024,458	1,023,257	-	-	12,047,715
Financial liabilities					
Long term policyholder liability - insurance contracts	-	-	8,800,323	-	8,800,323
Long term policyholder liability -investment contracts	-	-	2,156,174	-	2,156,174
Related party payables	-	-	-	6,248	6,248
Insurance and other payables	-	-	-	459,773	459,773
Short term insurance contract liabilities	-	-	-	9,525	9,525
Total financial liabilities	-	-	10,956,497	475,546	11,432,043

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2017

COMPANY

31 December 2017	Financial assets held at fair value through profit or loss	Loans and receivables measured at amortised cost	Financial liabilities held at fair value through profit or loss	Financial liabilities measured at amortised cost	Total
Financial assets					P'000
Trade and other receivables	-	2,414	-	-	2,414
Related party balances	-	54,391	-	-	54,391
Cash, deposits and similar securities	-	82,368	-	-	82,368
Total financial assets	-	139,173	-	-	139,173
Financial liabilities					
Trade and other payables	-	-	-	21,511	21,511
Related party payables	-	-	-	22,529	22,529
Total financial liabilities	-	-	-	44,040	44,040
31 December 2016					
Financial assets					
Trade and other receivables	-	11,762	-	-	11,762
Related party balances	-	12,176	-	-	12,176
Cash, deposits and similar securities	-	14,406	-	-	14,406
Total financial assets	-	38,344	-	-	38,344
Financial liabilities					
Trade and other payables	-	-	-	29,879	29,879
Related party payables	-	-	-	2,183	2,183
Total financial liabilities	-	-	-	32,062	32,062

27. EVENTS AFTER REPORTING PERIOD

Dividends declared

There have been no events, facts or circumstances of a material nature that have occurred subsequent to the reporting date which necessitate an adjustment to the disclosure in these Annual Financial Statements or the notes thereto. The Directors have resolved to award a final dividend of 67 thebe (2016: 67 thebe) per share (gross of tax) and a special dividend of 35 thebe (2016: Nil thebe) per share.

BIFM Citizen Economic Empowerment Scheme

BIHL has established an employee share scheme for the benefit of the employees of BIFM through the establishment of a Trust registered as a Deed of Trust signed on 18 December 2017 and Share Plan Scheme signed on 18 December 2017. A total 21,849,246 BIFM Shares, comprising 25.1% of the issued capital, have been reserved for the Share Scheme, which will be new shares issued by BIFM. The Fair Value of such shares has been determined by an independent external valuation exercise. On inception of the Scheme, 15% of the Ordinary Shares issued by BIFM will be subscribed by its citizen employees under the Share Plan Scheme. In the event of these shares not being fully subscribed on the initial issuance of the scheme, the balance of the shares will be transferred to the Trust for future allocation. The Trust shall be established for purposes of subscribing for 8,739,698 Ordinary Shares, representing 10.1% of the issued share capital in BIFM, to be held for the benefit of the citizen employees of BIFM and for holding the remainder of any of the shares not subscribed for in terms of the Share Plan Scheme.

On the 17th January 2018 BIHL published a circular to the shareholders on the Botswana Stock Exchange detailing the scheme and the proposed Extraordinary General Meeting on the 8th of February 2018 to approve the adoption and implementation of the scheme.

The scheme was duly adopted and was in the process of being implemented at the date of the subsequent events review.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the twenty-sixth Annual General Meeting of Botswana Insurance Holdings Limited will be held at Avani Conference Centre, Gaborone Botswana on 29 June 2018 at 16:00hrs for the following business:

ORDINARY BUSINESS

1. To read the notice convening the meeting.

2. Ordinary Resolution 1: Presenting the BIHL Annual Financial Statements
To present, consider and adopt the BIHL Annual Financial Statements for the year ended 31 December 2017, that have been distributed to shareholders as required, including the consolidated audited financial statements for the Company and its subsidiaries, as well as the auditors' and directors' reports.

3. Ordinary Resolution 2: Approval of dividends
To approve the dividends declared by the Directors on 16 August 2017 and 21 February 2018.

4. Ordinary Resolution 3: Re-election of directors
To re-elect Directors in accordance with the provisions of the Constitution of the Company. The following Directors retire by rotation at this meeting and, being eligible, offer themselves for re-election:

a) Batsho Dambe-Groth
b) Chandra Chauhan
c) Gaffar Hassam

Ordinary Resolution No 3.1 – Re-election of B Dambe-Groth as a Director

To re-elect B Dambe-Groth who retires by rotation in terms of Article 19 of the Constitution of the Company, being eligible and offering herself for re-election.

Batsho Dambe-Groth (53)
Independent Non-executive Director since 25 March 2008

Qualifications: BSc (Hons) Occupational Psychology from the University of Wales Institute of Science and Technology. Fellow of the USA Fulbright Humphrey Programme. Certified Global Remuneration Professional from the World at Work professional compensation body.

BIHL Committee membership: Human Resources and Nominations Committees
BIHL Group directorships: BIHL Insurance Company Limited t/a Legal Guard

Major external positions, directorships or associations: Managing Director: Resource Logic; Director: Botswana Oil, Botswana Craft Marketing and Council Member of Maru A Pula School.

Field of expertise: Human resources and general business

The Board recommends the re-election of this Director.

Ordinary Resolution No 3.2 – Re-election of C Chauhan as a Director

To re-elect C Chauhan who retires by rotation in terms of Article 19 of the Constitution of the Company, being eligible and offering himself for re-election.

Chandra Chauhan (56)
Independent Non-Executive Director since 20 April 2009

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

BIHL Committee membership: Audit and Risk, Independent Review and Nominations Committees

BIHL Group directorships: Botswana Insurance Fund Management Limited

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

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

Field of expertise: Accounting, General Business and Financial Management

The Board recommends the re-election of this Director.

Ordinary Resolution No 3.3 – Re-election of G Hassam as a Director

To re-elect G Hassam who retires by rotation in terms of Article 19 of the Constitution of the Company, being eligible and offering himself for re-election.

G Hassam (42)
Non-Executive Director since 31 March 2011

Qualifications: Fellow of the Association of Chartered Certified Accountants (FCCA), MBA from Oxford Brookes and Member of the Institute of Directors in South Africa (IODSA).

BIHL Committee membership: Human Resources and Nominations Committees

BIHL Group directorships: Botswana Life Insurance Limited

Major external positions, directorships or associations:
Executive: Sanlam Emerging Markets, Nico Holdings Limited and Grand Reinsurance Limited.

Field of expertise: Accounting; Financial Markets and Investment; General Business; and Risk Management

The Board recommends the re-election of this Director.

5. Ordinary Resolution 4:
To note the total amount of Non-Executive Directors and Executive Directors' remuneration for the financial year ended 31 December 2017. Directors' remuneration set out in the BIHL 2017 Annual Report, Executive Directors' page 181 and Non-Executive Director's page 180 and also included below for ease of reference.

In the year under review, the BIHL Group conducted a research exercise into Directors' fees, the first since 2012. In the past, only inflationary adjustments were made. The exercise was to ensure up to date benchmarking and data-guided insights to inform how to structure Directors' and Board Members' remunerations. This is particularly looking at sub-committees which require a nuanced technical skill-set, expertise, and requisite experience to guide and govern the Board. The exercise also worked to align fees to the remuneration structures of other Botswana Stock Exchange listed entities, and allows us to ensure that the Group attracts and retains the desired calibre of Board Members.

A specialist consultant was commissioned through PricewaterhouseCoopers (PwC) to conduct a benchmarking exercise of BSE and JSE listed companies. The data extracted has informed new payment structures for Directors and Board members, and these will be implemented in the 3 next years. This was a vital and necessary exercise to ensure the Group remunerate per industry standard, and there is a need to perform such benchmarking exercises more regularly.

Below is a summary of fees paid during the year which shows an increase of 36% compared to last year.

2017 Directors fees for ratification

Name	Retainer	Board meeting	Audit & Risk Committee	HR Committee	Subsidiary Boards	Nominations Committee	Lead Independent Director	Investment Committee	Credit Committee	Total
B Dambe-Groth	-	475,000	n/a	-	-	-	n/a	n/a	n/a	475,000
C Chauhan	65,000	161,470	126,404	n/a	125,000	136,500	68,250	n/a	n/a	614,374
J Hinchliffe	65,000	161,470	126,404	n/a	218,025	n/a	n/a	n/a	n/a	570,899
M Mpugwa	65,000	161,470	n/a	n/a	100,000	n/a	n/a	107,276	143,076	576,822
Lt General Masire	65,000	161,470	n/a	n/a	n/a	n/a	n/a	n/a	n/a	226,470
A Roux	65,000	161,470	n/a	n/a	100,000	n/a	n/a	143,076	107,276	576,822
G Hassam	65,000	161,470	n/a	56,700	100,000	-	n/a	n/a	n/a	383,170
G van Heerde	65,000	142,176	287,644	56,700	100,000	n/a	n/a	n/a	n/a	651,520
Total	455,000	1,585,996	540,452	113,400	743,025	136,500	68,250	253,352	253,352	4,075,077

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

2016 Approved directors fees

Name	Retainer	Board	Audit & Risk Committee	HR Committee	Subsidiary Boards	Nomination Committee	Other payments	Credit Committee	Invetment Committee	Total
B Dambe-Groth	85,000	141,750	n/a	69 300	55,124	130,000	23,625	-	-	504,799
C Chauhan	65,000	110,250	69,300	n/a	70,876	130,000	18,375	-	-	463,801
J Hinchliffe	65,000	110,250	69,300	n/a	159,471	n/a	18,375	-	-	422,396
M Mpugwa	65,000	110,250	n/a	n/a	55,124	n/a	18,375	56,700	70,875	376,324
Lt General Masire	65,000	91,875	n/a	n/a	n/a	n/a	18,375	-	-	175,250
A Roux	65,000	73,500	n/a	n/a	55,124	n/a	21,546	63,000	86,625	364,795
G Hassam	65,000	36,750	n/a	42 525	41,343	130,000	n/a	-	-	315,618
G van Heerde	65,000	73,500	79,800	56 700	55,124	n/a	18,375	-	-	348,499
H Werth	-	-	-	14 175	-	-	-	-	-	14,175
Total	540,000,	748,125	218,400	182 700	492,186	390,000	137,046	119,700	157,500	2,985,657

Other payments relate to additoinal work done or meetings attended by the respective Directors outside the normal schedule.

6. Ordinary Resolution 5:
To approve the remuneration of the auditors for the year ended 31 December 2017.

7. Ordinary Resolution 6: Re-appointment of auditors
To re-appoint Ernst & Young, as nominated by the Company's Audit and Risk Committee, as independent auditors of the Company to hold office until the conclusion of the next AGM of the Company.

VOTING AND PROXIES

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.

The instrument appointing such a proxy must be deposited at the registered office of the Company not less than 48 hours before the meeting.

The completion and lodging of this form of proxy will not preclude the relevant member from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.

By order of the Board

Haig Ndzinge
Company Secretary

A shareholder/s is entitled to attend and vote at this Annual General Meeting is/are entitled to appoint one or more proxies (who need not to be shareholders of the company), to attend, speak and vote on behalf of the shareholder/s at the Annual General Meeting.

PROXY FORM

To be completed by certificated shareholders with "own name" registration
For use at the Annual General Meeting to be held at 16:00hrs on 29 June 2018 at Avani Gaborone Hotel, Conference Centre, Botswana

I/We ____ being a shareholder/s of Botswana Insurance Holdings Limited, holding _______________ number of shares hereby appoint:

1.____ or failing him/her,
2.____ or failing him/her,
3.the Chairman of the Annual General Meeting as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the company to be held at Avani Gaborone Hotel, Conference Centre, on 29 June 2018, at 16:00hrs, and at any adjournment thereof for the purpose of voting:

		For	Against	Abstain
1.	Ordinary resolution number 1 - to receive, approve and adopt the annual financial statements for the year ended 31 December 2017			
2.	Ordinary resolution number 2 - to approve the dividends declared by the Directors on 16 August 2017 and 21 February 2018			
3.	Ordinary resolution number 3 - To re-elect Directors in accordance with the provisions of the Constitution of the Company. The following Directors retire by rotation at this meeting and, being eligible, offer themselves for re-election:			
	3.1. Mrs. Batsho Dambe-Groth			
	4.1 Mr. John Hinchliffe			
	3.2. Mr. Chandra Chauhan			
	3.3. Mr. Gaffar Hassam			
5.	Ordinary resolution number 4 - To note the total amount of Non-Executive Directors and Executive Director's remuneration for the financial year ended 31 December 2017			
6.	Ordinary resolution number 5 - to approve the remuneration of the auditors for the year ended 31 December 2017			
7.	Ordinary resolution number 6 - to appoint auditors for the coming year to 31 December 2018			

Signed at ____________________on the _______________day of 2018

Signature__________________________

NOTES TO FORM OF PROXY

Receiving and adoption of the Annual Financial Statements together with the reports of the Statutory Actuary and the Auditors

The Directors have to present to members at the Annual General Meeting the annual financial statements, incorporating the report of the financial director for the period ended 31 December 2017, together with the reports of the valuator and the auditors contained in this Annual Report.

Election of Directors

In terms of the Company's Constitution, one third of the directors are required to retire at each annual general meeting and may offer themselves for re-election. The Constitution also provides that the appointment of any person as a director of the Company requires confirmation by shareholders at the first annual general meeting of the company after the appointment of such person as director.

Shareholders' Calendar Reporting

Financial year end	31 December
Announcement of financial year end 31 December 2017 results March 2018	
Annual report sent on or about	06 June 2018
Annual General Meeting	29 June 2018
Interim results published	September 2018

Dividends

2017 Final dividend payment	20 April 2018

Notes to form of proxy

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

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

3. Completed forms must be lodged with or posted to the company's registered office, Fairgrounds Office Park Plot 50371, Gaborone e or PO Box 336, Gaborone Botswana, or faxed +267 397 3657 for the attention of the company secretary, so as to be received by no later than 48 hours before the time appointed for the holding of the Annual General Meeting (excluding Saturdays, Sundays or public holidays) or any adjournment thereof.

4. The completion and lodging of this form of proxy shall not preclude the relevant shareholder from attending the Annual General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.

5. Any alteration made to or on this form of proxy must be initialled by the signatory/ies.

6. The Chairman of the Annual General Meeting may reject or accept any form of proxy not completed and/or received other than in accordance with these notes provided that he is satisfied as to the manner which the shareholder concerned wishes to vote.

7. An instrument of proxy shall be valid for the Annual General Meeting as well as any adjournment thereof, unless the contrary is stated thereon.

8. A vote given in accordance with the terms of a proxy shall be valid, notwithstanding the previous death or insanity of the shareholder, or revocation of the proxy, or of the authority under which the proxy was executed, or the transfer of the Ordinary Shares in respect of which the proxy is given, provided that no intimation in writing of such death, insanity or revocation shall have been received by the Company not less than one hour before the commencement of the Annual General Meeting or adjourned Annual General Meeting at which the proxy is to be used.

9. At a meeting of shareholders a poll may be demanded by:

(a) not less than five (5) shareholders having the right to vote at the meeting; or

(b) a shareholder or shareholders representing not less than 10% of the total voting rights of all shareholders having the right to vote at the meeting; or

(c) a shareholder or shareholders holding shares that confer a right to vote at the meeting and on which the aggregate amount paid up is not less than 10% of the total amount paid up on all shares that confer that right; or

(d) the chairperson.

When a poll is taken, votes shall be counted according to votes attached to the shares of each shareholder present in person or by proxy and voting.