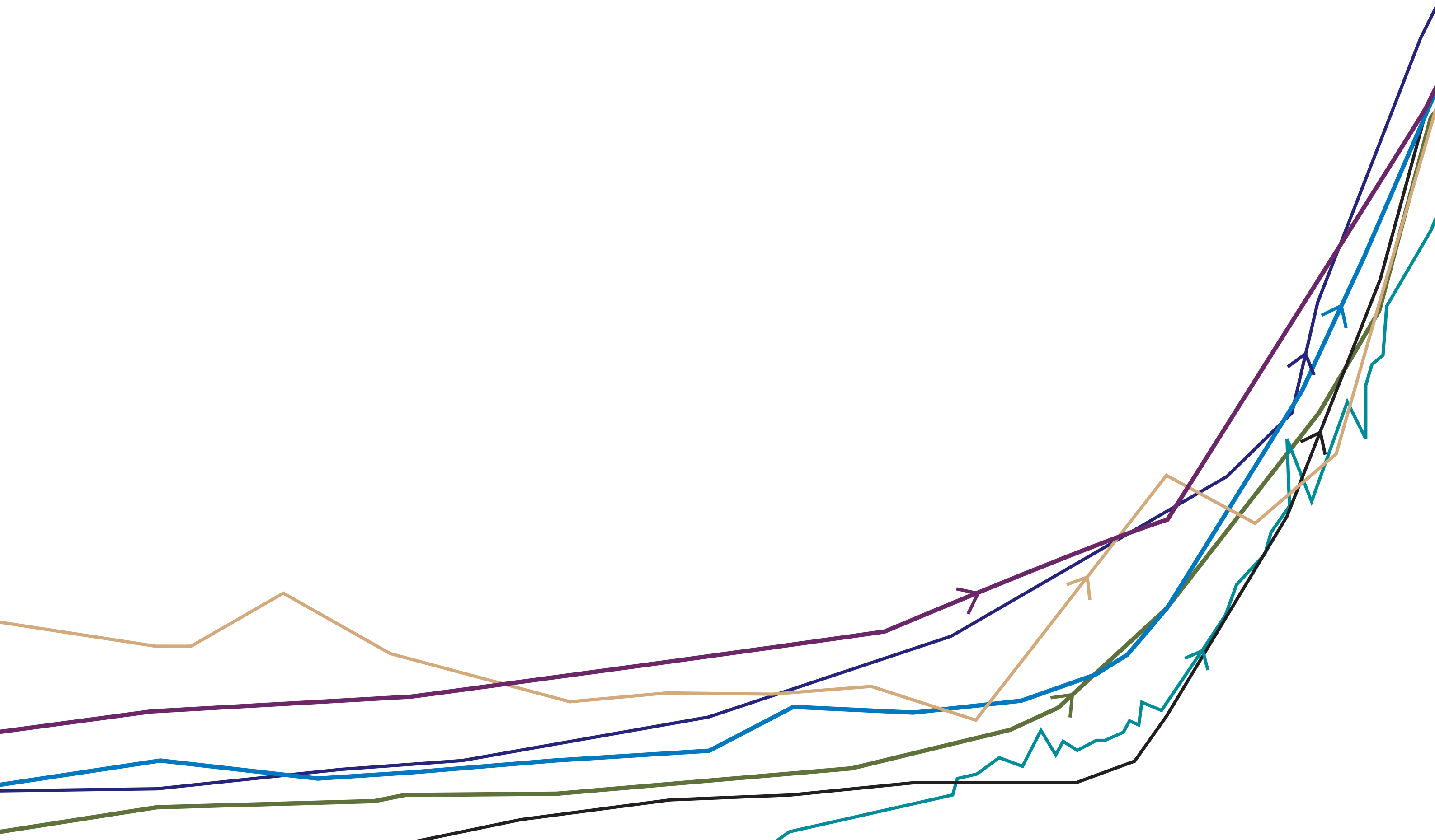
Sustain, Diversify › **Growth**

Botswana Insurance Holdings Limited
Annual Report 2009



Sustain, Diversify › Growth

Our humble view!

Two leaders who dominate their respective markets make up BIHL – Botswana Insurance Holdings Limited. Coming from a difficult period in global markets, and with the financial storm seemingly far from over measures are being taken to sustain the business.

Last year's Annual Report highlighted the need to diversify to protect investors interests. Because BIHL taps into decades of leadership and competence, a culture of delivery has been perfected over many years, the right foundation for growth.

We believe that the goal, therefore, is to illustrate through this year's annual report what these measures will achieve.

The ultimate goal of the BIHL group is to reflect the group's ability to protect investments and grow.

That is;

- My investment is safe in BIHL
- BIHL shares will provide a good return
- My future is safe because of BIHL
- The innovative product that I buy from BLIL will deliver what it says it will when it says it will
- The big deal Bifm has invested in will deliver profits

BIHL will be positioned as a mature, tried and trusted leader with the ability and capacity to protect investments and provide good returns. Investors can;

- Relax knowing all promises will be kept
- Take it easy over the weekend not worrying about their money at BIHL
- Do more to provide for their families
- Trust that even after life BIHL will continue to deliver
- They can take that special holiday they have been dreaming about

Contents

BIHL has all the right ingredients to succeed and move ahead...

... to continue the BIHL tradition of moving forward and serving its staff, customers and the country as a whole, with pride.

Timelines

1975

April Legislation passed to establish a central bank with the framework to govern financial institutions that will fall under its supervision. August Botswana Insurance Company formed as a 51% subsidiary of the Botswana Development Corporation

1977

Botswana Insurance Company sells its first life policy.

1981

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

1987

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

1991

Exchange control liberalised, permitting diversification of investments offshore. Botswana Insurance Company is restructured to separate its general insurance business and life insurance business. Botswana Insurance Holdings Limited (BIHL), which consists of Botswana Life Insurance Limited and Botswana General Insurance Limited, is the result. August BIHL lists on the Botswana Stock Exchange Shares are floated at P0.22 and the issue is 273% over subscribed. Some 25% of the BIHL equity is held by the general public comprising some 1,500 Individual and corporate shareholders December BIHL shares rise to P0.32 - a 46.5% increaseon the listing price.

1993

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

1995

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

1999

In conjunction with the Botswana Accountancy College, Botswana Life launches insurance courses at the college with the company's initial funding of the project matched by government. Botswana Life also funds 15 of the first 25 students to register for the certificate course.

With the development of the group's local information and actuarial systems. BIHL becomes the first company in Botswana to report on the embedded value performance. This brings the group in line with leading world accounting reporting. Botswana Life invests in Funeral Services Group to extend service to policyholders and their families at the time when they most need assistance. Bifm expands into Zambia.

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.

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

2000

Bifm unveils its new Corporate Identity and a definitive positioning statement, *"Dynamic Wealth Management".*

2001 2003 2005 2006 2007 2008

2009

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

The top management of BIHL and its subsidiaries is fully localised with Batswana. BIHL's majority shareholder, African life Assurance Company Limited, is acquired by Sanlam Limited. Established in 1918, Sanlam is a leading financial services group in South Africa, listed on the JSE Limited in Johannesburg and on the Namibian Stock Exchange. In compliance with global corporate governance best practice, Bifm sold its remaining25% shareholding in Glenrand Botswana to Glenrand M.I.B.

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

A stone's throw away from the New CBD in Phase 2 is a major landmark, which marks the pride of the Southern Africa – the new SADC Headquarters. The seven-storey building will be used as the Headquarters for the member states in the region. Bifm marked yet again another of its kept promises by delivering this property on time during the review period.

In this year BLIL also launched the Bancassurance distribution channel.

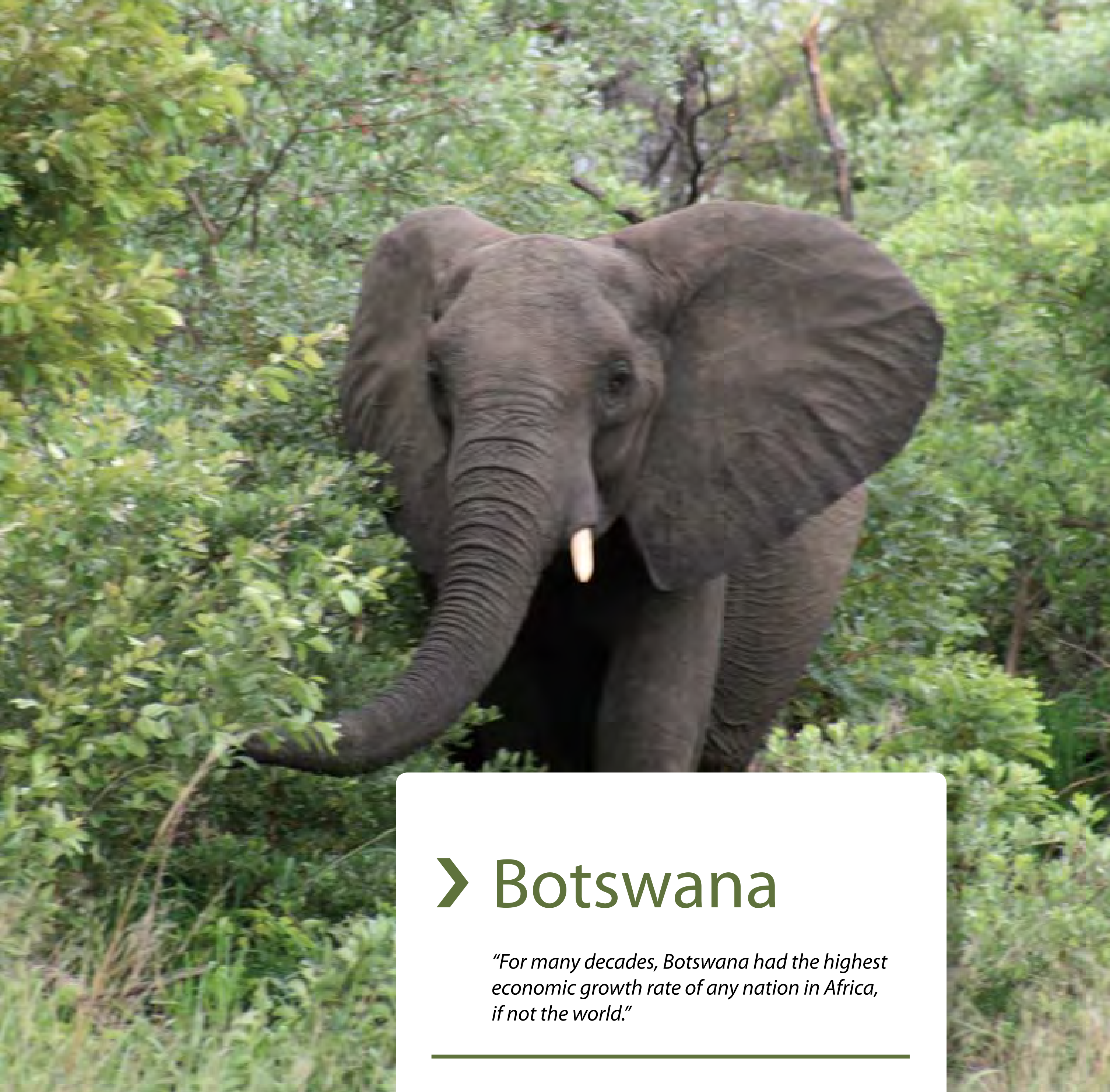
About Botswana

Botswana covers 600,370 km², (231,788 mi²) and is the world's 47th-largest country after Ukraine. Botswana is a sparsely populated territory and lies between Zimbabwe and Namibia to the east and west, Angola and Zambia to the north and South Africa to the south. She gained her independence from Britain on 30 September 1966.

It is dominated by the Kalahari Desert, which covers up to 70% of its land surface. The Okavango Delta, the world's largest inland delta, is in the northwest. The Makgadikgadi Pan, a large saltpan, lies in the north. From being one of the poorest countries in the world, the discovery of diamonds soon thereafter gave the country the impetus required to be able to transform itself into a middle-income country with a standard of living for its citizens that is similar to that of Turkey. Diamonds continue to play a major role in the country's economy although attention is increasingly being given to the development of other industries as well.

For many decades, Botswana had the highest economic growth rate of any nation in Africa, if not the world.

Botswana is a stable, multi-party democracy and has held free and fair democratic elections regularly since independence. Its capital is Gaborone, a modern city that also serves as the country's financial hub.



Botswana

"For many decades, Botswana had the highest economic growth rate of any nation in Africa, if not the world."

Bifm transaction finalised

› "Bifm transaction" reviewed by the Non-Banking Financial Institutions Regulatory Authority (NBFIRA)

In 2007 BIHL entered into an agreement with various parties which resulted in the sale of 27.5% of Bifm Botswana to AFA Holdings and Kelsoft, a citizen consortium.

Although the Board at the time believed that the transaction would have served the best interests of the Group without any intent to prejudice minorities, the sale was subsequently reversed in its entirety due to negative market sentiments. Care was taken to ensure that BIHL shareholders were not prejudiced in any way and the reversal resulted in Bifm remaining a wholly owned subsidiary of BIHL.

As reported in the BIHL 2008 annual report, the transaction was subject to an enquiry by the Non-Bank Financial Regulatory Authority (NBFIRA) and the Botswana Stock Exchange (BSE). BIHL cooperated openly with every aspect of the investigation and at the behest of NBFIRA, engaged PricewaterhouseCoopers to conduct an independent audit to verify the unwinding of the transaction with no prejudice to minority shareholders.

NBFIRA advised that a major finding of the report was that BIHL was in breach of its obligation to consult the BSE and therefore referred the matter to the BSE.

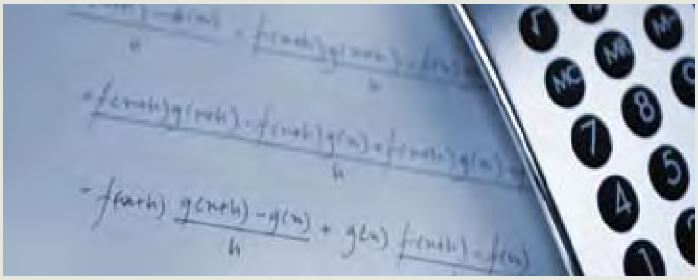
The BSE concluded that the transaction ought to have been sanctioned by the Botswana Stock Exchange Listings Committee in accordance with Section 10.2 of the BSE Listings Requirements and consequently levied a penalty of P 25 000.00 against BIHL. This fine was duly paid within the stipulated timeframe without prejudice to minorities.

Concerns raised about certain aspects of BIHL's governance structures and procedures have been noted by the Board and it has implemented additional measures as outlined on page 65 in order to ensure that sufficiently independent decisions will be made in respect to related party transactions and referred to BSE in accordance with the BSE rules.

With the conclusion of the investigations, the independent audit and enhancements to the Board composition and governance structures, NBFIRA have confirmed the matter to be closed and complete.

NBFIRA have confirmed the matter of the infamous " Bifm transaction" to be closed and complete.

Group Highlights



Building on the success of the first ever PPP project, Plot 21, at Main Mall, Bifm has not stopped looking for areas of common interest wherever possible.

A new Chairman for BIHL

Batsho Dambe - Groth has been confirmed Chairperson effective 01 March 2010

A New Group CEO

Regina Sikalesele-Vaka has been appointed the new BIHL CEO. Group Chairperson Batsho Dambe-Groth made the announcement during the presentation of the Group End of Year Results Announcement early this year. She has been applauded as a visionary whose insights will further consolidate the Group's market position whilst seeking for opportunities of growth in the region.

Public Private Partnerships

Building on the success of the first ever PPP project, Plot 21 a building housing the Office of the Ombudsman and Lands and Tribunal at Main Mall, Bifm has not stopped looking for areas of common interest wherever possible.

A stone's throw away from the New CBD in Phase 2 is a major landmark, which marks the pride of the Southern Africa – the new SADC Headquarters. The seven-storey building will be used as the Headquarters for the member states in the region. Bifm marked yet again another of its kept promises by delivering this property on time during the review period. This PPP project was steered by Bongwe Investments, which comprises Bifm, Stocks & Stocks Botswana and Stoberc. It is co-financed by Bifm, Barclays Bank and INCA of South Africa. The official opening is expected when SADC Heads of State have their next meeting, later this year.

Property Development

Today, Bifm's footprints in property development can be seen from the panoramic views of Gaborone from the Fairgrounds Office Park. Phase II of the Fairgrounds Office Park has been completed and fully let. Fairgrounds Financial Centre, which is co-financed, by Bifm and StockerFleetwoodBird is also due for completion soon. This is expected to transform Fairgrounds into a hub of high-level corporates and convenience.

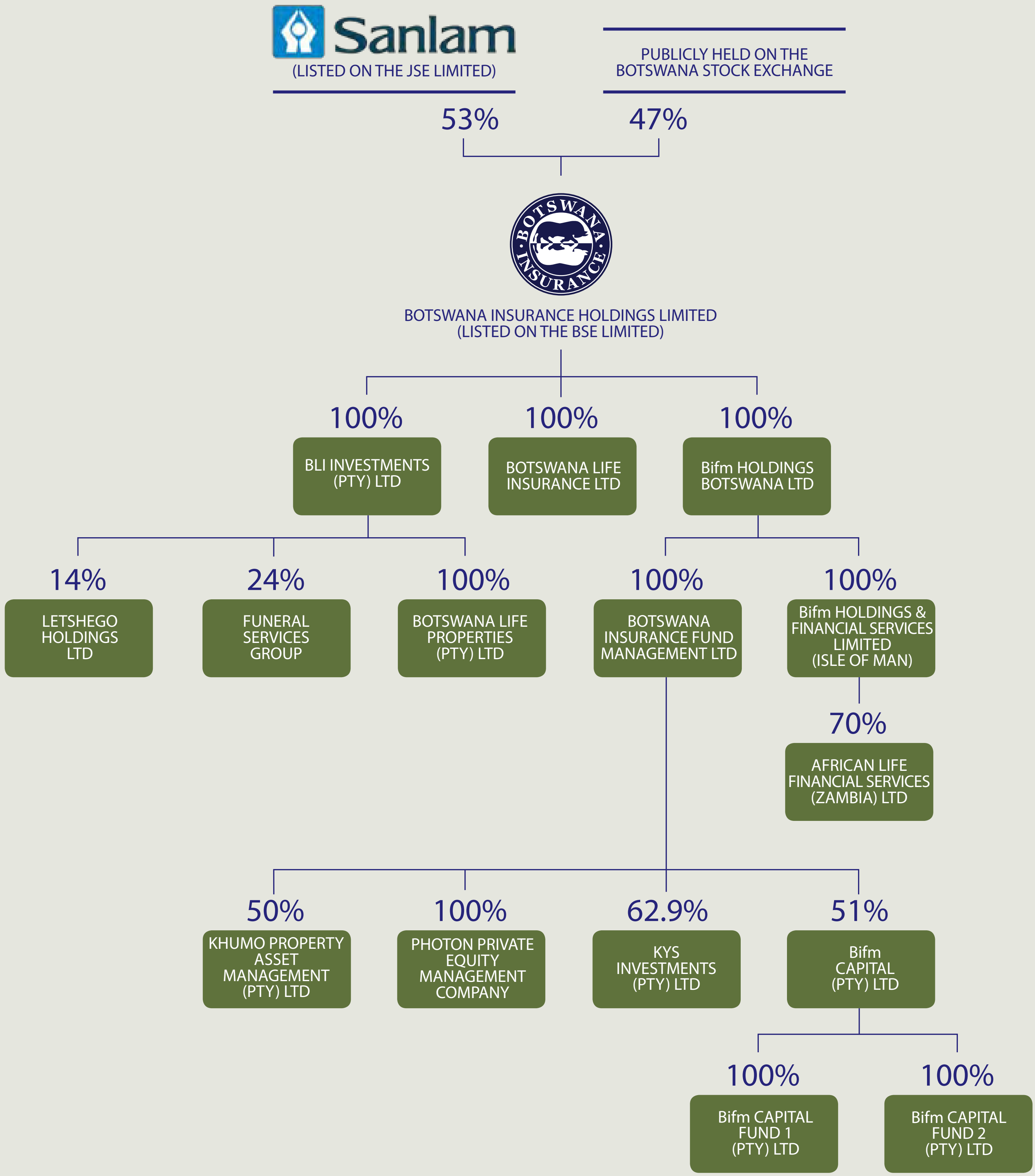
Group Profile and Structure

› Botswana Insurance Holdings Limited (BIHL) is one of the top companies listed on the Botswana Stock Exchange (BSE) and has three wholly-owned subsidiaries, Botswana Life Insurance Limited (Botswana Life), Botswana Insurance Fund Management Limited (Bifm) and BLI Investments (Pty) Limited.

The companies hold dominant positions in their respective market sectors with Botswana Life being the largest and oldest insurance company in Botswana. Bifm on the other hand is the country's largest asset management company boasting over three decades of leadership and outstanding service delivery in the market. Sanlam Limited, one of the largest financial service groups in Africa, is the ultimate majority shareholder in the BIHL Group with a 53% shareholding, while 47% of its equity is owned by Botswana citizens.

The BIHL Group plays a key role in Botswana's economy and, based on its high rate of growth, will continue to do so in future. The Group itself has total assets of P11.4 billion. In addition to its commercial business interests, the BIHL Group has established, funds and administers the BIHL Social Investment Trust which is devoted to promoting the self-sufficiency and sustainability of disadvantaged communities in Botswana.

Just as we look at diversifying our asset portfolio by constantly looking at the potential of asset classes other than equities, so we seek non-traditional assets with which to reduce our reliance on – and hence our risk exposure to – traditional investment vehicles.


Sanlam
(LISTED ON THE JSE LIMITED)
PUBLICLY HELD ON THE BOTSWANA STOCK EXCHANGE
53%
47%
BOTSWANA INSURANCE
BOTSWANA INSURANCE HOLDINGS LIMITED
(LISTED ON THE BSE LIMITED)
100%
BLI INVESTMENTS (PTY) LTD
100%
BOTSWANA LIFE INSURANCE LTD
100%
Bifm HOLDINGS BOTSWANA LTD
14%
LETSHEGO HOLDINGS LTD
24%
FUNERAL SERVICES GROUP
100%
BOTSWANA LIFE PROPERTIES (PTY) LTD
100%
BOTSWANA INSURANCE FUND MANAGEMENT LTD
100%
Bifm HOLDINGS & FINANCIAL SERVICES LIMITED (ISLE OF MAN)
70%
AFRICAN LIFE FINANCIAL SERVICES (ZAMBIA) LTD
50%
KHUMO PROPERTY ASSET MANAGEMENT (PTY) LTD
100%
PHOTON PRIVATE EQUITY MANAGEMENT COMPANY
62.9%
KYS INVESTMENTS (PTY) LTD
51%
Bifm CAPITAL (PTY) LTD
100%
Bifm CAPITAL FUND 1 (PTY) LTD
100%
Bifm CAPITAL FUND 2 (PTY) LTD

BIHL 2009 Financial Highlights

Value of new business

P114m

^ 15%

Operating surplus

P250.6m

^ 13%

Assets under Management

P16.5b

^ 20%

Embedded value

P2.2b

^ 13%

Revenue

- Net premium income increased by 31% to P1.3 billion
- Fee income decreased by 1% to P120.6 million
- Value of new business increased by 15% to P114 million

Earnings

- Operating surplus increased by 13% to P250.6 million.
- Core earnings increased by 1% to P307.9 million
- Profit for the year increased by 7% to P237.7 million.

Assets under management

- Assets under management increased by 20% to P16.5 billion

Embedded Value

- Embedded value increased by 13% to P2.2 billion

Dividends

- P261.4 million paid in dividends during the year (2008: P148 million)
- Final normal dividend proposed of 35 thebe per share (gross of tax)
- Special dividend of 17 thebe per share (gross of tax)

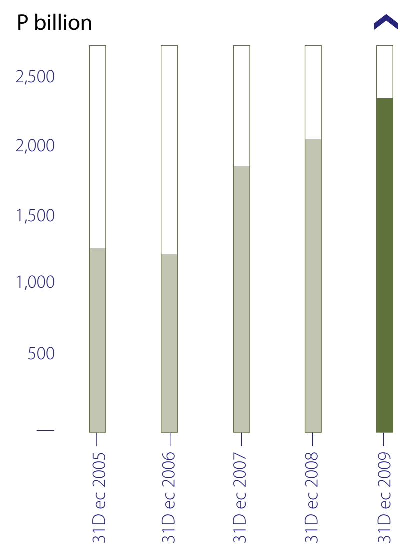
Solvency

- Business well capitalised, required capital covered
6.3 times (December 2008: 5.9 times)

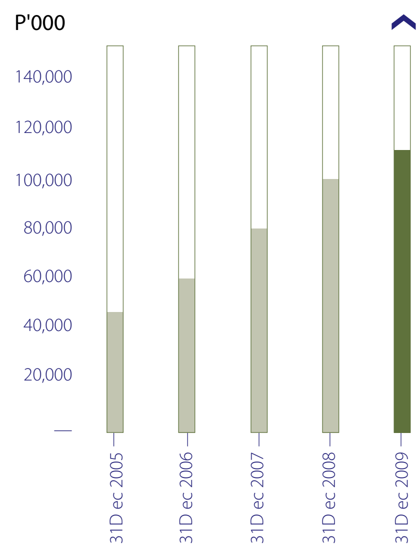
	Year to Dec 2009 P million	Year to Dec 2008 P million	% Change
Group summary			
Premium income (net of reinsurance)	1,253	959	31%
Value of new business	114	99	15%
Operating surplus	251	222	13%
Total surplus	238	221	7%
Assets under management	16,512	13,800	20%
Ordinary shareholders' equity	1,361	1,385	-2%
Total assets	11,441	9,581	19%
Embedded value	2,246	1,991	13%
Productivity			
Operating expenses to premium income and asset management fees	15%	15%	
Return on embedded value	26%	20%	
Selling expenses to premium income	20%	17%	
Shareholder investment returns to average shareholder equity	—	1%	
Solvency and liquidity			
Capital adequacy cover (times)	6.30	5.90	
Dividend cover on core earnings** (times)	1.59	1.23	
Ordinary share performance			
Basic earnings thebe per share	87.00	77.03	13%
Diluted earnings thebe per share	85.00	76.08	12%
Dividend thebe per share -interim	17.00	17.00	0%
-final proposed- Normal	17.00	31.00	-45%
-final proposed- Special	35.00	45.00	-22%
Embedded value thebe per share	857.00	758.00	13%
Trading prices (thebe per share)			
closing price	1100	870	26%
high	1250	1700	-26%
low	650	870	-25%
Price earnings ratio	12.64	6.01	110%
Domestic Companies Index (DCI)	7,241.89	7,035.50	3%
Number of shares in issue ('000)	281,071	281,071	0%
Number of shares traded ('000)	7,735	18,051	-57%
Market capitalisation (P million)	3,092	2,445	26%
Number of shareowners	3,164	3,079	3%
Earnings yield (%)	9.16	8.85	51%
Dividend yield (%)	6.27	10.69	-41%

BIHL 2009 Financial Highlights

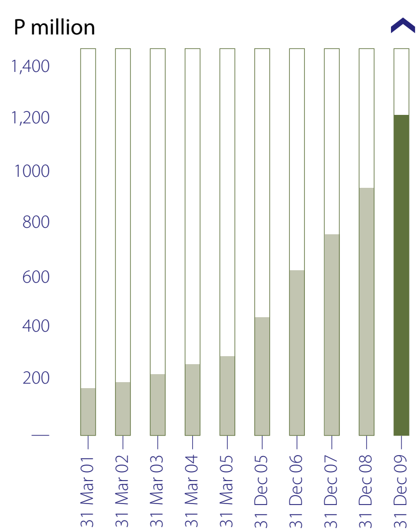
Embedded Value



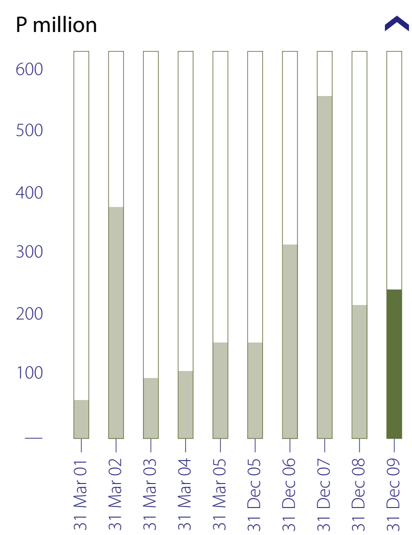
Value of New Business



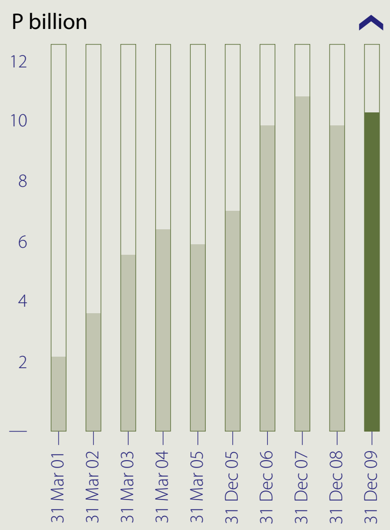
Premium Income



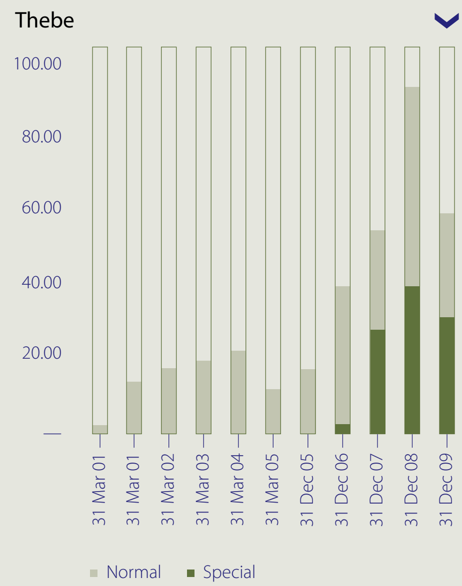
Surplus after Taxation



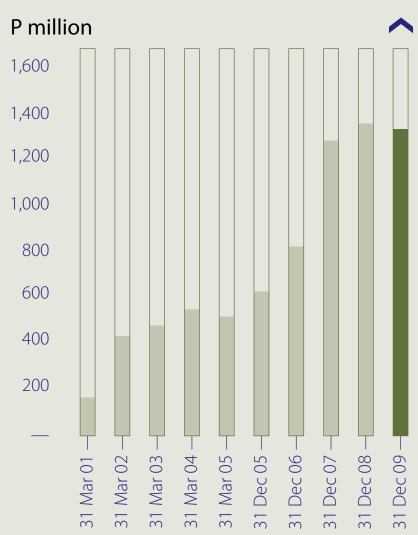
Investments



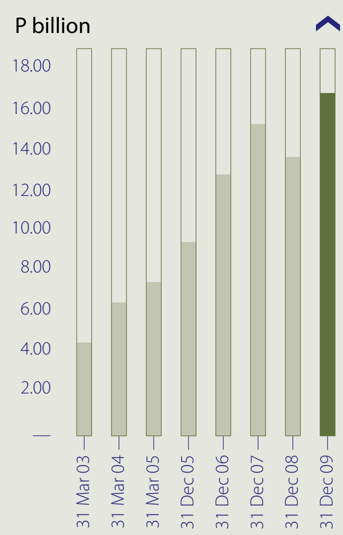
Dividends per Share



Shareholder's Equity



Assets under Management



Ten Year Review

	Year to 31-Dec-09 P'000	Year to 31-Dec-08 P'000	Year to 31-Dec-07 P'000	Year to 31-Dec-06 P'000
Group consolidated income statement				
Net premium income	1,253,413	958,636	791,281	678,983
- Recurring	682,577	565,313	447,885	371,750
- Single	570,836	393,323	343,396	307,233
Pension and investment contribution	—	—	—	—
Fee income	120,623	121,308	110,316	81,466
Fair value gains on investment properties	—	8,768	80,682	23,221
Investment income	57,397	93,223	215,321	158,198
Net (losses)/gains from financial assets held at fair value through profit and loss	(72,412)	(90,831)	226,424	161,872
Net income	1,359,021	1,091,104	1,424,024	1,103,740
Net policyholder movement	(680,809)	(533,293)	(566,603)	(522,360)
Policyholders 's income/(loss)	1,497,834	(1,545,433)	1,341,240	1,993,678
Investment income	422,587	369,991	388,912	332,025
Net gains/(losses) on financial assets held at fair value throgh profit and loss	1,075,247	(1,915,424)	952,328	1,661,653
Net insurance and investment contract benefits and claims	(2,178,646)	1,012,140	(1,907,843)	(2,516,038)
Policyholder benefits paid	(524,344)	(418,695)	(343,149)	(257,557)
Change in liabilities under investment contracts	(850,960)	1,534,843	(1,038,206)	(1,700,829)
Change in liabilities under insurance contracts	(803,343)	(104,008)	(526,488)	(557,652)
Expenses	(447,815)	(332,115)	(257,737)	(190,604)
Sales remuneration	(245,028)	(165,735)	(118,067)	(73,241)
Administration expenses	(202,787)	(166,380)	(139,670)	(117,363)
Goodwill impaired and amortised	—	—	—	—
Profit before share of profit of associate	230,395	225,696	599,684	390,776
Share of profit of associates	26,821	9,802	4,001	2,304
Profit before tax	257,216	235,498	603,685	393,080
Income tax expense	(19,544)	(14,037)	(49,867)	(77,021)
Profit for the year	237,672	221,461	553,818	316,059
Earnings per share (thebe)				
- basic	87.00	77.03	205.81	119.2
Gross dividends per share (thebe)	69.0	93.0	56.0	42.0
Weighted average number of shares in issue ('000)	261,967	262,567	259,519	259,833

9 months to 31-Dec-05 P'000	Year to 31-Mar-05 P'000	Year to 31-Mar-04 P'000	Year to 31-Mar-03 P'000	Year to 31-Mar-02 P'000	Year to 31-Mar-01 P'000	Year to 31-Mar-00 P'000
450,647	527,492	488,892	354,299	249,558	205,251	145,647
255,517	297,406	289,468	261,063	217,828	162,685	122,687
195,130	230,086	199,424	93,236	31,730	42,566	22,960
—	—	—	—	—	69,304	63,884
46,802	40,420	53,368	50,751	33,658	—	—
(6,921)	3,863	—	—	—	—	—
31,038	27,233	27,602	36,149	9,870	17,554	7,115
124,110	30,832	830,867	(482,41)	280,654	2,392	12,154
645,677	629,841	1,400,729	(41,217)	573,740	294,502	228,800
(325,939)	(290,364)	(1,155,956)	278,905	(40,951)	(141,757)	(142,557)
1,471,667	595,311	185,409	(89,303)	265,713	166,109	274,945
239,447	298,925	43,606	(34,265)	52,040	143,146	101,526
1,232,221	296,387	141,803	(55,038)	213,673	22,964	173,419
(1,797,606)	(885,675)	(1,341,365)	368,208	(306,664)	(307,866)	(417,502)
(149,194)	(158,008)	(151,555)	(81,947)	(66,538)	(107,088)	(90,442)
(1,299,982)	(438,329)	(830,867)	482,416	—	—	—
(348,430)	(289,338)	(358,943)	(32,261)	(240,126)	(200,778)	(327,060)
(132,399)	(145,201)	(129,108)	(116,699)	(101,423)	(78,859)	(57,631)
(51,124)	(67,837)	(54,015)	(45,374)	(39,504)	(43,122)	(28,301)
(81,275)	(77,364)	(71,388)	(67,620)	(59,437)	(32,935)	(28,518)
—	—	(3,705)	(3,705)	(2,482)	(2,802)	(812)
187,339	194,276	115,665	120,989	431,366	73,886	28,612
4,465	(3,853)	1,965	2,427	9,709	8,544	4,552
191,804	190,423	117,630	123,416	441,075	82,430	33,164
(34,453)	(33,664)	(13,494)	(21,576)	(54,266)	(22,685)	(44)
157,351	156,759	104,136	101,840	386,809	59,745	33,120
64.9	62.1	38.3	37.0	52.6	22.7	132.4
27.5	27.5	23.5	20.0	15.0	10.0	40.0
259,291	252,616	269,369	267,257	275,684	261,481	24,844

Ten Year Review *(Continued)*

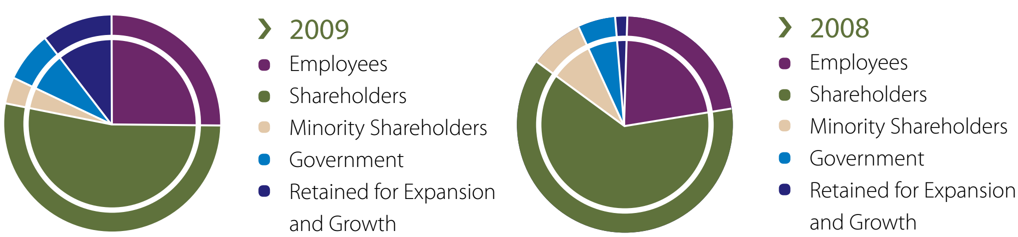
	As at 31-Dec-09 P'000	As at 31-Dec-08 P'000	As at 31-Dec-07 P'000	As at 31-Dec-06 P'000
Group consolidated statement of financial position				
Property and equipment	18,487	16,890	13,962	20,666
Intangible assets	82,622	79,821	16,337	14,649
Investments	9,649,031	7,883,388	10,015,626	8,876,477
Trade and other recievables	275,378	216,991	65,764	62,004
Cash deposits and similar securities	1,414,988	1,384,377	672,170	255,198
Total assets	11,440,507	9,578,537	10,783,859	9,228,994
Ordinary shareholders' equity	1,361,377	1,385,369	1,317,057	849,136
Non-controlling interest	35,042	31,095	55,006	21,172
Policyholder liabilities	9,720,541	7,819,021	9,129,979	8,140,007
- insurance contracts	3,591,324	2,817,682	2,683,973	2,157,459
- investment contracts	6,129,217	5,001,339	6,446,006	5,982,548
Deferred tax liability	21,090	46,729	70,246	50,664
Trade and other payables	302,457	296,323	211,571	168,015
Total equity and liabilities	11,440,507	9,578,537	10,783,859	9,228,994
Group statement of cash flows				
Cash generated from/ (utilised in) operating activities	2,123,616	(1,109,328)	1,184,913	106,098
Interest received	35,115	74,364	45,495	32,502
Tax paid	(40,263)	(46,656)	(44,276)	(50,044)
Dividends paid	(240,246)	(157,220)	(152,840)	(88,610)
Cash flow from operating activities	1,878,222	(1,238,840)	1,033,292	(54)
Cashflow (utilised in)/generated from investing activities	(1,847,712)	1,951,148	(616,320)	(954,666)
Net cash flows generated from/(utilised in) financing activities	—	—	—	—
Net increase/(decrease) in cash and cash equivalents	30,510	712,308	416,972	(954,720)
Cash and cash equivalents at the beginning of the year	1,384,478	672,170	255,198	1,209,918
Cash and cash equivalents as at the end of the year	1,414,988	1,384,478	672,170	255,198

As at 31-Dec-05 P'000	As at 31-Mar-05 P'000	As at 31-Mar-04 P'000	As at 31-Mar-03 P'000	As at 31-Mar-02 P'000	As at 31-Mar-01 P'000	As at 31-Mar-00 P'000
43,873	47,527	16,497	18,091	17,296	7,582	7,903
15,610	16,632	16,121	18,649	22,020	24,648	11,137
6,767,586	5,390,907	6,007,611	4,423,241	2,970,647	1,727,043	1,491,613
91,281	78,862	207,938	183,633	151,775	93,837	69,318
7,287	7,234	6,265	5,668	7,106	5,301	1,420
6,925,637	5,541,162	6,254,432	4,649,282	3,168,844	1,858,411	1,581,391
644,588	506,506	549,852	483,167	450,864	171,001	107,530
17,723	13,051	17,207	7,396	7,441	5,642	314
6,114,114	4,882,945	5,567,539	3,989,152	2,497,034	1,564,096	1,386,281
1,599,913	1,287,454	1,020,160	661,002	628,741	580,765	501,141
4,514,201	3,595,491	4,547,379	3,328,150	1,868,293	983,331	885,140
17,494	13,785	7,434	305	1,152	—	—
131,718	124,875	112,400	169,262	212,353	117,672	87,266
6,925,637	5,541,162	6,254,432	4,649,282	3,168,844	1,858,411	1,581,391
134,266	15,157	611,092	2,270,601	1,279,560	223,882	157,553
85,280	164,903	57,550	60,932	19,419	33,456	25,639
(32,153)	(21,838)	(74,871)	(54,750)	(32,056)	(7,124)	(1,088)
(48,438)	(68,922)	(60,650)	(45,761)	(12,766)	(449)	(27)
138,955	89,300	533,121	2,231,022	1,254,157	249,765	182,077
(138,470)	(89,455)	(534,013)	(2,232,460)	(1,254,937)	(248,427)	(183,498)
(432)	1,124	1,489	—	2,585	2,543	1,983
53	969	597	(1,438)	1,805	3,881	562
7,234	6,265	5,668	7,106	5,301	1,420	858
7,287	7,234	6,265	5,668	7,106	5,301	1,420

Value Added Statement

	Year to 31 Dec 2009 P'000	Year to 31 Dec 2008 P'000
Value Added		
Income from operations	986,308	1,204,572
Operating expenditure	(332,115)	(254,079)
Policyholder benefits paid	(418,695)	(343,149)
	235,498	607,343
Value Distributed		
To employees		
Salaries, wages and other benefits	52,619	51,990
To ordinary shareholders		
Dividends	147,703	139,609
To minority shareholders	19,205	19,697
To Government		
Taxation	14,037	49,867
To expansion and growth		
Reinvested in the business for future growth	20,369	322,942
Amortisation	1,340	1,066
Depreciation	3,741	2,591
Deferred taxation	(23,517)	19,582
	1,933	346,181
	235,498	607,343
Summary		
Employees	22%	9%
Shareholders	63%	23%
Minority shareholders	8%	3%
Government	6%	8%
Retained for expansion and growth	1%	57%
	100%	100%

Value Added Distribution



Share Analysis - Ordinary Shares

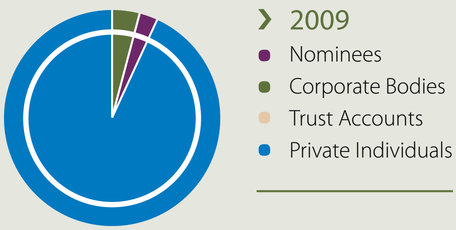
	Shareholders		Shares held	
	Number of holders	% of holders	Shares held	% of issued shares
1- 5000	2,359	75	2,301,448	1
5001-10000	288	9	2,075,692	1
10001- 50000	363	11	7,706,726	3
50001-100000	58	2	4,002,014	1
100001- 500000	66	2	14,562,828	5
500,001 - 1000,000	11	0	7,140,568	3
OVER 1,000,000	19	1	243,281,376	87
Total	3,164	100	281,070,652	100

Top ten shareholders

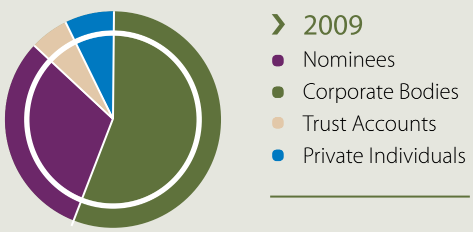
SANLAM DEVELOPING MARKETS LIMITED	100,915,844	36
AFRICAN LIFE COMPANY (BOTSWANA)	48,603,380	17
STANBIC NOMINEES RE: BIFM BPOPF	15,479,620	6
BBN(PTY) LTD RE: IAM 030/14	12,571,370	4
BBN [PTY] LTD RE: FAM 3582376	11,841,508	4
STANBIC NOMINEES RE: BIFM	11,133,698	4
MOTOR VEHICLE ACCIDENT FUND	10,735,164	4
BIHL EMPLOYEE SHARE SCHEME TRUST	7,970,187	3
BBN [PTY] LTD RE:SIMS 212/005	4,237,478	2
Other	57,582,403	20
	81,070,652	100

	Shareholders		**Shares held**	
Category	**Number**	**%**	**Number**	**%**
Corporate bodies	126	3.98	157,334,067	55.98
Nominees companies	79	2.50	86,485,561	30.77
Trust accounts	6	0.19	15,974,148	5.68
Private individuals	2,953	93.33	21,276,876	7.57
	3,164	100	281,070,652	100

Breakdown of Shareholders



Breakdown of Shares held



Board of Directors

1. Batsho Pamela Dambe-Groth
BSc (Hons), (University of Wales Institute of Science and Technology)
Group Chairperson
Independent non-executive director
Other Directorships: Botswana Craft Marketing, Resource Logic, Etsha Weavers Group, Boitekanelo, Gems of Kalahari.
Appointed to the board: 25 March 2008.

2. Regina Sikalesele-Vaka
LLB (UB)
Group CEO Botswana Insurance Holdings Limited.
Executive director.
Appointed to the board: 1 July 2003.

3. Victor Jakopo Senye
BCom (Accounting) (UB); MSc (Management) (Arthur D Little School of Management, Boston, USA); PIAM (Harvard)
CEO Bifm Limited.
Executive director.
Other Directorships: Healthcare Holdings Limited, Healthcare Management Services, KYS Investments, Turnstar Holdings, Botswana Tourism Board.
Appointed to the board: 1 January 2005.

4. Margaret Mercer Dawes
BSc (Hons) (University of London); ACA (UK); CA (SA); HDip Tax Law (Wits)
Non-executive director.
Head of Rest of Africa (Sanlam Developing Markets Limited.)
Appointed to the board: 2 February 2005.

5. Keith Robert Jefferis
BSc (Economics) (University of Bristol); MSc (Economics) (University of London); PhD (Economics) (Open University UK)
Independent non-executive director
Other Directorships: Econsult Botswana, DHS,Croc 661, TWE Portion 6.
Appointed to the board: 1 April 2005.

6. Chandra Chauhan
B.Acc (Hons); ACA (England and Wales); A.C.P.A. (Botswana)
Independent non-executive director
Other Directorships: MD of Sefalana Holdings Company Limited.
Appointed to the board: 20 April 2009.

7. Heinie Carl Werth
B. Acc; CA (SA); MBA; EDP
Non-executive director.
CEO: Sanlam Developing Markets Limited.
Appointed to the board: 15 May 2006.

8. Francois Johannes Kellerman
B. Acc (Hons); CA(SA); CFA
Non-executive director.
Head of Finance: Sanlam Investment Management.
Appointed to the board: 15 August 2007.

9. Uttum Corea
FCA (S.L.); FCPA (Bots.); PIAM (Harvard).
Independent non-executive director.
Other Directorships: Bank of Botswana, Colmore Investments, Aeroc Holdings, Abacus House Botswana, Plot Four Eight Four Four, Queensway Trustees,
Appointed to board: 18 February 2008.

10. Thomas Schultz
CFA.
Non-executive director.
Appointed to board: 12 February 2009.

11. Norman John Kelly
BSc (University of Witwatersrand) Fellow of the institute of Actuaries
Non-executive director.
Appointed to the board: 15 May 2008.
Resigned: 31 January 2010

BIHL Audit Committee
Margaret M. Dawes (Chairperson)
Keth R. Jefferis
Chandra Chauhan
Francois J. Kellerman
Uttum Corea
Norman J. Kelly

BIHL Investment Committee
Keth R. Jefferis (Chairman)
Norman J. Kelly
Francois J. Kellerman
Thomas Schultz

Human Resources Committee
Batsho P. Dambe - Groth (Chairperson)
Margaret M. Dawes
Thomas Schultz
Chandra Chauhan

Nominations Committee
Uttum Corea (Chairman)
Keth R. Jefferis
Heinie C. Werth

Conduct Review Committee
Chandra Chauhan (Chairman)
Batsho P. Dambe - Groth
Uttum Corea

Chairperson's Letter

› As the global recession continued into 2009 we commenced the year with some degree of trepidation yet determined to make the best out of a very challenging environment. Foremost in our minds and actions was the client-centricity that has become the basis of our operational culture.

Dear Stakeholder,

This being my maiden address to you, our Shareholders, Investors, Employees and observers I greet you all very warmly.

I would like to take this opportunity to thank Mr. Maclean C Letshwiti my predecessor and Chairman of the BIHL board for 5 years who left behind a sound business whose fundamentals underpin the good results BIHL contiunes to enjoy to date.

BIHL celebrates 35 years of operations this year and as we reflect on 2009, one cannot help but feel tremendous pride in the trend of positive growth that BIHL has enjoyed each successive year over the last three decades. Thus in as much as we highlighted the looming economic down turn in our last report we had the quiet confidence of a strong business that has ridden many a storm before and come out stronger each time.

2009 was a year in which the company faced a series of extremely challenging circumstances. I am delighted to report that we dealt with those challenges effectively and also succeeded in producing a set of outstanding financial results, whilst continuing to lay solid foundations for future growth. Like every other company in the global economy, we entered 2009 with some concern and uncertainty as the global economic crisis showed every sign of deepening.

Indeed for Botswana, the first quarter of 2009 turned out to be by far the most challenging economic period faced by the country. With the slowdown in world trade affecting our major exports – diamonds, copper-nickel and tourism resulting in a sharp decline in diamond exports, the major driver of the Botswana economy. 2009 experienced temporary closure of several diamond mines resulting in a decline in economic activity as downstream suppliers to the mines halted supplies.

Although economic growth continued at a healthy rate outside of the mining sector, real household incomes and expenditure came under increasing pressure during the year.

At the half-year, it was clear that the performance of BIHL had been adversely affected by the uncertainty and volatility that characterised the local and international capital markets. However, economic conditions showed improvement in the second half with some economic recovery.

It is my pleasure to observe that despite the troubles in the economy and the uncertainty that characterised the globe, BIHL ended the year remarkably strongly with operating surplus up by a satisfactory 13 percent to P250.6million. This was attributable to strong operational performance, an increase in business volumes, client retention, prudent underwriting and well controlled management of expenses.

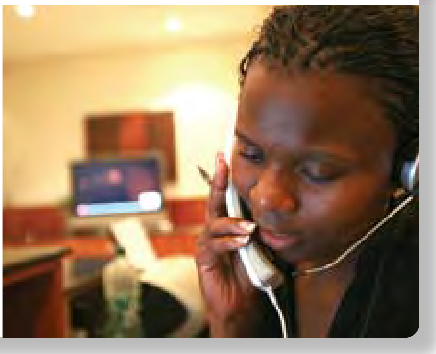
Profit for the year rose by 7% to P237.7million, despite a slight 1% decline in core earning to P307.9million and a 9% drop in our investment income to P57,397million.

The Group's embedded value increased by 13 percent to P2.2billion; and the strength of our financial situation was well illustrated by the fact that we ended the year well capitalised, with our required capital covered 6.3 times, compared to 5.9 times in 2008.

This satisfactory situation enabled the Group to declare a final normal dividend of 35 thebe per share, and a special dividend of 17 thebe (both gross of tax), which translated into P261.4million paid in dividends during the year, a significant increase from the P148million dividend paid out in the previous financial year.

Growth

Profit for the year rose by 7% to P237.7million, despite a slight 1% decline in core earning to P307.9million and a 9% drop in our investment income to P57,397million.



Chairperson's Letter *(Continued)*

These strong results are attributable to the Group's strong financial base as well as our prudent management style and strategic focus.

Growth, Sustainability and Diversification Strategy

BIHL has a proud history in the Botswana economy of dominance in both of its core businesses of asset management and life insurance, but there has been a growing realisation within the Group that sustainability and ongoing growth require a whole new strategy. We simply could not continue to do more of the same in a market that in some instances is reaching saturation point and increasing competition across the board.

2009 saw both our operational entities – Bifm and Botswana Life –independently implementing diversification strategies, the effects of which have been extremely positive.

These building blocks will continue to be the foundation for future growth and diversification in the Group. It also became apparent that there is a need to drive a consolidated Group strategy that will utilise synergies within the Group. This resulted in the appointment on 1 March 2010 of a Group CEO, Mrs Regina Sikalesele-Vaka, to devise and implement a collective Group strategy which will ensure sustainable growth for the Group. This strategy is to become a broad-based financial services company that will leverage from the critical mass of infrastructure and relationships accumulated over the years.

The primary focus will be to retain our Asset Management and Life operations to protect existing business, but we will build on the foundation that has already been laid by the two operating subsidiaries. Additional operating subsidiaries focusing on areas such as short-term insurance, unsecured loans and unit trusts are being established, and other opportunities are being investigated.

We simply could not continue to do more of the same in a market that in some instances is reaching saturation point and increasing competition across the board. 2009 saw both our operational entities – Bifm and Botswana Life –independently implementing diversification strategies, the effects of which have been extremely positive.

Batsho Dambe – Groth
Chairperson

As part of the strategy BIHL has acquired 100 percent of Letshego Guard and Letshego Guard Insurance Company Limited, a subsidiary of our associate company, Letshego Holdings Limited which will launch the short-term insurance subsidiary.

The Group is also recruiting an additional skill to head up the proposed Unit Trust business because management doesn't have the capacity for this at this stage. Once this takes place, the new company will be launched and we anticipate that the business should be fairly well established by the end of 2010.

BIHL Staff Share Scheme

During 2008, BIHL's remuneration philosophy and associated strategies, policies and practices were reviewed to benchmark to market and make them more competitive which resulted in a revised Staff Share Scheme which was approved at the BIHL AGM in August 2009. Subsequently, the Share Scheme was duly capitalised by acquiring the necessary BIHL shares at market rates to meet its obligations to employees in terms of the scheme's revised conditions. The acquisition was duly sanctioned by the Botswana Stock Exchange.

Bifm Transaction

I am pleased to report that the "Bifm transaction" has now been finalised and closed by all regulatory authorities and details can be found on page 6 of this document.

Governance Structures

In a bid to continuously improve the governance of the company, certain key decisions have been made to enhance the existing governance structures to ensure that no group or individual, including the minority shareholders, has an unfair advantage over other groups. The composition of the Board is to be reviewed in the current financial year to include more independent directors in order to better serve the interests of all stakeholders.

Looking ahead

While the Group achieved excellent results in 2009, and globally the recession appears to be receding, BIHL remains cautious. We subscribe to the view that Botswana, like many developing economies, tends to lag the developed world by up to 18 months in terms of economic trends. Indeed, there are indications that the country may not be out of the woods just yet.

His Excellency President Seretse Khama Ian Khama noted in his 2009 Christmas message that 2010 will not be a return to "business as usual" for Botswana and this sentiment is shared by BIHL. By the end of the 2010 financial year, BIHL will be a very different organisation to the one whose results for 2009 are reported in this document.

During a difficult 2009, management remained very committed at all times, shrugging off the despair and negativity that could have assailed them. They stayed focused on coming up with new initiatives. It gives me pride to affirm that with a team like that at the helm of this organisation, it can only grow from strength to strength.

I am grateful to have been given the opportunity to guide the great men and women at BIHL during the challenges we faced in 2009. I would also like to thank the members of the Board, management and staff for the support they gave me throughout my time as Acting Chairperson of the Board and to wish them well in the still challenging times that lie ahead.

I wish to further thank the Board for the honour they have afforded me in appointing me as Chairperson of the Board of Directors. It is my intention that the Board of Directors and I will do our utmost to provide an enabling environment that ensures the Group continues to live up to its legacy and fulfils its responsibilities to its employees, shareholders, investors and the country as a whole.

Batsho Dambe – Groth
Chairperson

Financial Review

› Economic Overview

For the past two years the business environment has been dominated by the unfolding global financial crisis, after 2008 saw the realisation of the risks that were lurking in the background.

International environment

In our 2009 Review we predicted a dualistic outcome for the year- financial conditions would start to recover, with interest rates declining in conjunction with the lower inflation and equity prices regaining some of their losses, but real economic conditions would be slow to improve. Financial conditions did in fact show a substantial improvement, but real economic activity performed even worse than expected. In our view, the full extent of the damage to the real economy and its durability will only become evident during the course of 2010, to determine the nature and the speed of the recovery. The uncomfortable truth is that the economic boom of 2004 to 2007 was to a large extent financed by household consumption expenditure and therefore not sustainable, as illustrated by the downturn in the Botswana economy started long before the global financial crisis hit home. This realisation inevitably leads to the question what them future drivers of growth will be.

But let us first look at the forces and events that defined the business environment for financial services sector; The year started on an uncertain and fearful note. The success of the extraordinary steps taken by governments and central banks in developed countries to save their banking systems from collapse was still not ensured. The new flows remained dominated by negative surprises. The tentative rebound in global equity markets in December 2008 gave way to renewed slide that continued into March 2009. Official efforts to stabilise the financial system were stepped up, inter alia through the introduction of quantitative easing policies by central banks.

Financial markets gradually regained confidence, helped along by the increasing realisation that governments had both the resolve and the wherewithal to safeguard the system from collapse. Policy makers went out of the way to assure the markets that the support measures will not be withdrawn before there is undisputable evidence of a sustained recovery in economic conditions.

The matter of possible exit strategies was postponed for the moment and it remains unresolved, especially concerning the repair of public sector balance sheets. The attention started to shift to the unavoidable regulatory reform of the financial system. Although the need for a globally coordinated approach was stated repeatedly, not much has, so far, come out of it.

However, a key factor in causing a sustained turnaround in global risk appetite was the mounting evidence that although emerging markets countries did not escape unscathed from the crisis, they were much better positioned than developed countries in dealing with its fallout because their financial systems were largely insulated from the crisis and therefore did not need bailing out. Early signs of a strong rebound on China were decisive in bringing about its change.

In short, 2010 could turn out to be the opposite of 2009, with the real economy improving, if only slowly, and financial markets being less buoyant.

Botswana environment

As with the international economy, the domestic economy ended the year generally in better shape than it started. Diamond production has restarted and has recovered faster than had been initially anticipated. Diamond exports have recovered, but only partially and remain well below pre-crisis levels. Indeed, most categories of exports have increased in Q3 (July-Sept) compared to Q2, but generally have only seen partial recovery.

Botswana experienced its own "credit crunch" in the first half of 2009, with virtually no growth in bank lending during the six months from January to June. Furthermore, data for 2009 shows that arrears on household lending have jumped sharply since the beginning of the year, and are at historically unprecedented levels. Arrears on corporate lending have however been quite stable, showing no adverse trend.

GDP data for the period to September 2009 shows a continuation of trends apparent earlier in the year. Over the year to September, total GDP contracted by 4.6%. During this period there was a major slowdown in mining, which contracted by 31.4%, whereas the non-mining private sector grew by 8.9%. The non-mining sector has continued to show resilience in the face of the global financial and economic crisis. The most recent quarter (July-September) indicates a different trend, with overall GDP 4.1% higher than in the previous quarter. However, this was largely driven by recovery in the mining sector (output up 2.3%) and the expansion of government (which grew by 10.4% during the quarter), while the non-mining private sector shrank by 0.8%.

Inflation has continued to fall steadily reaching 5.0% in November, the lowest inflation rate in Botswana since July 1972. Positive inflation developments have enabled a loosening of monetary policy, and the Bank of Botswana cut the benchmark Bank Rate by a total 5.00% in 2009, resulting in a cut in the commercial banks' prime lending rate to 11.5%, the lowest figure in nearly 20 years.

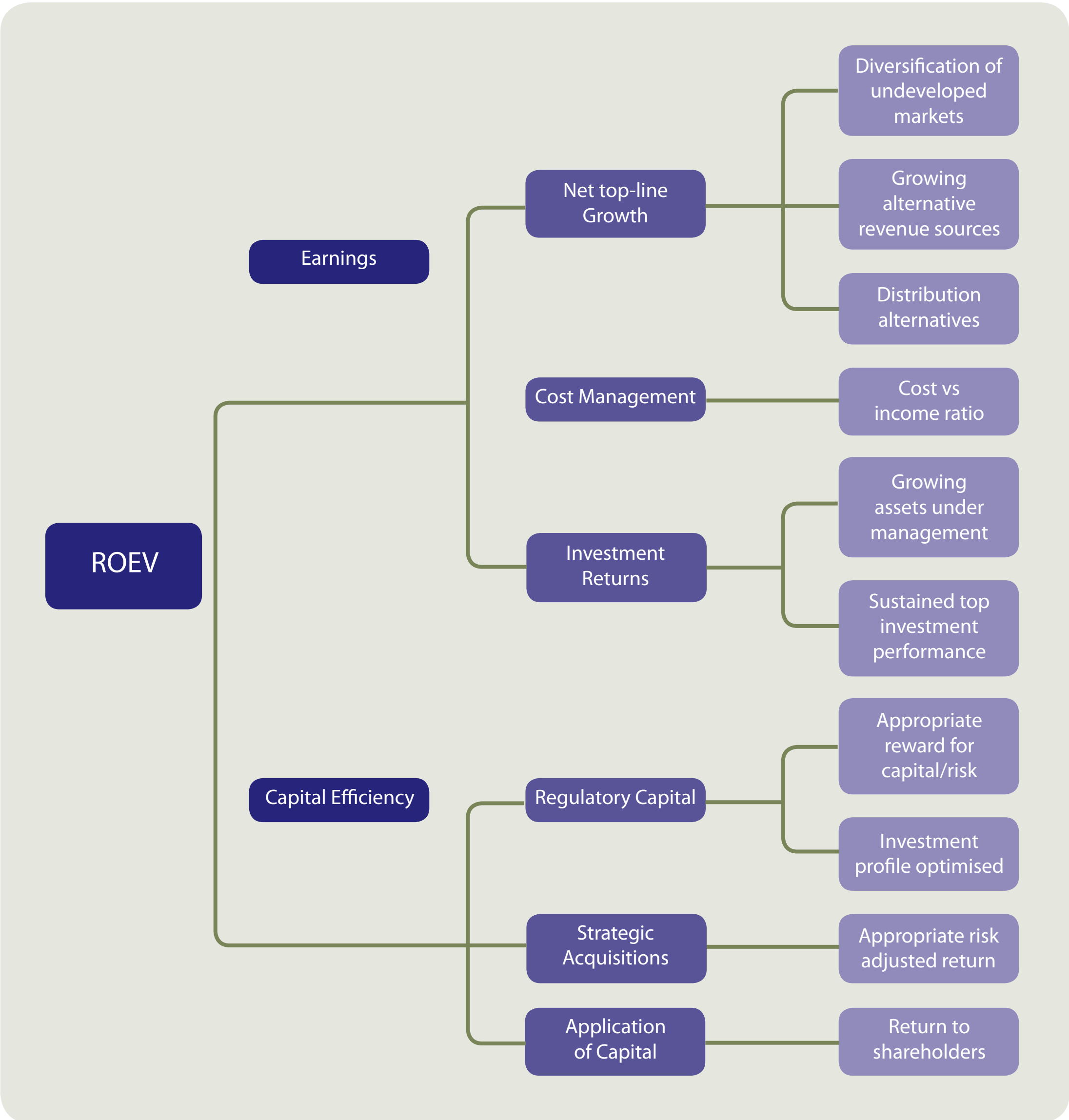
Botswana has undoubtedly benefitted from the recovery in global trade and economic growth, but so far the recovery has been weak in respect of Botswana's key export products. In short, 2010 could turn out to be the opposite of 2009, with the real economy improving, if only slowly, and financial markets being less buoyant. However, the critical question is how to position a financial services business in this environment to ensure future structural growth in business volumes.

Financial Review *(Continued)*

How we measure ourselves

The BIHL Group's performance measurement and financial communication philosophy is based on its values which include transparency, honesty and integrity. We are therefore passionate about providing useful, clear and value-added information in our financial statements to our shareholders and other stakeholders. This is why the BIHL Annual Report contains significant additional information prescribed by International Financial Reporting Standards (IFRS). We view the requirements of IFRS and other relevant regulations and legislation as minimum compliance standards. Our disclosure is further aligned with the Group's internal reporting structure to ensure that external users of the financial statements have the same insight to the Group's financial results as BIHL's management.

Optimising shareholder value through maximizing Return on Group Embedded Value is the primary goal of the Group. BIHL's strategic focus areas of capital efficiency, earning growth, costs and efficiencies and transformation are aimed at achieving this objective. The interaction of these strategies can be illustrated as follows:



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 management

Shareholder Value

The BIHL Group delivered a solid and stable performance in 2009 – a year heavily scarred by turmoil in world financial markets, the magnitude of which claimed unprecedented victims in 2008. The resilience of BIHL's business model stood out clearly with our persistence commended by both shareholders and analysts.

Embedded Value

Embedded Value (EV) is a measure of the value of the Group's operations, and is the aggregate of the following:

- The embedded value of the Group's life insurance operations (referred to as covered business), which comprises the capital supporting these operations and the net present value of the shareholder profits to be earned from these operation's book of in-force business;
- The fair value of other Group operations based on longer term assumptions, which include investment management ; and
- The fair value of discretionary capital and other capital.

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

Return on Embedded Value

	2009 P'000	2008 P'000
Embedded value at end of period	2,245,515	1,990,966
Embedded value at beginning of period	1,990,966	1,781,163
Change in embedded value	254,549	209,803
EEV Methodology Change	—	—
Dividends paid	261,396	147,703
Embedded value earnings	515,945	357,506
Return on embedded value (ROEV)% p.a.	25.9%	20.1%

Return on embedded value measures the return earned by shareholders on shareholder capital retained within the business. It is calculated as the embedded value earnings divided by the opening embedded value. The adverse market conditions during 2009 have impacted negatively on the return earned on shareholders assets. A very good operational result has however ensured a healthy return on embedded value for the period.

Business volumes

Business volumes have a direct impact on the Group's assets under management and administration and commensurately on the future earnings growth. In addition to business volume indicators, the Value of the New Business indicator measures the profitability of new life insurance business written during the year.

New business volumes measure the total new life insurance and investment business written by the Group's operations during the year. New business contributes to the Group's assets under management and administration and thus increases the asset base from which the Group earns financial services income.

Financial Review *(Continued)*

New business volumes for the year ended 31 December 2009

	2009 P'000	2008 P'000
Recurring	197,263	149,697
Single	557,677	387,925
Total new business	**754,940**	**537,622**

Total new business volumes increased by 40.7% from P 538 million in 2008 to P 755 million in 2009. This is an outstanding performance despite the challenging economic conditions.

Net fund flows

Net fund flows are the aggregate of the following:

- New business volumes written during the year;
- Premiums earned from existing business in force at the beginning of the year; and
- Payments to clients

Net fund flows are a measure of the net business retained within the Group and have a direct impact on the Group's assets under management and administration and commensurately the asset base on which the Group earns financial services income.

	2009 P'000	2008 P'000
Life insurance business		
Recurring	197,263	149,697
Single	557,677	387,925
Total new business	754,940	537,622
Recurring	504,850	415,616
Single	(979)	—
Total existing business	503 871	415 616
Outflows	(524,342)	(418,695)
Net funds flows	734,469	534,543
Asset Management Business		
Investments	1379,796	889,174
Outflows	(989,031)	(601,035)
Net funds flows	390,765	288,139
Total net funds flows	**1,125,233**	822,622

The Group net fund flows have increased by 36% from P823 million to P1, 1 billion in 2009, a strong performance in challenging conditions where consumers and businesses were under pressure. The group has also been successful in retaining funds under management.

Value of new business and new business margin

The value of new business measures the net present value of future shareholder profits that the Group expects to earn from the new life insurance business written during the year. The new business margin is an indicator of the profitability of the new insurance business written during the year.

Value of new covered business for the year ended 31 December 2009

	2009 P'000	2008 P'000
Value of new covered business	113,602	98,930
Present value of new business premiums	1,317,802	989,703
New covered business margin	8.62%	10.00%

The value of new covered business (VNB) written during the year increased by 15% to P 114 million, an exceptional performance in the current environment. The increase is due to growth in new business volumes. New business margins, although under pressure, have been maintained at satisfactory levels.

Earnings

BIHL uses four key indicators to assess earnings performance and operational efficiencies. These indicators are also presented on a per share basis (as applicable) to reflect the earnings attributable to shareholders.

Net result from financial services

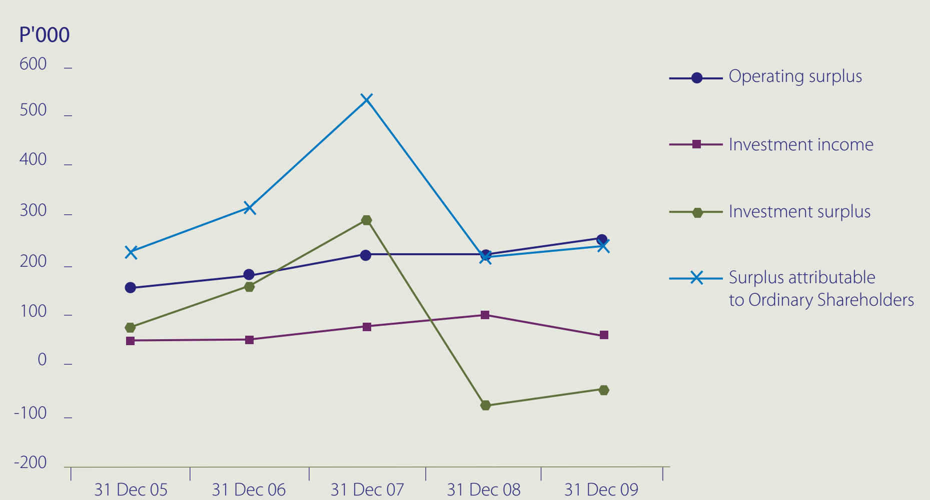
This is the earnings from the Group's operating activities, net of non-controlling interest and tax.

Core earnings

Core earnings is the aggregate of the net result from financial services (refer to previous page) and net investment income earned on the Group's capital. It is an indication of stable earnings as it incorporates the relatively 'stable' portion of the investment return earned on the capital, being investment income (interest, dividends and rental), but excludes investment surpluses which are volatile in nature owing to fluctuations in investment markets. The performance over the past five years is as follows:

	Year to 31 Dec 09 P'000	% change	Year to 31 Dec 08 P'000	% change	Year to 31 Dec 07 P'000	% change	Year to 31 Dec 06 P'000	% change	9 Mths to 31 Dec 05 P'000
Analysis of earnings									
Operating surplus	250 590	13%	222,442	3%	216,202	21%	179,263	14%	157,539
Investment income on shareholders' assets	57 397	(35)%	88,395	30%	75 807	57%	48,365	3%	46,887
CORE Earnings	307 987	(1)%	310,837	10%	292 009	28%	227,628	11%	204,426
Share of profits of associates , net of tax	26 821	173%	9,802	—	4,001	—	2,304	—	4,465
Investment (losses)/ surpluses on shareholders' assets	(77 591)	8%	(85,140)	(127)%	307,675	88%	163,147	158%	59,606
Tax	(19,544)	39%	(14,037)	(72%)	(49,867)	(35%)	(77,021)	95%	(39 532)
Profit after tax	237,672	7%	221,461	(59%)	553 818	75%	316,058	38%	228 965
Non-controlling interest	10,370	(46)%	19,205		19 695		6,450		4,465
Profit attributable to ordinary equity holders of the parent.	227,302	12%	202,256	(63%)	534,123	73%	309,608	38%	224,500

Five Year Review



Financial Review *(Continued)*

Core earnings for the year of P307.9 million are 1% down 2008. On a per share basis, core earnings per share has not changed. Despite the negative effects of the global economic downturn, the operating surplus increased by an impressive 13% to P250.6 million on the back of strong operational performance, an increase in business volumes, client retention, prudent underwriting and management of expenses.

The investment income decreased by 9% to P57.3 million as a result of the lower interest rate environment and lower dividend declarations due to pressures on profitability by many of the companies in which the Group has invested.

The contribution to the Group's results by the operating segments was as follows:

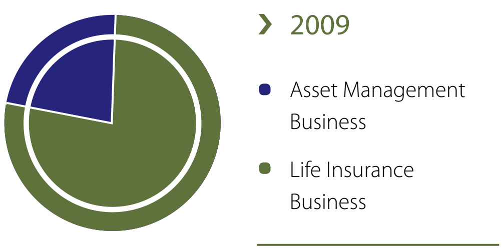
Contribution to earnings - year to 31 December 2009

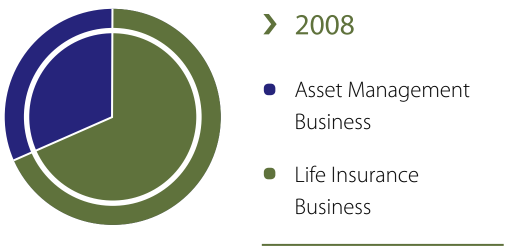
	Life Insurance business P'000	Asset Management business P'000	Consolidation adjustments and other P'000	Total P'000
Operating surplus	191,010	59,580	—	250,590
Investment income on shareholders' assets	49,636	7,761	—	57,397
CORE EARNINGS	240,646	67,340	—	307,986
Share of profit of associate, net of tax	25,417	1,404		26,821
Investment surpluses on shareholders' assets	(67,602)	11,807	(21,795)	(77,591)
Tax	705	(20,249)	—	(19,544)
Non-controlling interest	—-	10,370	—	10,370
Surplus attributable to ordinary shareholders	173,748	48,528	(21,795)	227,302

Contribution to earnings - year to 31 December 2008

	Life Insurance business P'000	Asset Management business P'000	Consolidation adjustments and other P'000	Total P'000
Operating surplus	154,193	68,249	—	222,442
Investment income on shareholders' assets	65,368	32,829	—	98,197
CORE EARNINGS	219,561	101,077	—	320,638
Investment surpluses on shareholders' assets	(191,778)	(3,352)	109,990	(85,140)
Tax	(7,577)	(6,460)	—	(14,037)
Non-controlling interest	—	19,205	—	19,205
Profit attributable to ordinary equity holders of the parent	20,206	72,060	109,990	202,256

Contribution to Earnings





Administration to cost ratio

The administration cost ratio measures the administration costs incurred by the Group as a percentage of financial services income after sales remuneration. This ratio is an indicator of the cost and operational efficiency of the Group. The administration cost ratio remained the same at 28%. This reflects the Groups focus on cost control and operational efficiency.

Capital management

Effective capital management is an essential component of meeting the Group's strategic objective of maximising shareholder value. The capital value used by the Group as the primary performance measurement base is Return on Embedded Value (ROEV), as reported here. The management of the Group's capital base requires a continuous review of optimal capital levels, including the use of alternative sources of funding, to maximise return on ROEV. The Group has an integrated capital and risk management approach. The amount of capital required by the businesses is directly linked to their exposure to financial and operational risks. Risk management is accordingly an important component of effective capital management.

Capital allocation methodology

The following methodology is used to determine the allocation of required capital to covered business:

The level and nature of the supporting capital is determined by minimum regulatory capital requirements as well as economic, risk and growth considerations. Regulatory capital must comply with specific requirements. For BIHL a stochastic modelling process is used to assist in determining long-term required capital levels that, within a 95% confidence level, will be able to cover the minimum statutory capital adequacy requirement (CAR) at least 1,5 times over each of the next 10 year-ends.

The fair value of other Group operations includes the working capital allocated to the respective operations.

The Group's approach to ensure appropriate working capital levels in these operations is twofold:

- The Group's internal dividend policy is based on the annual declaration of all discretionary capital that is not required for normal operations or expansion; and
- Performance targets are set for other Group operations based on an expected return on the fair value of the businesses, equal to their internal hurdle rates. This ensures that all non-productive working capital is declared as a dividend to the Group.

Financial Review *(Continued)*

Capital management

Covered business (life insurance operations)

The Group's covered business requires significantly higher levels of allocated capital than the other Group operations. The optimisation of long-term required capital is accordingly a primary focus area of the Group's capital management philosophy given the significant potential to enhance shareholder value. The following main strategies are used to achieve this objective:

- Appropriate matching of assets and liabilities for policyholder solutions. This is especially important for long-duration policyholder solutions that expose the Group to interest rate risk, e.g. non-participating annuities.
- Managing the impact of new business on capital requirements by limiting volumes of capital-intensive new business.
- The asset mix of the long-term required capital also impacts the overall capital requirement. An increased exposure to hedged equity and interest-bearing instruments reduces the volatility of the capital base and accordingly also the capital requirement. Over the longer term, the expected investment return on these instruments is, however, lower than equity with a potential negative impact on the return on ROEV. There is accordingly a trade-off between lower capital levels and the return on capital. The Group's stochastic capital model is used as input to determine the optimal asset mix in this regard.
- The introduction of long-term debt into the life insurance operations' capital structure and the concurrent investment of the proceeds in bonds and other liquid assets, to reduce the volatility in the regulatory capital base with a consequential lower overall capital requirement.
- Certain of the Group's investments in other Group operations qualify, to a varying degree, to be utilised as regulatory capital for the covered business. Maximum capital efficiency can therefore be achieved by optimising the level of such investments held in the life companies' regulatory capital.
- Management of operational risk, Internal controls and various other operational risk management processes are used to reduce operational risk and commensurately the allowance for this risk in the calculation of required capital.

The Group continues to improve and further develop its capital management models and processes in line with international best practice and the current significant international developments surrounding solvency and capital requirements (for example the Solvency II initiative in the European Union).

Other Group operations

The performance measurement of other Group operations is based on the return achieved on the fair value of the businesses. Risk-adjusted return targets are set for the businesses to ensure that each business's return target takes cognisance of the inherent risks in the business. This approach ensures that the management teams are focused on operational strategies that will optimise the return on fair value, thereby contributing to the Group's main objective of optimising return on ROEV.

Audit and Risk Committee

The Audit and Risk Committee, an internal management committee, is responsible to review and oversee the management of the Group's capital base in terms of the specific strategies approved by the Board.

Discretionary capital

Any capital in excess of requirements, and not optimally utilised, is identified on a continuous basis. The pursuit of structural growth initiatives has been set as the preferred application of Group capital, subject to such initiatives yielding the applicable hurdle rate and being complementary to or in support of Group strategy. Any discretionary capital not being efficiently redeployed, will be returned to shareholders in the most effective form.

Shareholder Income Statement

For the year ended 31 December 2009

	2009 P'000	2008 P'000
Financial services income	956,428	757,437
External clients	956,428	757,437
Inter-company	—	—
Sales remuneration	(245,028)	(165,735)
Income after sales remuneration	711,400	591,702
Underwriting policy benefits	(258,026)	(202,880)
Administration costs	(202,787)	(166,380)
Result from financial service before tax	250,587	222,442
Tax on financial services income	(62,647)	(54,187)
Result from financial services after tax	187,940	168,255
Non-controlling interest	(9,264)	(15,483)
NET RESULT FROM FINANCIAL SERVICES	**178,940**	**152,773**
Net investment income	40,280	70,416
Investment income	52,219	88,395
Tax on investment income	(11,734)	(18,593)
Non-controlling interest	(204)	(1,007)
CORE EARNINGS	**218,955**	**221,568**
Net equity-accounted headline earnings	26,821	9,802
Equity-accounted headline earnings	37,570	9,802
Tax on equity-accounted headline earnings	(10,749)	
Non-controlling interest	—	—
Net investment surpluses	(62,085)	(62,085)
Investment surpluses	(72,411)	(85,140)
Tax on investment surpluses	15,473	21,426
Non-controlling interest	(901)	(2,715)
Net secondary tax on companies	37,317	37,317
Secondary tax on companies	39,366	37,317
Non-controlling interest	—	—
HEADLINE EARNINGS	**227,302**	**202,256**
ATTRIBUTABLE EARNINGS	**227,303**	**202,256**

Financial Review *(Continued)*

Ordinary shareholders' assets

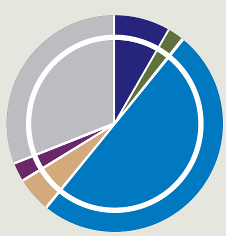
Equity attributable to equity holders of parent company was represented by:

	2009 P '000	2008 P '000
ASSETS		
Property, equipment and computer software	21,664	19 466
Goodwill	79,446	77 244
Investments	1,269,756	1,269,756
Investment properties	131,966	107,220
Equity-accounted investments	321,054	34,970
Equities and similar securities	109,973	630,618
Public sector stocks and loans	59,428	64,940
Debentures, insurance policies, and other loans	244,044	35,521
Cash, deposits and similar securities	430,509	396,487
Net trade and other payables, deferred tax	(47,207)	29,343
Cash, deposits and similar securities	45,543	20,654
Non-controlling interests	(35,042)	(31,095)
	1,361,377	1,385,368

Total Shareholder's fund Investment mix 2009 (P'000)

2009

- Investment properties
- Equity-accounted investments
- Equities & similar investments
- Public sector stocks & loans
- Debentures, insurance policies, preference shares and other loans
- Cash, deposits and similar securities



2008

- Investment properties
- Equity-accounted investments
- Equities & similar investments
- Public sector stocks & loans
- Debentures, insurance policies, preference shares and other loans
- Cash, deposits and similar securities

Dividend

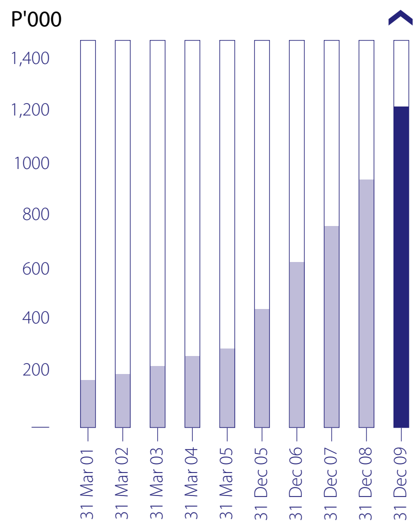
The estimated surplus capital of the Group, as at 31 December 2009, after taking into account the required statutory capital, provisions for growth opportunities and the final normal dividend is P 300 million. The Group intends to distribute this surplus capital through the payment of further special dividends once there is certainty around proposed tax legislation. The Directors have resolved to award a final dividend for the period, net of tax, of 29.75 thebe per share and a special dividend of 14.45 thebe per share. The dividend payment for the year, net of tax is as follows;

	Interim, already paid	Final	Year to 31 Dec 2009 (interim and final)	Year to 31 Dec 2008 (interim and final)
Normal dividend	14.45	29.75	44.20	40.80
Special dividend	—	14.45	14.45	38.25
	14.45	**44.20**	**58.65**	**79.05**

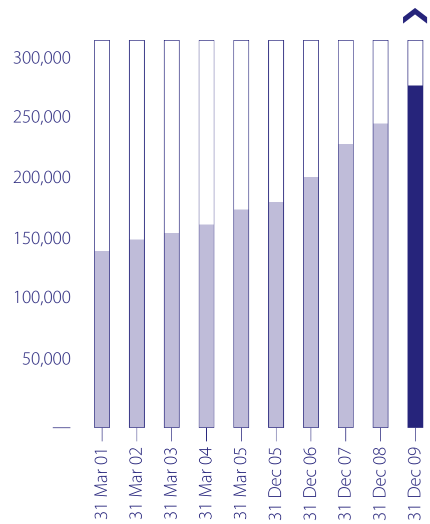
The Group intends to distribute surplus capital through the payment of special dividends when possible. It is through these dividends and increase in share vaule that many in Botswana are able to grow and develop our agricultural sectors.

Botswana Life Highlights

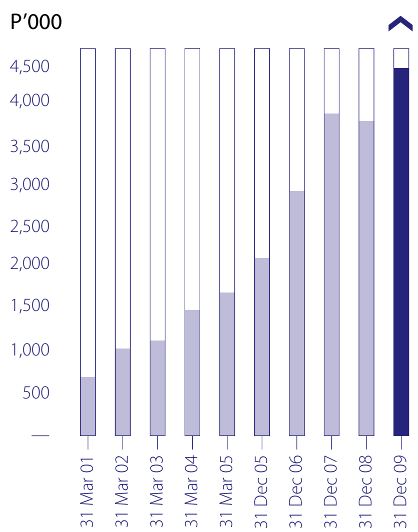
Premium Income



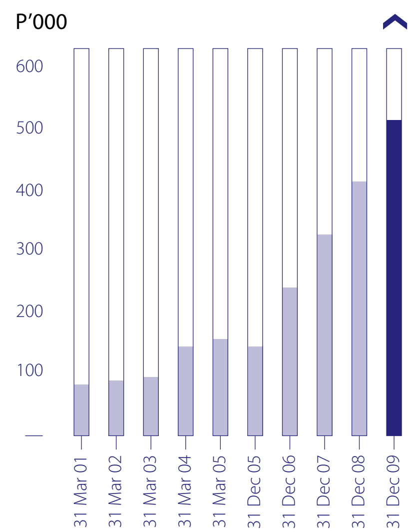
Number of Recurring Premium Policies



Total Assets



Net Insurance Benefits & Claims



"We have laid the foundation for an enhanced supporting infrastructure that will enable us to deliver the levels of service and the type of products our customers deserve"

Regina Sikalesele-Vaka, **Chief Executive Officer, Botswana Life**

Our Values

Integrity; Botho; Teamwork and Creativity

Botswana Life in brief

It was a very good year indeed for Botswana Life:

- **Every financial indicator for the review period was positive;**
- **We increased new business volumes remarkably and achieved real growth;**
- **We retained all our major corporate clients and secured new schemes;**
- **We succeeded in diversifying our revenue streams with the addition of bancassurance;**
- **Our persistency levels were well above the industry benchmark; and**
- **New business margins were maintained at satisfactory levels.**

These good results are largely attributable to our client-centric approach. We listen and respond to our client needs, revamping and enhancing products to make them more relevant to present day needs while expanding our distribution capabilities to make it easier for clients to do business with us.

We made excellent progress in setting a solid foundation for the implementation of the Botswana Life 2009 – 2013 strategy which is founded on client-centricity and has three key focus areas: consolidation and retention of key clients; expansion; and diversification.

This is being supported by enhancements to our Information Technology infrastructure. When fully implemented, our new IT systems will result in improved internal efficiencies and better client service delivery.

One of the major challenges of the review period was dealing with the increasingly tough regulatory environment in which we operate. We have been proactively working with our distribution partners, assisting them to achieve the necessary compliance with all statutes.

Over the years Botswana Life has strived to find suitable assets to match our P1.3-billion liabilities portfolio. 2009 ended positively with the portfolio being fully matched due to active management.

While we expect the upward trend in lapses and cancellations identified towards the end of the review period will continue into 2010, we are confident that we have robust strategies in place to keep them in check. New business sales will be increased to ensure that the file size continues to grow.

Key Data

	Year to 31 Dec 2009 Pmillion	Year to 31 Dec 2008 Pmillion	% Change
Premium income (net of reinsurance)	1,253	959	31
Value of new business	107	93	15
Operating profit	219	151	45
Core earnings	241	219	10

Executive Management

1. **Regina Dumilano Sikalesele-Vaka**
   (Chief Executive Officer)
   LLB (UB)

2. **Gaffar Hassam**
   (Chief Operating Officer)
   FCCA; ACPA(Botswana); COP

3. **Jaco van Loggernberg**
   (Individual Life)
   MSc Business Leadership; BA Law

4. **Catherine Lesetedi-Letegele**
   (Corporates and High Value Brokers)
   BA:Statistics & Demography, COP

5. **Elias Magosi**
   (Human Resources)
   Ms Org Development; BA: Economics & Statistics; PGD Management Services: FMS

6. **Linah Sekwababe**
   (Deputy Project Manager – THITO Project)
   MSC in Business Systems Analysis & Design, BA: Social Sciences: Statistics

7. **Philip van Rooijen**
   (Actuary)
   BSc (Actuarial Science); FIA

8. **Kathiresan Subburaj**
   (Head of IT Strategy – Project Manager – THITO Project)
   MBA: Technology Management, COP, PGDCA

9. **Alicia Ntebogang Mokone**
   (Head of Information Technology) *MSc Business Analysis and Design.*

10. **Lorato Mosetlhanyane**
    (Head of Finance)
    B. Com(UB); FCCA; ACPA (Botswana), COP

11. **Lorna Leinaeng**
    (Acting Head of Business Support)
    B.Com(UB); MBA(UB)

Chief Executive Officer's Report

› As the global recession continued into 2009 we commenced the year with some degree of trepidation yet determined to make the best out of a very challenging environment. Foremost in our minds and actions was the client-centricity that has become the basis of our operational culture.

So it gives me great pleasure to say that 2009 turned out to be an extremely good year for Botswana Life in many respects. Firstly we managed to increase new business volumes to achieve real growth. Secondly, we managed to retain all our major corporate clients and to secure new schemes. Thirdly we succeeded in diversifying our revenue streams from traditional individual life insurance with the addition of bancassurance. Finally persistency levels, although declining globally were well above industry benchmark.

Every financial indicator for the review period was positive. The "Value of New Business" rose by 15% to P113.6 million due to increased volumes. The net insurance premium income increased by a substantial 31% to P1.3 billion. The operating profits rose by 45% to P218.8 million more as a result of increased activity in the business, prudent underwriting and very tight control on expenses. The file size grew by an amazing 10% in the face of a recession– a good feat.

The growth expressed above is phenomenal in the circumstances given that it emanates from a significant base. The control on expenses was achieved in the face of increased costs in setting up and implementing a new 2009 – 2013 strategy which will position the company for the future with confidence.

New business margins, although under pressure, were maintained at satisfactory levels. These good results are largely attributable to our client-centric approach, in particular listening and responding to our client needs. We have enhanced the benefits payable under our popular product, Mmoloki and have revamped other products, giving them features that are more relevant to present day needs. We continue to expand our distribution capabilities through strong broker relationships, dedicated sales agents and our collaboration with our banking partners.

Additional focus was applied to the relationship with the Post Office for further distribution of retail products adding to the impressive growth in new business volumes. This strategic partnership will be utilised more as a distribution channel for the entry level market and more products will be designed and distributed through it.

The Group Life and Annuity businesses performed well despite some competitor pricing mainly due to the good service that is offered and the versatility of the product offerings. The presence of an internal actuary makes it possible for us to respond immediately to customer needs. We observed an upward trend in lapses and cancellation of policies in the last two months of the year which is consistent with the global trend and mirrors the experience in the banking sector where bad debts have increased sharply and savings have declined sharply. Comprehensive retention strategies are in place to address the deterioration. Suffice it to say that the lapse experience, although undesired, is markedly better than regional benchmark.

New Strategy

We made excellent progress in setting a solid foundation for the implementation of the Botswana Life 2009 – 2013 strategy which is founded on client-centricity and has three key focus areas:

New strategy

We made excellent progress in setting a solid foundation for the implementation of the Botswana Life 2009 – 2013 strategy which is founded on client-centricity

Chief Executive Officer's Report *(Continued)*

- **Consolidation and retention of key clients.**
  Given the sizeable market dominance, it is necessary to place greater emphasis on client retention through our client centric approach. The pivotal project to enhance the client experience is a new Life Administration system dubbed "Thito" which is being implemented and due to go live in 2010. The system has advanced features to drive client-centricity.

- **Expansion.**
  We will expand into new markets – particularly the middle to higher-end markets; and increase our presence in the markets in which we currently operate. Underpinning this aspect of the strategy is market segmentation and product development or enhancement and creation of new distribution channels. The launch of a new call centre is an example of this.

- **Diversification.**
  We will diversify the product range and place more focus on non traditional life insurance products. Moving into new areas of operation. An example is expanding our venture into "bank assurance" (Credit Life) to complement our existing offerings in the Individual Life; Group Life (employee benefits); Credit Life and Group Funeral Schemes.

One of the highlights of 2009 was signing new Credit Life cover agreements with Standard Chartered and Letshego to complement our existing agreement with Barclays. While these agreements currently only relate to Group Life schemes, our goal is to expand the agreements to include Individual Life products as well.

Another aspect of our diversification strategy involves the development of new types of products. One example is a Living Annuity product which will be launched once the new BIHL Unit Trust company is up and running.

The Group Life and Annuity businesses performed well despite some competitor pricing mainly due to the good service that is offered and the versatility of the product offerings. The presence of an internal actuary makes it possible for us to respond immediately to customer needs.

Regina Sikalesele-Vaka
Chief Executive Officer, Botswana Life

Information Technology

In the financial services sector, information is a key strategic area and underpins our entire strategy. There is sufficient infrastructure to support the business and this is being regularly updated. Much of 2009 was spent ensuring that we have the right platforms to move forward with confidence.

A highlight of 2009 was the launch in November of our new loans system to administer policy loans and the life administration system Project Thito is due to go live in 2010. When fully implemented, the benefits will include improved data and workflow processes; more effective document management; improved operations management; enhanced risk management – and better, faster and more accurate client service delivery.

Regulatory environment

One of the major challenges of the review period was dealing with the increasingly tough regulatory environment in which we operate. Botswana Life has acted proactively to assist the Non-Banking Financial Institution Regulatory Authority (NBFIRA) to clean up the industry and ensure greater protection for customers and the industry.

The new regulatory environment has proved challenging for the industry particularly the brokers and other intermediaries. We have been proactively working with our distribution partners, assisting them to achieve the necessary compliance with all statutes.

Asset Liability Match

A major challenge for Botswana Life over the years has been finding suitable assets to match our P1.3-billion liabilities portfolio. I am pleased that 2009 ended positively with the portfolio being fully matched due to active management.

The prognosis for 2010 is much brighter with the Botswana Government and parastatals having to issue long-term bonds to raise debt for projects due to the decline in Government revenue.

Looking ahead

2009 was a good year. It appears that there has been some time lag between the global recession in the local market and it is likely that things will still continue to dip before there is a full recovery. The financial sector in Botswana has emerged positively from the recession largely due to the regulatory environment and this will contribute to full recovery.

It is expected that the lapses and cancellations will continue to deteriorate globally, however robust strategies are in place to keep them in check and new business sales will be increased to ensure that the file size continues to grow.

We are confident of the systems and strategies in place that will enable us to weather the storm that may lie ahead. In addition, Botswana Life has a team of truly committed, motivated, skilled and loyal people. Every person, from senior management down show their utmost dedication to ensure that Botswana Life remains the very best it can be and fulfils its mandate to the people of our country.

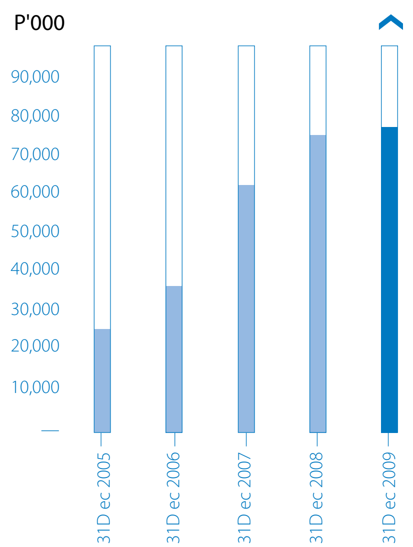
As I assume my new role as the Group CEO of BIHL, I would like to take this opportunity to pay tribute to everyone that has contributed to the success of this company and to thank them for their unwavering support. Botswana Life shall always be dear to me and will continue to enjoy the support that it requires to ensure that it serves the interests of all stakeholders.

Thank you.

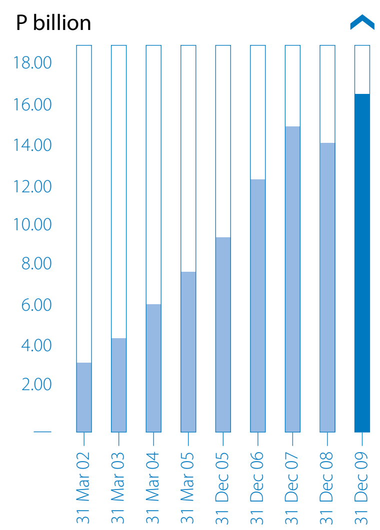
Regina Sikalesele-Vaka
CEO Botswana Life

Bifm Highlights

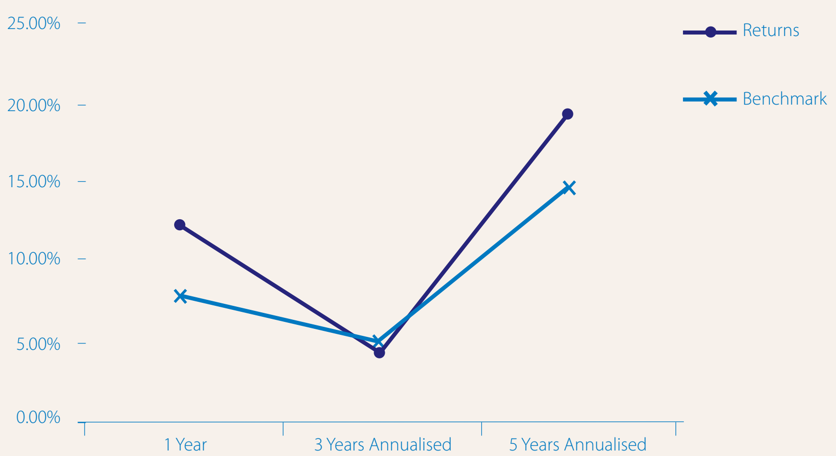
Operating Profit before Tax



Assets under Management



Performance Trend (MLF) 5 years



“The purpose of this strategy is to enhance portfolio performance and to provide investment opportunities for the pension market in an environment with limited opportunities.”

Victor J. Senye, **Chief Executive Officer, Bifm**

Our Values

- *Entrepreneurial*
- *Client-centric*
- *Trust*

Bifm in brief

Thanks largely to our diversification strategy, Bifm was able to produce extremely satisfactory results in 2009.

As an established asset manager, it was gratifying to see our assets under management increase by 20 percent to P16.5-billion – a clear indication that our approach to investment has been recognised and is valued by the market. In a highly competitive environment, we managed to retain our mandates.

Thanks largely to our diversification strategy, Bifm was able to produce extremely satisfactory results in 2009.

As an established asset manager, it was gratifying to see our assets under management increase by 20 percent to P16.5-billion – a clear indication that our approach to investment has been recognised and is valued by the market. In a highly competitive environment, we managed to retain our mandates.

Just as we look at diversifying our asset portfolio by constantly looking at the potential of asset classes other than equities, our non-traditional assets - our investments in health care, in the tourism sector through our shareholding in KYS Investment, and our property development activities - help to reduce our reliance on – and our risk exposure to – traditional investment vehicles.

All these activities contributed in no small measure to our results in 2009.

Of our subsidiaries, Khumo Property Asset Management (Pty) Ltd continued to play a meaningful role in the property sector in Botswana as a whole as well as for Bifm.

Bifm Capital also turned in a good performance in the review period, closing a number of transactions during the year.

However, Aflife Zambia had a difficult year in an economy extremely hard hit by the global recession. Bifm is in the process of ensuring compliance with the recent changes in the Zambian legislation, which requires that all pension fund managers and administrators must be majority-owned by Zambian citizens.

We anticipate a somewhat better year for Bifm in 2010 although the recession might yet linger a little longer. We will continue to focus on growing our core asset management business, sticking to the investment philosophy that has ensured our investments show remarkable growth year-on-year. Our challenge in the year ahead will be to maintain this momentum.

Key Data

	Year to 31 Dec 2009 Pmillion	Year to 31 Dec 2008 Pmillion	% Change
Assets under management	16,512	13,865	20%
Asset management fees	121	121	—
Operating profit before tax	79	76	4%
Cost to fee ratio	0.51	0.45	12%

Botswana Insurance Fund Management

Executive Management

1. **Victor Jakopo Senye**
   (Chief Executive Officer)
   BCom (Accounting) (UB); MSc (Management) (Arthur D Little School of Management, Boston, USA), PIAM (Harvard)

2. **Nthisana Phillips**
   (Deputy Chief Executive Officer)
   B.Com (Accounting), University of Botswana; Associate Diploma in Banking, Botswana Institute of Bankers; MBA (Computer Information Systems), City University of New York

3. **Simon Ipe**
   (Chief Operations Officer)
   BSc (Chemistry), University of Madras (India); B. Com (Accounting), University of Madras (India); ACA' Institute of Chartered Accountants of India; CISA, Information Systems Audit & Control Association IL, USA; DGQ, Quality Representative & Internal Auditor, Frankfurt am, Main, Germany

Chief Executive Officer's Report

› Once again, Bifm's diversification strategy enabled us to navigate the extremely troubled economic waters that had engulfed the world, and indeed Botswana towards the end of 2008. As a result, we ended what should have been – and in many respects was – an extremely difficult year in 2009, with extremely satisfactory results.

As an established asset manager, we are delighted that even in what was an extremely difficult year for the markets, our assets under management increased by some 20 percent to P16.5-billion.

Asset Management

It must be stated that much of this good cheer occurred in the latter part of the year. The first half was extremely difficult as the fallout from 2008 collapse continued into 2009 with the slowdown in world trade affecting the country's major exports. As global markets contracted, so equity values plummeted, then rose, then plummeted again.

With our heavy exposure to equities, and with some 65% of our assets under management held offshore, we were particularly vulnerable to the global market volatility and concerned about investors fleeing to the transient illusion of safety seemingly offered by other asset classes such as cash. Fortunately, this failed to materialise to any large extent.

Indeed, with our long-term approach to investing, we were able to withstand the widespread knee-jerk reaction to "get out of equities" as prices tumbled. We had to take stock of our asset allocation, and we certainly made some adjustments where required – as we would do in any "normal" year. We firmly believe in diversification in all we do.

Nevertheless, we are grateful that our clients recognised that they don't engage us to manage their money from one quarter to the next, but for the longer term. And in the longer term, Bifm has always been able to deliver value – and we believe that we are appropriately resourced to do so despite the challenges.

We believe our approach to investment has been recognised and is valued by the market. In a highly competitive environment, we managed to retain our mandates.

With strong signs of recovery of the equity markets towards the latter part of the year and into 2010, we are well placed to capitalise on our asset allocation decisions. We kept a close watch on the market valuations of our holdings to see whether they were reflective of their intrinsic value. Where they were not, we were able to take appropriate action, within the prevailing market parameters.

We have also been receiving increasing input from Sanlam Investment Management. This is likely to pay enormous dividends in terms of our capacity – human and operational – to continue to deliver in line with client expectations. As part of this, a new Chief Investment Officer (CIO) is being seconded to Bifm from Sanlam. Part of his remit is to develop our own citizens to take on the role once his contract ends.

Diversification

Just as we look at diversifying our asset portfolio by constantly looking at the potential of asset classes other than equities, so we seek non-traditional assets with which to reduce our reliance on – and hence our risk exposure to – traditional investment vehicles.

There is no question that this helped us to ride the storm. Our non-traditional assets – our investments in health care and in the tourism sector through our shareholding in KYS Investment - contributed in no small measure to our results in 2009. In addition, our property development activities yielded good returns and we have been extremely active in this area.

› Diversify

Thanks largely to our diversification strategy, Bifm was able to produce extremely satisfactory results in 2009.

Chief Executive Officer's Report *(Continued)*

During the review period we completed Phase two of the development at Fairgrounds Office Park on time and within budget. This project is now fully let and has been a successful development.

Another project that came on-stream during the review period was the new SADC headquarters. The building is now fully occupied and its official opening is scheduled for later this year. Yet again, Bifm is involved in the changing landscape of Gaborone.

The SADC building was one of three Public Private Partnership (PPPs) in which Bifm has been involved in the past several years. The first, the building housing the Office of the Ombudsman and the Lands Tribunal, which is also known as Plot 21, was completed in the previous financial year and is proving to be successful. Due to the current economic climate, new developments will be hard to come by since the government is forced to tighten its grip on expenditure. However, certain projects cannot be delayed and government will have to raise capital in the open market. This augurs well for the pension industry and could bring about opportunities that have never existed before.

Subsidiaries

Khumo Property Asset Management (Pty) Ltd

Khumo Property Asset Management (Pty) Ltd continues to play a meaningful role in the property sector in Botswana as a whole as well as for Bifm. Khumo, for example, played a key role in the success of the Fairgrounds Office Park Phase Two office development.

Just as we look at diversifying our asset portfolio by constantly looking at the potential of asset classes other than equities, so we seek non-traditional assets with which to reduce our reliance on – and hence our risk exposure to – traditional investment vehicles.

Victor J. Senye
Chief Executive Officer, Bifm

The company has been successful in bulking up its portfolio and now counts among its clients several of the country's largest property portfolios including those of Turnstar Holdings and Debswana Pension Fund Properties. As their client base grows, so does their profile and financial impact.

Bifm Capital

Bifm Capital also turned in a good performance in the review period. Despite the economic downturn, Bifm Capital closed a number of transactions during the year – proof that even in times of recession, there are opportunities and a need for capital. Indeed, the environment in which we operated in 2009 enabled us to invest in a number of different entities that fell within the company's credit risk parameters.

Aflife Zambia

Our Zambian operation - Aflife Zambia - had something of a torrid year. That economy was hard hit by the global recession with lower resource prices causing some mines to retrench staff. This resulted in a lower level of administration funds accruing to the business. However, a marked turnaround was evident in the last quarter of the review period.

Meanwhile, Bifm is in the process of ensuring compliance with the recent changes in the Zambian legislation, which requires that all pension fund managers and administrators must be majority-owned by Zambian citizens. At present, Bifm holds 70 percent of Aflife Zambia. We are therefore in the process of divesting ourselves of 21 percent of the company.

Looking ahead

We've made it through 2009 relatively unscathed and, provided we keep our focus on the things that work, 2010 should be somewhat better. Nevertheless, we are cognisant of the fact that the trend, particularly insofar as investment cycles are concerned, is for developing markets like Botswana's to lag developed markets.

This could indicate that we have not yet seen the end of the recession and that we still have some tough times ahead in Botswana.

Our property activities have been extremely valuable for Bifm and have enabled the company to take a leading role in the market. We anticipate being able to bring one or two prestigious property developments to the market in the next 12 to 18 months. While Bifm is entrenched as a major property player in Botswana, our core business continues to be fund management.

In the months ahead, we will continue to focus on growing this core business, sticking to the investment philosophy that has seen us through these turbulent times. We will continue to ensure that our assets are appropriately placed and that they deliver acceptable returns. We will also ensure that we continue to grow our earnings base and focus on capital efficiency. Year on year, our investments have shown remarkable growth and our challenge will be to maintain this momentum.

Improving our efficiencies will also demand our attention. We have made a decision to implement new systems during the 2010 financial year in order to boost service delivery to our clients.

All this augurs well for robustness of the business, which is driven by talented, dedicated people; and is based on a proven strategy of risk management and diversification. Challenges lie ahead but as we showed in 2009, if we hang in there and do what has to be done, we can deliver the results our shareholders and all our stakeholders deserve. I have confidence in the Bifm staff to rise to the challenges.

Victor Senye
CEO Bifm

Corporate Governance

› **Statement of Commitment:** The BIHL Board of directors is committed to and fully endorses the principles of Corporate Practices and Conduct as recommended in the second King Report on Corporate Governance (King II). It will continue to be committed to pursue the high standards of corporate governance and global best practice as recommended by the subsequent and third Report (King III), effective for financial years commencing after 1 March 2010. BIHL welcomes King III and is taking steps to ensure that it will become compliant with the obligations placed on the company as a consequence thereof. BIHL subscribes to a governance system whereby in particular ethics and integrity set the standards for compliance, and constantly reviews and adapts its structures and processes to facilitate effective leadership, sustainability and corporate citizenship, and to reflect national and international corporate governance standards, developments and best practice.

"BIHL welcomes King III and is taking steps to ensure that it will become compliant with the obligations placed on the company as a consequence thereof."

› Transparency

The Board recognises the responsibility of BIHL to conduct its affairs with prudence, transparency, accountability, fairness and social responsibility, thereby safeguarding the interests of all its stakeholders.

With regard to the year under review, the directors of BIHL believe that BIHL complies with and has implemented the main principles of King II in all significant respects. Adherence to King III will be reflected in the 2010 Annual Report.

The Board recognises the responsibility of BIHL to conduct its affairs with prudence, transparency, accountability, fairness and social responsibility, thereby safeguarding the interests of all its stakeholders. The Board also appreciates that practising good corporate governance is a component of equity risk and acknowledges the relationship between governance and risk management practices, equity performance and corporate profitability.

Sound governance principles remain one of the top priorities demonstrated by the Board and BIHL's executive management.

Sustainable Performance

In as much as the inherent value of a company can be determined by its marketability, the BIHL Group also believes that long-term viability may be equated to measurable investment in human and other intellectual capital. In recognition of its obligation to contribute to socio-economic goals and general social upliftment, the BIHL Group strives to conduct its business with due regard to environmental concerns, and is committed to developing operating policies that address the potential environmental impacts of its business activities.

Corporate Code of Ethical Conduct

Business ethics and organisational integrity
The Group remains committed to the highest standards of integrity and ethical conduct in dealing with all stakeholders. This commitment is confirmed at Board and general management level by their endorsement of the code of ethics for the Group.

The human resources department monitors compliance with the principles underlying the code of ethics and investigates all matters brought to its attention.

In terms of BIHL's code of ethics, no director or employee within the Group may offer or receive any gift, favour or benefit that may be regarded as an attempt to exert influence or unduly favour any party.

BIHL has a formal Group gift/gratuity policy that requires the official declaration and recording of all corporate gifts received or made by any Group director or employee.

Board's Governance and Structure

The Group is governed by a unitary Board of Directors which may not, in terms of its articles of association, comprise fewer than three nor more than 11 members. The Board is assisted in fulfilling its responsibilities by the following Sub-Committees:

- Audit and Risk Committee
- Human Resources Committee
- Investment Committee
- Nominations Committee
- Conduct Review Committee

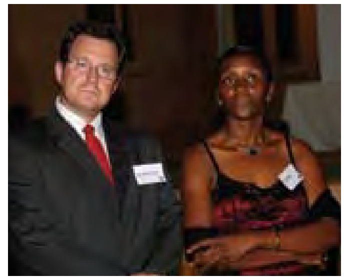
Corporate governance in the Group is managed and monitored by the Board in conjunction with the above Sub-Committees. In the review period, the Board was chaired by Mrs Batsho Dambe-Groth, an independent non-executive director. The Board comprises:

- Two executive directors;
- Four independent non-executive directors; and
- Five non-executive directors.

The roles of the Chairman and the Group Executive Officers are separate with clear division of their responsibilities to ensure a balance of power and authority between them. The Chairman has no executive function. She meets regularly with senior executive management to monitor progress and discuss relevant business issues and is available to respond to shareholder queries or issues relating to the Group. Non-executive directors have the opportunity to meet separately without the Group Chief Executive Officers as and when circumstances warrant.

Corporate Governance *(Continued)*

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



Board Charter

In accordance with the principles of sound corporate governance, the BIHL Board charter, modelled on the charter principles recommended by King II, incorporates the powers of the Board providing a clear division of responsibilities and accountability of the Board members, collectively and individually, to ensure a balance of power and authority. The annual evaluation process to review the effectiveness of the Board, its Committees and individual directors has been entrenched. Copies of the Board charter are available on request.

The charters of the Board Sub-Committees that describe the terms of reference of the Committees, as delegated and approved by the Board, are reviewed at least annually. Copies of the various Sub-Committee charters are also available on request.

Appointment of Directors

The directors are chosen for their business acumen and wide range of skills and experience. The Board gives strategic direction to the company, appoints the Chief Executive Officers and ensures that succession is planned. In appointing directors, emphasis is placed on achieving the balance of skills, experience and professional and industry knowledge necessary to meet the 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. The issue of appropriate training of new and existing directors is consistently reviewed. All directors are subject to an annual performance evaluation. Succession planning is also reviewed regularly.

During the year under review, Messrs Chandrakant Chauhan and Thomas Schultz were appointed to the Board. Their credentials were reviewed by the Board prior to their appointment and each received induction material and information relevant to their obligations as directors.

On appointment, the new directors, as have all new directors previously, had:

- Discussions with the Chairman regarding the Group's expectations of him, his potential contribution to the Group and the areas of his expertise; and
- The benefit of the induction programme aimed at broadening his understanding of the Group as well as the business environment and markets within which the Group operates.

In accordance with the company's articles of association, 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. The non-executive directors do not hold service contracts with the Group and their remuneration is not dependent on their respective performance.

The Board, which comprises a majority of non-executive directors, reviews the status of its members on an ongoing basis.

Board Meetings

The Board meets at least four times per annum to consider business philosophy and strategic issues, to 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 Committees, as well as a number of key performance indicators, variance reports and industry trends are considered.

A summary of meetings held and attended is indicted below:

	Board meeting	Audit Committee	BLIL Investment Committee	Bifm Investment Committee	BIHL Investment Committee	Remuneration Committee	Credit Committee
B Dambe-Groth	9/9	-	-	-	-	6/6	-
C Chauhan	5/6	3/3	-	-	-	-	-
F Kellerman	8/9	5/5	2/2	-	4/4	-	8/8
H Werth	7/9	-	-	-	-	-	-
K Jefferis	8/9	3/4	-	4/4	4/4	-	-
M Dawes	8/9	5/5	-	-	-	6/6	4/5
N Kelly	8/10	5/5	2/2	-	4/4	-	5/5
U Corea	7/10	4/5	2/3	-	-	-	-
T Schultz	7/9	-	0/1	2/4	4/4	3/4	-

Board Sub-Committees

To assist the Board in discharging its responsibilities, specialised Board Sub-Committees have been established.

Certain functions of the Board are facilitated through the main Sub-Committees, including the Audit and Risk, Investment, Human Resources, Nominations and Conduct Review Sub-committees. They are chaired by non-executive directors who report to the Board.

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

Audit and Risk Committee

Members: Mrs. Margaret Dawes (chairman); Mr. Norman Kelly; Dr Keith Jefferis; Mr. Francois Kellerman; Mr Uttum Corea and Mr Chandrakant Chauhan as an alternate member to Mr Uttum Corea.

Composition: Three non-executive members and two independent non-executive members.

The Audit and Risk Committee met five times during the year under review.

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

The main responsibilities of this Committee are to assist the Board in discharging its responsibilities under the Companies Act, Insurance Industry Act and common law, with regard to the financial affairs of the Group. In particular, it monitors financial controls, accounting

Corporate Governance *(Continued)*

During the year the Bifm Investment Committee, the BLIL Investment Committee and the Credit Committee were dissolved to constitute one Investment Committee at Group level.

systems and reporting, compliance with legal and statutory requirements, evaluating the management of risk areas and internal control systems, and the effectiveness of external and internal auditors. The Committee also evaluates the Group's exposure and response to significant risks, including sustainability issues.

Investment Committee

Members: Dr. Keith Jefferis (Chairman); Mr Thomas Schultz; Mr Francois Kellerman and Mr Norman Kelly

Composition: One independent non-executive director and three non-executive directors.

During the year the Bifm Investment Committee, the BLIL Investment Committee and the Credit Committee were dissolved to constitute one Investment Committee at Group level. The Board recognised the need to co-ordinate the responsibilities of these Committees and have a seamless review and reporting process. The BIHL Investment Committee meets once a quarter.

Due to the unique nature of investment risks for the life and asset management businesses, there are separate Investment Committees for Botswana Life and Bifm. These are now management Committees of the BIHL Investment Committee.

The Bifm Investment Management Committee meets on a monthly basis, while Botswana Life's meets at least once per quarter. The Credit Committee meets on an ad hoc basis to review, assess, approve and monitor specific counterpart credit risk as well as to manage the credit risk inherent in the portfolios on an on-going basis. The Committees are responsible for formulating investment strategy and monitoring the performance of asset managers. In addition, the Committees review the matching of assets against policyholder liabilities and shareholder investment. The Committees also ensure compliance with investment mandates set for each of the asset portfolios managed by each asset manager and setting policy for and monitoring credit and concentration risk in the portfolios.

Human Resources Committee

Members: Mrs Batsho Dambe-Groth (Chairman), Mrs Margaret Dawes; Mr Thomas Schultz and Mr Chandrakant Chauhan.

Composition: Two independent non-executive directors and two non-executive directors.

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

In order to enhance the governance structures, the Board constituted a Conduct Review Committee. The Committee is responsible for reviewing all related party transactions. The Committee meets as and when appropriate.

Non-executive directors do not participate in an incentive bonus nor do they receive share options. The Committee met six times during the year.

Nominations Committee

Members: Mr Uttum Corea (chairman); Mr. Heinie Werth; Dr Keith Jefferis

Composition: Two Independent non-executive directors and one non-executive director.

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

Conduct Review Committee

Members: Mr. Chandrakant Chauhan (Chairman); Mr Uttum Corea; Mrs Dambe-Groth.

Composition: Three independent non-executive directors.

In order to enhance the governance structures, the Board constituted a Conduct Review Committee. The Committee is responsible for reviewing all related party transactions. The Committee meets as and when appropriate.

Ad hoc Board Committees

The Board has the right from time to time to appoint and authorise special ad hoc Board Committees to perform specific tasks. The Board determines the terms of reference of such Committees. The appropriate Board members make up these Committees.

Remuneration Philosophy

Responsibility for the remuneration strategy of the Group resides with the Human Resources Committee which also approves mandates for incentive schemes within the 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 the directors. The Board is convinced that appropriate remuneration for executive directors is inextricably linked to the development and retention of top-level talent and intellectual capital within the 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;
› A clear and meaningful distinction is made between high performers, average performers and underperformers, with remuneration reflecting these gradients;

Corporate Governance *(Continued)*

The directors complete questionnaires on an annual basis to evaluate the effectiveness of the Board and its members. This mechanism is used to ensure that the responsibilities chartered by the Board are complied with, and that adequate attention is paid to matters of both performance and conformance. The results of the exercise are collated, considered and discussed with the Board for purposes of performance improvement.

- Strong incentives are created for superior performance by individuals and teams;
- Top contributors are rewarded significantly higher performance bonuses; and
- Underperformers are not rewarded and active steps are taken to encourage the individual either to improve performance or leave the Group, in line with 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 the determined remuneration principles. In line with the Group's remuneration philosophy, remuneration is reviewed annually by the Human Resources Committee after evaluating each executive director's performance.

Non-executive directors

Fee structures are recommended to the Board by the Human Resources Committee and reviewed annually with the assistance of external service providers. The Committee takes cognisance of market norms and practices, as well as the additional responsibilities placed on Board members by new acts, regulations and corporate governance guidelines.

The Board recommends the fee structure for the next year to the company's shareholders for their approval at the annual general meeting. Non-executive directors receive an annual fee for their services. In addition, a fee is paid for attending and contributing to Board meetings. The Group pays for all travelling and accommodation expenses in respect of Board meetings. Disclosure of individual directors' emoluments is detailed below:

	Annual retainer	Board meeting	Audit & Risk Committee	BLIL Investment Committee	Bifm Investment Committee	BIHL Investment Committee	Human Resources Committee	Credit Committee	Total
B Dambe-Groth	60,500	135,000	-	-	-	-	72,000	-	267,500
M Dawes**	54,450	80,000	60,000	-	-	-	60,000	40,000	294,450
K Jefferis	54,450	80,000	30,000	-	48,000	12,000	-	68,000	292,450
H Werth**	54,450	70,000	-	-	-	-	-	-	124,450
F Kellerman**	54,450	80,000	50,000	20,000	-	10,000	-	80,000	302,450
U Corea	54,450	70,000	40,000	20,000	-	10,000	-	-	194,450
N Kelly**	54,450	80,000	50,000	24,000	-	12,000	-	50,000	270,450
T Schultz**	54,450	70,000	-	-	20,000	10,000	40,000	10,000	204,450
C Chauhan	36,300	50,000	30,000	-	-	-	30,000	-	146,300

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

BIHL complies with the BSE requirements... In terms of BIHL's closed period policy, all directors and staff are precluded from dealing in BIHL securities... until the release of the Group's final and interim results.

Evaluation of Performance

The directors complete questionnaires on an annual basis to evaluate the effectiveness of the Board and its members. This mechanism is used to ensure that the responsibilities chartered by the Board are complied with, and that adequate attention is paid to matters of both performance and conformance. The results of the exercise 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 the directors are satisfied with the effectiveness of the Board's performance and that of its individual members.

Conflict of Interest

Directors are required to inform the Board timeously of conflicts or potential conflicts of interest that may exist in relation to particular items of BIHL business. Directors are obliged to recuse themselves from discussions of matters in which they may have a conflicting interest, unless resolved otherwise by the remaining members of the Board. Directors are required to disclose their shareholding in BIHL, their other directorships, and their interests in contracts that the 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 relationship which could reasonably be said to interfere with the exercise of their judgement.

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

Dealings In Botswana Stock Exchange (BSE) Securities

BIHL complies with the BSE requirements in respect of the share dealings of its directors. In terms of BIHL's closed period policy, all directors and staff are precluded from dealing in BIHL securities from 1 January and 1 July, until the release of the Group's final and interim results. The same arrangements apply for closed periods during other price-sensitive transactions (e.g. during a period covered by a cautionary announcement). No such closed periods were declared during the review period. A pre-approval policy and process for all dealings in BIHL securities by directors and selected key employees are strictly followed. Even more stringent trading policies regarding personal transactions in all financial instruments are enforced at BIHL's investment management companies. A summary of directors' dealings is listed on page 127 of this annual report

Advice

All directors have access to the advice and services of the Company Secretary and are entitled to obtain independent and professional advice at the Group's expense.

Corporate Governance *(Continued)*

The role of risk management is to enhance the organisation's ability to manage, and not necessarily avoid or eliminate every risk, but to ensure that the overall risk profile remains acceptable.

Statutory Actuary

Mr. Giles Waugh is an independent statutory actuary who is not in the employ of the Group. He is responsible for assisting the Board in all actuarial matters and conducts the actuarial valuation of the Group. 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 the Audit and Risk Committee meetings. The report of the statutory actuary is set out on page 112.

Communication with Stakeholders

The Group is committed to a policy of effective communication and engagement with its stakeholders on issues of mutual interest. These include statutory, regulatory and other directives regulating the dissemination of information by the company and its directors and officers. Communications also include the rationale behind major new business developments. Financial results presentations were made to financial analysts on 2 March 2010 in the review period. In addition, personal meetings with analysts and fund managers/trustees were arranged when appropriate. The Group published its interim and annual results in the media on 23 August 2009 and 28 February 2010 in addition to mailing its annual report to all shareholders. Each item of special business included in the notice of the annual general meeting was accompanied by a full explanation of the implications of the proposed resolution.

In the course of the annual general meeting, as at other shareholder meetings, the chairperson provides reasonable time for discussion. Shareholders are always encouraged to attend the annual general meeting.

Forensics

The Group recognises that financial crime and unlawful conduct conflict with the principles of ethical behaviour, as set out in the code of ethics, and undermine the organisational integrity of 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 to these matters and all offenders are prosecuted. A Group Forensic Services function at the Sanlam Group level oversees the prevention, detection and investigation of incidents of unlawful conduct that are of such a nature that may have an impact on the Group.

Group Forensic Services are also responsible for the formulation of Group standards in respect of the combating of unlawful conduct and the implementation of measures to ensure compliance with these standards.

Compliance

BIHL considers compliance with applicable laws, industry regulations, codes and its own ethical standards and internal policies to be an integral part of doing business. The Group compliance function, together with the

The role of risk management is, therefore, to enhance the organisation's ability to manage, and not necessarily avoid or eliminate every risk, but to ensure that the overall risk profile remains acceptable. This may involve various risk responses or a combination thereof, namely acceptance, mitigation and/or avoidance of the risk.

compliance functions of the business divisions and units, facilitates the management of compliance through the analysing of statutory and regulatory requirements, and monitoring the implementation and execution thereof.

Strategic Risk Management

In acknowledging its responsibility for strategic risk management (SRM) within the Group, the Board has tasked the Audit and Risk Committee to ensure that SRM 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.

Considered an integral part of the decision-making process in the Group, the primary objective of the Group's SRM programme is to optimise the Group's risk-adjusted return on capital and embedded value. To ensure an optimal return, the Group determines an acceptable level of risk in conducting its operations.

The role of risk management is, therefore, to enhance the organisation's ability to manage, and not necessarily avoid or eliminate every risk, but to ensure that the overall risk profile remains acceptable. This may involve various risk responses or a combination 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. These processes have been in place during the period under review, and cover all material activities of the Group.

The SRM policy is regularly reviewed and updated where necessary, evaluating risk as a combination of impact and likelihood. Amendments to SRM policy require Board approval.

The assessment of the various risks in the Group is evaluated on both a quantitative and qualitative basis. Risks characterised by a low likelihood of occurrence but with a potentially catastrophic impact, are regarded as unacceptable and are consciously avoided as far as practically possible.

The SRM policy sets out the minimum standard of risk management that BIHL's businesses have to adopt and adhere to.

Rigorous policies, procedures and methodologies have been adopted and implemented throughout the Group, enabling the effective identification and management of risks. All processes and procedures have been designed to provide reasonable assurance that risks are adequately managed. A detailed risk report is included on page 82 of the annual report.

Employment Equity and Localisation

Employment and localisation remain a high priority business imperative. Both Group businesses have implemented their respective plans for the period to 31 December 2009. These plans are reviewed annually to ensure they remain aligned with business objectives and industry needs.

Financial Reporting

The standards of BIHL financial reporting are prepared in accordance with International Financial Reporting Standards and the Botswana Companies Act.

Corporate Governance *(Continued)*

Internal Audit

The Group's internal audit function is co-ordinated at Sanlam Group level by the Audit executive of Sanlam Limited. An internal audit charter, approved by the BIHL Board, governs internal audit activity within the Group. Regular risk-focused reviews of internal control and risk management systems are carried out. The Chief Audit executive of Sanlam Limited is appointed in consultation with the Chairman of the Sanlam Audit and Risk Committee and has unlimited access to the Chairman of the BIHL Audit and Risk Committee. The authority, resources, scope of work and effectiveness of these functions are reviewed regularly.

External Audit

The external auditors provide an independent assessment of BIHL's systems of internal financial control and express an independent opinion on the annual financial statements. The external audit function provides reasonable, but not absolute, assurance on the accuracy of the financial disclosures. 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. Close cooperation between the internal and external auditors ensures appropriate combined audit and minimisation of duplicated effort.

Company Secretary and Professional Advice

The Company Secretary appointed by the Board is Mrs. Rorisang Modikana. All directors have unlimited access to the advice and services of the company secretary, who is accountable to the Board for ensuring that prescribed procedures are complied with and that sound corporate governance and ethical principles are adhered to. Individual directors are entitled to seek independent professional advice concerning the discharge of their responsibilities at BIHL's expense.

Approval of Annual Financial Statements

The financial statements of the Group were reviewed by the Audit and Risk Committee, approved by the Board and were signed on behalf of the Group by the Chairman and the Joint Group Chief Executive Officers.

Going Concern

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

Assurance

The Board has considered and recorded the relevant facts and assumptions and has concluded that BIHL will continue as a going concern in the foreseeable future.

Corporate Governance *(Continued)*

The Code of Corporate Governance:
Compliance Statement

In an attempt to improve the corporate governance principles and to enhance the Board's accountability, the Group has voluntarily decided to subject itself to the highest level of corporate governance and best practice. The statement below, which was based on the code published by the Financial Reporting Council of the United Kingdom, measures the degree of its compliance to the respective codes. The Group has complied with the Codes of Best Practice throughout the financial year ended 31 December 2009, other than with exceptions noted below:

Code of Best Practice- principles		Compliance with/exception to the Code of Best Practice
A	BOARD MEMBERS AND ACCOUNTABILITY	
A.1	The Board	Complied
	Every company should be headed by an effective board, which is collectively responsible for the success of the company.	The Group is governed by a unitary Board. The Board set the strategic direction and approves matters relating to senior management changes, staff remuneration policies, business plans, annual budgets etc .
A.2	Chairman and Chief Executive Officers	Complied
	There should be a clear division of responsibilities at the head of the company between the running of the Board and executive responsibility for the running of the business. No one individual should have unfettered powers of decision.	There is a clear separation of duties and responsibilities of the Chairman and the Chief Executive Officers. The Chairman does not have executive powers except to direct the Board on their decisions. The division of power is set out in the Board Charter.
A.3	Board balance and independence	Partially Complied
	The Board should include a balance of executive and non-executive directors (and in particular independent non executive directors) such that no individual or small group of individuals can dominate the Board's decision making.	Only four out of eleven members of the Board are independent non- executive directors. The board is of sufficient size and the balance of skills and experience is appropriate for the requirements of the business. Board balance can also be interpreted to mean balance of capabilities. The non-executive members of the Board contribute a wide range of skills and experience, forming a strong and independent element within the Board. The non-executive members of the Board receive a sitting allowance for services rendered and have served for less than eight years. The five non-executive directors are employed by Sanlam. The two executive directors have been in the employ of the company for more than five years.

Code of Best Practice- principles		Compliance with/exception to the Code of Best Practice
A	BOARD MEMBERS AND ACCOUNTABILITY *(continued)*	
A.4	Appointment to the Board	Complied
	There should be a formal, rigorous and transparent procedure for the appointment of new directors to the board.	There is a Nomination Committee in place to lead the process of appointment of members of the Board. Appointments to the board are made on merit and against objective criteria. Care is taken to ensure that appointees have enough time available to devote to the job. The members of the nomination committee are independent non-executive directors and the Committee is chaired by an independent non-executive director.
A.5	Information and professional development	Complied
	The Board should be supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties. All directors should receive induction on joining the board and should regularly update and refresh their skills and knowledge.	The Board ensures that a new member is properly inducted and the members obtain sufficient professional advice from both internal and external sources. The Board meets at least quarterly to consider matters put before it. All matters discussed at the Board meetings are supported by written and/or oral presentations to enable members to make informed decisions. The Board has been inducted at various times. The Board's Secretary is responsible for ensuring that its procedures are followed.
A.6	Performance Evaluation	Partially Complied.
	The board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors.	The executive directors are set targets against which their performances are evaluated annually. The Board also evaluates its own performance annually. Each director completes an evaluation form and the chairman takes the lead in providing feedback to the Board. No evaluation is performed on the individual directors or the chairman.
A.7	Re-election	Complied
	All directors should be submitted for re-election at regular intervals, subject to continued satisfactory performance. The board should ensure planned and progressive refreshing of the board.	All directors are subject to election by shareholders at the first annual general meeting after their appointment, and to re-election thereafter at intervals of three years. Non-executive directors are appointed for specified terms subject to re-election and to Companies Acts provisions relating to the removal of a director.

Corporate Governance *(Continued)*

BIHL complies with all applicable International Financial Reporting Standards, the Insurance Industry Act and the Company's Act of Botswana and other relevant legislation.

Code of Best Practice- principles		Compliance with/exception to the Code of Best Practice
B	**THE LEVEL AND MAKE UP OF REMUNERATION- BOARD MEMBERS AND SENIOR EXECUTIVES**	
B.1	Remuneration policy	Complied
	Levels of remuneration should be sufficient to attract, retain and motivate directors of the quality required to run the company successfully, but a company should avoid paying more than is necessary for this purpose. A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance.	The two executive directors, who are members of the Board, are entitled to remuneration paid on a monthly basis. Their package includes a basic salary, a variable performance-linked payment and an allocation of share options All other members of the Board are receive a sitting allowance and an annual retainer fee in line with market-related rates.
B.2	Procedure	Complied
	There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his or her own remuneration.	The rewards and remuneration of the executive directors and senior executives are established in terms of the determined remuneration principles. In line with the Group's remuneration philosophy, remuneration is reviewed annually by the Human Resources Committee after evaluating each executive director's performance. Fee structures for the non-executive directors are recommended to the Board by the Human Resources Committee and reviewed annually with the assistance of external service providers.

The role of risk management is, therefore, to enhance the organisation's ability to manage, and not necessarily avoid or eliminate every risk, but to ensure that the overall risk profile remains acceptable. This may involve various risk responses or a combination thereof, namely acceptance, mitigation and/or avoidance of the risk.

Code of Best Practice- principles		Compliance with/exception to the Code of Best Practice
C	ACCOUNTABILITY AND AUDIT	
C.1	Financial reporting	Complied
	The board should present a balanced and understandable assessment of the company's position and prospects.	BIHL complies with all applicable International Financial Reporting Standards, the Insurance Industry Act and the Company's Act of Botswana and other relevant legislation. The directors explain in the annual report their responsibility for preparing the accounts and there is a statement by the auditors about their reporting responsibilities. The directors also report whether the business is a going concern, with supporting assumptions or qualifications as necessary.
C.2	Internal control	Complied
	The board should maintain a sound system of internal control to safeguard shareholders' investment and the company's assets.	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.
C.3	Audit committee and auditors	Complied
	The board should establish formal and transparent arrangements for considering how they should apply the financial reporting and internal control principles and for maintaining an appropriate relationship with the company's auditors.	The Board through the Audit and Risk Committee ensures that basic internal controls principles which culminate in good financial reporting are adhered to. The Audit and Risk Committee monitors and reviews the effectiveness of the internal audit activities. The Audit and Risk Committee has primary responsibility for making a recommendation on the appointment, reappointment and removal of the external auditors.

Corporate Governance *(Continued)*

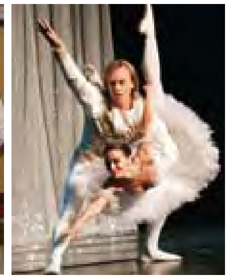
Code of Best Practice- principles		Compliance with/exception to the Code of Best Practice
D	**RELATIONS WITH STAKEHOLDERS**	
D.1	Dialogue with institutional shareholders	Complied
	There should be a dialogue with shareholders based on the mutual understanding of objectives. The board as a whole has responsibility for ensuring that a satisfactory dialogue with shareholders takes place.	There is always satisfactory dialogue between the company and its shareholders. Financial results presentations are made to financial analysts. In addition, personal meetings with analysts and fund managers/ trustees are arranged when appropriate. The Group publishes its interim and annual results in the media in addition to mailing its annual report to all shareholders. Each item of special business included in the notice of the annual general meeting is accompanied by a full explanation of the implications of the proposed resolution.
D.2	Constructive use of AGM	Complied
	The board should use the AGM to communicate with investors and to encourage their participation.	At the general meeting, the company proposes a separate resolution on each substantially separate issue, and in particular proposes a resolution at the AGM relating to the report and accounts. For each resolution, proxy appointment forms provide shareholders with the option to direct their proxy to vote either for or against the resolution or to withhold their vote. The company ensures that all valid proxy appointments received for general meetings are properly recorded and counted. The chairmen of the Audit, Remuneration and Nomination Committees attend meeting the AGM to answer questions. A Notice of the AGM and related papers are sent to shareholders at least 21 working days before the meeting.

Dialogue

There should be a dialogue with shareholders based on the mutual understanding of objectives. The board as a whole has responsibility for ensuring that a satisfactory dialogue with shareholders takes place.

BIHL Trust and Corporate Social Investment

The Trust continued to seek worthy projects to support in terms of its mandate to alleviate poverty. Selection of worthy recipients of the Trust's funds can be both emotionally harrowing and time-consuming.



› **The BIHL Trust** was established at the end of 2007 with a mandate to co-ordinate and manage the Group's activities in a way that would best reflect its commitment to corporate social investment.

In terms of this, the Trust is charged with promoting activities that;

- Are educational to the community
- Support arts and culture
- Promote sports and recreation
- Assist social and welfare development in Botswana
- Involve the erecting or establishing of facilities and amenities
- Require necessary working capital, or cash, for a particular purpose to achieve a specific purpose
- Involve partnerships with non-governmental organisations, issues of national concern and assist disadvantaged groups
- Assist any public benefit organisation which has been recommended and approved in terms of section 50 (1) A of the Income Tax Act

Meanwhile, the Trust continued to seek worthy projects to support in terms of its mandate to alleviate poverty. Selection of worthy recipients of the Trust's funds can be both emotionally harrowing and time-consuming. However, the rewards of participating in the upliftment of our nation's communities are worth all the efforts.

During 2009 there was considerable deliberation and weighing up of requests against the Trust's established guidelines for projects that qualify to receive support, before the following worthy projects were selected:

- Maru-a-Pula School's AIDS Orphans and Vulnerable Children (OVC) Bursary Fund.
  This is an innovative project that provides financial aid to talented but underprivileged and orphaned children, enabling them to obtain a first class education at one of the country's top schools. The bursaries provided cover the cost of tuition, boarding, uniforms, medical aid, books and pocket money. Because of the school's outstanding reputation, many of these children are awarded bursaries that enable them to continue their education at some of the most prestigious universities in the world. The BIHL Trust contributed P200,000 to the Fund during the review period.

It was agreed that this project would be focused on enhancing and preserving Botswana artistic and cultural heritage, thus creating a sustainable and lasting legacy for all the citizens of this country.

- **Gamodubu Child Care Trust.**
  A local woman, Shirley Madikwe, founded the project in 2007 on the outskirts of Gaborone. Using her own meagre funds, she set out to feed as many of the destitute and hungry children she found there on the weekends – and working during the week to support herself and her project. Bifm "adopted" the project on a small scale, hosting an annual Christmas party for the children. In 2009 the BIHL Trust made P400,000 available to erect a steel structure for shelter; and to provide brick molding machines and a bread making machine to enable the project to generate income. In addition, some of the funds are to be used to send Shirley on a management course and to provide her with a salary that will enable her to run the project on a full-time basis. Bifm staff once again hosted the children to a Christmas party.

- **Kgatleng Land Board Health and Safety Committee.**
  BIHL Trust provided P55,323 for the construction of a house for three orphans.

- **Masigwaneng Primary School Guidance and Counseling Committee.**
  An amount of P60,000 was made available by the Trust for the construction of a house for a destitute individual.

- **Moeng College.**
  The BIHL Trust provided P20,000 to furnish a house for a disabled children who lives in Ratholo village. This child was born without arms and is in Form Three at the Mmachibaba Junior Secondary School.

- **The BIHL Sports and Social Club approached the Trust to assist with one of its projects.**
  The construction of a house for a destitute woman in the Kweneng District. The Trust made P55,000 available for the project.

Human Resources Report

› The comprehensive review of BIHL's Remuneration Philosophy and associated strategies which had been undertaken in 2008 was rolled out and successfully bedded down during the review period. This marks a major milestone in the Group's development.

In 2009, much of the focus of the HR department was on assessing the implications of the Group's new strategic vision on HR policies and procedures. This will continue into 2010 as the new strategy is implemented. Managing the change will be the major challenge in the year ahead as BIHL continues its transformation into a broad-based Financial Services company.

At the same time, the implementation of the new IT systems which will result in significantly more automation of current functions will also bring its own HR challenges which are already being addressed.

During the review period the company also devoted considerable attention to targeted training and the upgrading of skills to address identified performance deficiencies.

A comprehensive skills audit analysis to ascertain the type of skills that would be required going forward. We now have a relatively good idea of what we are going to need to fulfil our strategy and what type of skills we are going to have to bring on board or develop inhouse.

Indeed, we have already identified that certain specialised skills that will be required may well be in short supply in Botswana, compelling us to try and recruit the right skills from outside the country.

With the tightening up of the regulations regarding the employment of expatriates, this is an issue to which we have to pay serious attention. However, it will always remain our goal to ensure that any skills brought into the country are utilised not just to deal with the specific function, but also to enhance the skill levels of citizens.

This raises another serious challenge. With the restructuring of the organisation and the inevitable changes that will have on functions and roles, there are implications for the Group's succession and localisation plans. As the new structure unfolds and more clarity is gained on positions, roles and job functions, the plans will be revised.

It is important to stress, however, that while change will be the watchword in HR for some considerable time and that certain functions and positions within the organisation may inevitably be rationalised, every effort is being made to ensure no individual is made redundant unnecessarily. We anticipate having to boost our service capabilities in our branches by bringing in new skills. These will be sourced as a first resort from within the organisation, creating new career opportunities for our people.

Change

Change will be the watchword in HR for some considerable time, every effort is being made to ensure no individual is made redundant unnecessarily.

Risk Report

› **BIHL recognises that an effective risk management process is fundamental to achieving its business goals. In order to add value to its business, it has to address critical risks to gain a comparative advantage**

Sections covered:

i) Governance structures

ii) Role of group risk management

iii) Group risk policies, standards and guidelines

iv) Risk management process

v) Risks to which the group is exposed

i) Governance structures

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 regulatory 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 Board sets each company's risk management policy and its risk appetite framework by taking account of the following:

- The company's strategic objectives;
- The regulatory requirements;
- Its capital requirements; and
- Its organisational capabilities (people, processes and technology).

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.

Decentralisation

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.

Risk Report *(Continued)*

Key Risk Drivers

These are areas that drive the area of risk management within the Group:

(1) Strategy - Performance Based

- Evaluated holistically
- Quantified for costs vs benefits analysis
- For integration with BIHL Group strategic imperatives
- Risk information is leveraged for competitive advantage across BIHL's value proposition

(2) Governance - Holistic Approach

- Based on BIHL Board and executive governance structures
- Across all activities from day to day operations through to projects
- Placing accountability clearly with service delivery level management

(3) Operational Control - Operational Management

- Take a structured value approach
- Using internal controls and standard operating procedures at process level
- Industry standard quality and audit procedures
- To identify and manage risk profiles in the context of approved BIHL risk appetite

ii) Role of Group Risk Management

The role of Group Risk Management is one of setting Group standards and guidelines, co-ordinating and monitoring risk management practices and ultimately reporting to the BIHL

Board. Group Risk Management plays an active role with regard to risk management in the BIHL Group. The involvement includes the following:

- Permanent invitees of business units' Risk and Audit committees;
- Member of the Credit committee (see description below);
- Transactional approval incorporated in approval frameworks of business units where appropriate;
- Involvement and approval of corporate activity transactions;
- Guidance on risk-related matters at a business level and
- Involvement with specialist risk management issues at business level.

A number of other risk monitoring mechanisms operate within the Group as part of the overall risk management structure. The most important of these are indicated in the following table:

Other risk monitoring mechanisms

Capital review
Reviews and oversees the management of the Group's capital base

Credit committee
Identifies, measures and controls credit risk exposure

Group Compliance Office
Facilitates management of compliance through analysing of statutory and regulatory requirements, and monitoring implementation and execution thereof

The Investment Committee
Determines and monitors appropriate investment strategies for attaining risk adjusted returns for pension fund clients and policy holders. In addition, it identifies, measures and controls credit risk exposure, reviews and approves the valuation of all unlisted assets for recommendation to the Board and reviews and oversees the management of the Group's capital base.

Valuation of non-listed assets
Review and approval of the valuation of all unlisted assets in the Group for recommendation to the BIHL Boards is performed by the audit committee

Financial Director
Ensures that sound financial practices are followed, adequate and accurate reporting occurs, and financial statement risk is minimised

Actuarial Committee
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 Company Secretary
Reviews and reports on corporate governance practices and structures. Reports on applicable legal and compliance matters

Forensics Office
Investigates and reports on fraud and illegal behaviour in businesses

Investment committees
Determines and monitors appropriate investment strategies for policyholder solutions

Group IT
Risk Management Manages and reports Group-wide IT risks

Risk Officer (per business)
Assists business management in their implementation of the Group risk management process, and to monitor the business's entire risk profile

Internal Audit
Assists the BIHL Board and management by monitoring the adequacy and effectiveness of risk management in businesses.

Risk Report *(Continued)*

iii) Group risk policies, standards and guidelines

The main policies, standards and guidelines are:

- BIHL Enterprise Risk Management (ERM) policy and plan;
- BIHL Group Risk Escalation policy;
- BIHL Group Business Continuity Management policy;
- Definitions of Risk categories standard;
- Risk Appetite guidance note;
- BIHL Group Risk Appetite Statement;
- BIHL Risk and Compliance committee charter; and
- Group Risk forum terms of reference.

Key:

A policy sets out mandatory minimum standards for all businesses.
A standard endeavours to ensure consistent use of terminology.
A guidance note is aimed at providing information.

The following also cover aspects with linkage to risk management:

- BIHL Group Information Technology Risk Management policy;
- Representations from Group businesses to the BIHL Audit and Risk committees;
- BIHL Credit Risk strategy and policy;
- BIHL Human Resources policies;
- BIHL Group governance structures; and
- BIHL Audit and Risk committee charter.

iv) Risk Management Process

The risk assessment process in the individual businesses comprises three distinct phases:

- Detailed identification of risk factors.
- Performance measurement by means of Key

Risk Indicators and Key Performance Indicators. These can be measured in terms of financial and non-financial indicators.

- Stress testing and scenario analysis as a forward-looking methodology.

A comprehensive Risk Assessment takes place along with the corporate strategic planning once every two years and is updated on an annual basis.

The Risk Management Process incorporates the following steps:

- Discussion of the company's vision and strategic goals
- Identification of events or risks that could positively or negatively impact on the achievement of the strategies
- The likelihood and the consequence of the risks on the company's strategy, operations, profitability, and its image / reputation
- Developing a list of all risks faced by the company and categorising them
- Testing risks for their likelihood and consequence of such occurrence
- Determining whether the risk should be accepted
- Identification of control measures to be adopted to avoid or mitigate the risk
- Determining who is accountable for managing the risk and monitoring the effectiveness of the control measures
- Evaluating the residual risk (the remaining risk) after the application of control measures
- Determining the cost of the control measure and whether the benefit exceeds the cost
- Identifying the early warning mechanisms or key risk monitoring indicators

v) Risks the Group is exposed to

The following table summarises the current key risks that the group is exposed to and the mitigation strategy for the particular risk.

	Risk category (primary)	Risk type (secondary) and description	Mitigating action	Potential significant impact
GENERAL RISKS	Operational	Operational risk is the risk of loss as a result of inadequate or failed internal processes, people or systems and external events. Operational risk includes:	The Group mitigates this risk through its culture and values, a comprehensive system of internal controls, internal audit, forensic and compliance functions and other measures such as back-up facilities, contingency planning and insurance. The initiation of transactions and their administration is conducted on the basis of the segregation of duties, designed to ensure the correctness, completeness and validity of all transactions. 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 auditor is appointed in consultation with the chairman of the Audit, and Risk committee and has unrestricted access to the chairman of the committee. The authority, resources, scope of work and effectiveness of the functions are reviewed regularly.	All businesses

Risk Report *(Continued)*

	Risk category (primary)	Risk type (secondary) and description	Mitigating action	Potential significant impact
GENERAL RISKS	Operational *(Conitnued)*		**External audit** The Group's external auditors are Ernst & Young. The reports of the independent auditors for the year under review are contained in this report. The external auditors provide an independent assessment of certain systems of internal financial control which they may rely on to express an independent opinion on the annual financial statements. Non-audit services rendered by the external auditors are strictly governed by a Group policy in this regard. The Group applies a policy of compulsory rotation of audit partners.	All businesses
		i) **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 data.	**Information and technology risk:** The "Group Information and Technology (I&IT) Risk Management policy" is authorised by the Group Risk forum and the Group IT Governance committee and ratified by the Group Executive committee. It stipulates the role of the Information and IT Risk manager that each business is responsible for appointing. Furthermore, it provides a framework of IT risk management, the methods of reporting, assessment and action, appropriate documentation and management of all risk-related IT incidents that have occurred, timing of communication and liaison with other functions in the Group.	

	Risk category (primary)	Risk type (secondary) and description	Mitigating action	Potential significant impact
GENERAL RISKS	Operational *(Conitnued)*		Reliance on and the continuous availability of IT systems and processes are inherent to the nature of the Group's operations. An important objective of the Group Information and Technology Risk Management policy is accordingly to ensure that the Group's IT resources and platforms are maintained and developed in line with changes in the Group's business environment and requirements, and that proper back-up processes and disaster recovery measures are in place.	All businesses
		ii) Going concern/ business continuity risk: The risk that inadequate processes, people, financial controls and resources exist to continue business in the foreseeable future.	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 a number of facts and circumstances and are of the 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.	

Risk Report *(Continued)*

The risk that inadequate financial resorces, people, financial controls and resources exist to continue business in the foreseeable future.

	Risk category (primary)	Risk type (secondary) and description	Mitigating action	Potential significant impact
GENERAL RISKS	Operational *(Conitnued)*	iii) Legal risk: The risk that the Group will be exposed to contractual obligations which have not been provided for.	Legal risk During the development stage of any new product and for material transactions entered into by the Group, the legal resources of the Group monitor the drafting of the contract documents to ensure that rights and obligations of all parties are clearly set out. BIHL 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.	All businesses
		iv) 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.	Human resources risk The management of risks associated with human resources is addressed on page 80 in this report	

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's code of ethics, and undermines the organisational integrity of the Group

GENERAL RISKS

Risk category (primary)	Risk type (secondary) and description	Mitigating action	Potential significant impact
Operational *(Conitnued)*	v) Fraud risk: The risk of financial crime and unlawful conduct occurring within the Group.	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's 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 are 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.	All businesses

Risk Report *(Continued)*

	Risk category (primary)	Risk type (secondary) and description	Mitigating action	Potential significant impact
GENERAL RISKS	Operational *(Conitnued*	vi) Taxation risk: The risk of financial loss owing 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 GEV; or the actual policyholder tax being higher than that assumed in the determination of premium rates and guaranteed policy benefits.	Taxation risk The risk is addressed through clear contracting to ensure that policy contracts entitle policyholders to after-tax returns, where applicable. The Group's internal tax resources monitor the impact of changes in tax legislation, participate in discussions with the tax legislator to comment on changes in legislation and are involved in the development of new products. External tax advice is obtained as required.	All businesses
		vii) Regulatory risk: The risk that new acts or regulations will result in the need to change business practices that may lead to financial loss	Regulatory risk Regulatory risk is mitigated by ensuring that the Group has dedicated personnel that are involved in and therefore informed of relevant developments in legislation. The Group takes a proactive approach in investigating and formulating views on all applicable issues facing the financial services industry. The risk is also managed as far as possible through clear contracting. The Group monitors and influences events to the extent possible by participation in discussions with legislators, directly and through industry organisations	

	Risk category (primary)	Risk type (secondary) and description	Mitigating action	Potential significant impact
GENERAL RISKS	Operational *(Conitnued)*	viii) Process risk: The risk of loss as a result of failed or inadequate internal processes.	Process risk is addressed through a combination of the following A risk based approach is followed in the design of operational processes and internal controls, operational processes are properly documented; staff training and employment of a performance based remuneration philosophy; and internal audit review of key operational processes.	All businesses
		ix) Project risk: The risks inherent in major projects.	A formalized, risk-based approach is followed for the management of major projects to ensure that projects are effectively implemented and the project hurdle rate is achieved. Key deliverables, progress and risks are monitored on a continuous basis throughout the project cycle. Internal specialists and external consultants are used as required to provide specialist knowledge and experience.	
		x) Compliance risk: The risk of not complying with laws and regulations, as well as investment management mandates.	Compliance risk *Laws and regulations* BIHL considers compliance with applicable laws, industry regulations and codes an integral part of doing business. The Group Compliance Office, 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.	

Risk Report *(Continued)*

	Risk category (primary)	Risk type (secondary) and description	Mitigating action	Potential significant impact
GENERAL RISKS	Operational *(Conitnued)*		**Compliance risk (Continued)** *Laws and regulations (Continued)* **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.	All businesses
	Reputational	Reputational risk is the risk that the actions of a business (e.g. the treatment of clients, employment equity and social responsibility) harm its reputation and brand.	Risks with a potential reputational impact are escalated to the appropriate level of senior management. The Audit and Risk committees are involved as required. Events with an industry-wide reputational impact are addressed through industry representative groups.	All businesses

	Risk category (primary)	Risk type (secondary) and description	Mitigating action	Potential significant impact
GENERAL RISKS	Strategic	Strategic risk is the risk that the Group's strategy is inappropriate or that the Group is unable to implement its strategy.	The Group's governance structure and various monitoring tools 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 that ensures that the businesses' strategies are aligned with the overall Group strategy. Executive committees which include the chief executives of the various Group businesses, meet 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.	All businesses
	Political	Political policies that directly restrict or threaten the strategic objective of the Board that are brought into play without much notice. A dilution of shareholdings has been called for in the Zambian market to aid citizen empowerment.	A review of the country political environment is performed before making an investment after which, changes are closely monitored to safeguard investments made.	Asset management

Risk Report *(Continued)*

	Risk category (primary)	Risk type (secondary) and description	Mitigating action	Potential significant impact
FINANCIAL AND BUSINESS SPECIFIC RISKS	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: i) Equity risk: The risk that the value of a financial instrument will fluctuate as a result of changes in equity prices. ii) Interest rate risk: The risk that the value of a financial instrument will fluctuate as a result of changes in interest rates and the risk that a mismatch loss will be incurred in respect of a matched asset/liability position following changes in interest rates. iii) Currency risk: The risk that the pula value of a financial instrument or liability will fluctuate owing to changes in foreign exchange rates. iv) Property risk: The risk that the value of investment properties will fluctuate as a result of changes in the environment. v) Asset liability mismatching risk: The risk that losses will be incurred as a result of a deviation between asset and liability cash flows, prices or carrying amounts.	Detailed market risk exposure and mitigating actions are included in the financial statements in note 25.	All businesses

	Risk category (primary)	Risk type (secondary) and description	Mitigating action	Potential significant impact
FINANCIAL AND BUSINESS SPECIFIC RISKS	Market *(Continued)*	vii) 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 minimise a loss (or realise the required profit).		
	Credit	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 risk includes: i) Default risk: Credit risk arising from the inability or unwillingness of a counterparty to a financial instrument to discharge its contractual obligations. ii) 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. iii) Settlement risk: Risk arising from the lag between the transaction and settlement dates of securities transactions.	Credit exposure is included in the financial statements in note 25.	All businesses

Risk Report *(Continued)*

	Risk category (primary)	Risk type (secondary) and description	Mitigating action	Potential significant impact
FINANCIAL AND BUSINESS SPECIFIC RISKS	Credit *(Continued)*	iv) **Reinsurance counterparty risk: concentration risk** with individual reinsurers, owing to the nature of the reinsurance market and the restricted range of reinsurers that have acceptable credit ratings. v) **Credit spread risk:** The sensitivity of financial instruments to changes in the level or volatility of credit spreads over the risk-free interest rate term structure.	Credit exposure is included in the financial statements in note 25.	All businesses
	Liquidity	Liquidity risk is the risk relating to the difficulty/ inability to accessing/raising funds to meet commitments associated with financial instruments or policy contracts.	Liquidity exposure is included in the financial statements in note 25.	All businesses
	Insurance risk (life business)	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: i) **Underwriting risk:** The risk that the actual experience relating to mortality, disability and medical risks will deviate negatively from the expected experience used in the pricing of solutions and valuation of policy liabilities.	Insurance risk exposure is included in the financial statements on page 150.	Life insurance

FINANCIAL AND BUSINESS SPECIFIC RISKSS	Risk category (primary)	Risk type (secondary) and description	Mitigating action	Potential significant impact
	Insurance risk (life business) *(Continued)*	ii) Persistency risk: The risk of financial loss owing to negative lapse, surrender and paid-up experience. iii) Expense risk: The risk of loss owing to actual expense experience being worse than that assumed in premium rates and the valuation of policy liabilities. iv) Concentration risk: The risk of financial loss owing to having written large proportions of business with policyholders of the same/similar risk profile.	Insurance risk exposure is included in the financial statements on page 150.	Life insurance

BIHL Reports

Embedded Value Report

For the year ended 31 December 2009

› The 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 period to 31 December 2009, 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.

1. DEFINITION OF EMBEDDED VALUE

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

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

The value of in-force business is the present value of future after-tax profits arising from business in force at the valuationdate, discounted at the risk discount rate, and adjusted for the cost of capital required to support the business. Other operations have been taken at net asset value.

The value of new business represents the value of projected after-tax profits at the point of sale arising from new policies sold during the period to 31 December 2009, 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.

	12 mths to 31 Dec 2009 P'000	12 mths to 31 Dec 2008 P'000
2. EMBEDDED VALUE RESULTS		
Shareholders' net assets excluding goodwill	1,285,105	1,299,868
Fair value adjustments	464,707	312,057
	1,749,812	1,611,925
Value of in-force business	495,703	379,041
Value before cost of capital	612,209	491,307
Fair value adjustments	(31,817)	(19,358)
Cost of capital	(84,689)	(92,908)
Embedded value	2,245,515	1,990,966
Group required capital	279,075	275,409
Required capital cover (times)	6.3	5.9

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.

	12 mths to 31 Dec 2009 P'000	12 mths to 31 Dec 2008 P'000
3. EMBEDDED VALUE EARNINGS		
The embedded value earnings are derived as follows:		
Embedded value at the end of the period	2,245,515	1,990,966
Embedded value at beginning of the period	1,990,966	1,781,163
Change in embedded value	254,549	209,803
Dividends and new capital	261,396	147,703
Embedded value earnings	515,945	357,506
These earnings can be analysed as follows:		
Expected return on life business in force	66,911	52,137
Value of new business	113,602	98,930
Value at point of sale	106,637	92,663
Expected return to end of period	6,965	6,267
Operating experience variances	70,735	123,193
Mortality/Morbidity	38,770	50,888
Persistency	6,195	27,460
Expenses	13,538	6,313
Other	12,232	38,532
Operating assumption changes	118	(6,139)
Mortality/morbidity	17,580	3,400
Persistency	(22,145)	(23,323)
Expenses	(4,182)	13,784
Other	8,865	—
Embedded value earnings from operations	251,366	268,121
Investment variances	3,157	(31,712)
Economic assumption changes	13,010	5,346
Investment return	—	268
Inflation	8,045	—
Risk discount rate	4,965	—

Embedded Value Report *(Continued)*

For the year ended 31 December 2009

	12 mths to 31 Dec 2009 P'000	12 mths to 31 Dec 2008 P'000
3. EMBEDDED VALUE EARNINGS *(Continued)*		
Asset mix assumptions	—	185
Gap changes	—	4,893
Growth from life business	267,533	241,755
Return on shareholders assets	112,428	18,744
Investment Returns	37,939	(20,057)
Net profit non-life operations	74,489	38,801
Change in shareholders' fund adjustments	135,984	97,007
Investment (losses)/surpluses on treasury shares	(4,207)	10,247
Movement in present value of holding company expenses	(12,459)	16,731
Movement in fair value of incentive scheme shares	(5,477)	107,462
Movement in other net worth adjustments	158,127	(37,433)
Embedded value earnings	515,945	357,506
Fair value adjustments		
Staff share scheme	(50,554)	(45,077)
Non-life operations write-up to fair value	272,454	228,777
Group holding expenses	(31,817)	(19,358)
Other group operations write-up to fair value	142,483	27,984
Reversal of cross holding adjustment	100,324	100,373
Total	432,890	292,699
Consisting of		
Net asset value adjustments	464,707	312,057
Value of in-force business adjustments	(31,817)	(19,358)

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 period to 31 December 2009, accumulated to the end of the period 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 period *after* EEV changes	113,602	98,930
Value at point of sale after cost of capital	106,637	92,663
Value at point of sale before cost of capital	119,942	105,203
Recurring premium	77,316	68,554
Single premium	42,626	36,649
Cost of capital at point of sale	(13,305)	(12,540)
Expected return to end of period	6,965	6,267

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.

	12.5% P'000	13.5% P'000	14.5% P'000
Risk Discount Rate			
Shareholder's net assets and fair value adjustments, excluding goodwill	1,749,812	1,749,812	1,749,812
Value of in-force business	525,515	495,703	466,770
Value before cost of capital	631,730	612,209	592,740
Fair value adjustments	(31,817)	(31,817)	(31,817)
Cost of capital	(74,398)	(84,689)	(94,153)
Embedded value	2,275,327	2,245,515	2,216,582
Value of one year's new business at valuation date	115,860	106,637	99,740
Value before cost of capital	127,758	119,942	114,280
Cost of capital	(11,898)	(13,305)	(14,539)

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-09 % p.a	31-Dec-08 % p.a
Risk discount rate	13.50	14.00
Overall investment return (before taxation)	11.09	11.89
Expense inflation rate	7.00	7.50

6.2 Mortality Rates

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

Allowance has been made for expected future AIDS mortality allowing for the effect of the roll out of Anti Retroviral Treatment.

Embedded Value Report *(Continued)*

For the year ended 31 December 2009

6. ASSUMPTIONS *(Continued)*

6.3 Expenses

The maintenance expense assumption is based on the results of conducted expense investigations on 31 December 2009.

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 2009.

6.5 Persistency / Surrender Basis

The assumptions for lapse and surrender rates are based on the results of experience investigations conducted on 30 November 2009 by the company.

6.6 Tax

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

	31-Dec-09	31-Dec-08
6.7 Mix of assets backing the Capital Adequacy Requirement		
Asset Class		
Equities	15.0%	15.0%
Hedged equities	0.0%	0.0%
Property	10.0%	10.0%
Fixed-interest securities	25.0%	25.0%
Cash	50.0%	50.0%
Total	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 2009				
Base	495,703	84,689	580,392	
Discontinuance rates decrease by 10%	523,445	84,689	608,134	4.8%
Future expenses decrease by 10%	535,487	84,689	620,176	6.9%
Mortality experience decreases by 5%	488,335	84,689	573,024	(1.3%)
Investment returns decrease by 1%	535,364	84,811	620,176	6.9%
Risk discount rate decreases by 1%	525,515	74,398	599,913	3.4%
Risk discount rate increases by 1%	466,770	94,153	560,923	(3.4%)

	Value of new business P'000	Cost of capital P'000	Value before cost of capital P'000	% change
Value of one year's new business as at 31 December 2009				
Base	106,637	13,305	119,942	
Discontinuance rates decrease by 10%	119,847	13,305	133,152	11.0%
Future expenses decrease by 10%	109,757	13,305	123,062	2.6%
Maintenance and acquisition costs decrease by 10%	116,730	13,305	130,035	8.4%
Mortality experience decreases by 5%	99,212	13,305	112,518	(6.2%)
Investment returns decrease by 1%	119,917	13,569	133,486	11.3%
Risk discount rate decreases by 1%	113,219	14,539	127,758	6.5%
Risk discount rate increases by 1%	99,740	14,539	114,280	(4.7%)

Assumed management action

No management action has been assumed.

GT Waugh
Statutory Actuary
FIA FASSA

Annual Financial Statements

The Board of Directors of Botswana Insurance Holdings Limited has pleasure in submitting its report and the audited financial statements of the Company and its subsidiaries for the year ended 31 December 2009.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Group Financial Statements

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Directors' Report

for the year ended 31 December 2009

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 2009.

Nature of Business

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

Results for the Period

The Group reported a net profit, after tax, for the year to 31 December 2009 of P237.672 million (31 December 2008: P221.461 million). Shareholders' equity at 31 December 2009 was P1.361 billion (31 December 2008: P1.385 billion). The results are fully explained in the accompanying financial statements.

Stated Capital

The issued stated capital at 31 December 2009 and 2008 consists of 281,070,652 ordinary shares.

Dividends

A gross interim dividend of 17 thebe per share was declared during the period. The directors propose a final dividend of 35 thebe per share and a special dividend of 17 thebe per share; making the total dividend for the year 69 thebe per share (31 December 2008: 93 thebe per share).

Directors' Shareholdings

The aggregate number of Botswana Insurance Holdings Limited shares held directly or indirectly by directors of the Company is 884,246 (31 December 2008:309 587). Details of the holding of these shares are disclosed in note 19 to the financial statements.

Events Subsequent to the Statement of Financial Position Date

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

Directorate

B Dambe-Groth	Chairperson Effective 01 March 2010
M Dawes	
H Werth	
K Jefferis	
U Corea	
F Kellerman	
T Schultz	Appointed 12 February 2009
C Chauhan	Appointed 20 April 2009
N Kelly	Resigned 31 January 2010
V Senye	Joint Group Managing Director
RD Sikalesele-Vaka	Group Chief Executive Officer Effective 01 March 2010

Company Secretary and Registered Address

R Modikana
Block A: Fairgrounds Office Park
Plot 50676
P O Box 336, Gaborone

Independent Auditors

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

Statutory Actuary

GT Waugh

Bankers

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

Directors' Statement of Responsibility

for the year ended 31 December 2009

The directors of the Company are responsible for the annual financial statements and all other information presented therewith. Their responsibility includes the maintenance of true and fair financial records and the preparation of annual financial statements in accordance with International Financial Reporting Standards and in the manner required by the Botswana Insurance Industry Act (Cap 46:01) and the Companies Act of Botswana (Companies Act, 2003).

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

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

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

The annual financial statements set out here were authorised for issue by the board of directors on 11 February 2010 and were signed on their behalf by:

B Dambe-Groth
Chairperson

VJ Senye
Joint Group Managing Director

RD Sikalesele - Vaka
Group Chief Executive Officer

Independent Auditor's Report
for the year ended 31 December 2009

TO THE MEMBERS OF BOTSWANA INSURANCE HOLDINGS LIMITED

Report on the Financial Statements
We have audited the accompanying Group and Company annual financial statements of Botswana Insurance Holdings Limited, which comprise the statement of financial position as at 31 December 2009, income statement, statement of comprehensive income, statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 114 to 205

Directors' Responsibility for the Financial Statements
The Group and Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of Botswana (Companies Act, 2003) and the Botswana Insurance Industry Act (Cap 46:01). This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements.

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

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

Opinion
In our opinion, the financial statements present fairly, in all material respects the financial position of Botswana Insurance Holdings Limited, Group and Company, as of 31 December 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of Botswana (Companies Act, 2003) and the Botswana Insurance Industry Act (Cap 46:01)

Ernst + Young

Certified Public Accountants
Gaborone
Botswana

14 May 2010

Report of the Statutory Actuary

for the year ended 31 December 2009

	Group	
	31 Dec 2009 P'000	31 Dec 2008 P'000
Statement of actuarial values of assets and liabilities		
Total assets as per statement of financial position	11,440,507	9,578,537
Current liabilities, deferred taxation and minorities as per statement of financial position	(358,587)	(374,146)
Net assets	11,081,920	9,204,391
Actuarial value of policy liabilities	(9,720,541)	7,819,021
Excess of assets over liabilities	1,361,379	1,385,369
Capital Adequacy Requirement	139,538	137,705
Capital Adequacy Requirement cover	9.76	10.06
Analysis of change in excess of assets over liabilities		
Excess assets as at beginning of reporting period	1,385,370	1,317,058
Excess assets as at end of reporting period	1,361,379	1,385,369
Change in excess assets over the reporting period	(23,991)	68,311
This change in the excess assets is due to the following factors:		
Investment income	62,372	100,234
Capital gains	(77,386)	(89,075)
Total investment return on shareholders' funds	(15,014)	11,159
Changes in valuation methods or assumptions	16,459	15,699
Operating profit	245,402	189,435
Taxation	(19,544)	(14,036)
Profit for the year after tax	227,303	202,256
Currency translation	(5,888)	9,098
Movement in consolidation reserve	—	(5,429)
Changes in share based payment and treasury shares	15,990	10,089
Investment income	62,372	100,234
Total earnings	237,405	216,014
Dividends paid	(261,396)	(147,703)
Total change in excess assets	(23,991)	68,311

Certification of financial position

I hereby certify that:

- the valuation of Botswana Insurance Holdings Limited as at 31 December 2009, the results of which are summarised above, has been conducted in accordance with, and this Statutory Actuary Report has been produced in accordance with the Botswana Insurance Industry Act (Cap 46:01) and the professional guidance notes of the Actuarial Society of South Africa ("ASSA"), PGN103 (2005) and PGN104;

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

Changes in valuation methods or assumptions of assets and liabilities

The value of the policyholder liabilities as at 31 December 2009 decreased by P18 million as a result of changes in valuation assumptions and methodology. The components of this were as follows:

	2009 P million	2008 P million
Mortality	22.8	5.6
Lapse and surrender assumptions	(14.1)	(9.1)
Expenses	(5.5)	12.6
Economic	1.6	(3.9)
Other	13.2	10.5
Total	**18.0**	**15.7**

Valuation Methods and Assumptions

The valuation was performed using the Financial Soundness Valuation method for insurance contracts and for investment contracts with participation in profits on a discretionary basis. Investment contracts without discretionary participation features have been valued in terms of IAS 39 Financial Instruments: Recognition and Measurement.

The result of the valuation methods and assumptions is that profits for insurance contracts and for investment contracts with participation in profits on a discretionary basis are released appropriately over the term of each policy, 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 financial soundness valuation gives a statement of the financial position of a life assurance company, according to a realistic or best estimate set of assumptions regarding future investment returns, bonus rates, expenses, persistency, mortality and other factors that may impact on the financial position of the company. These assumptions are based on past experience and anticipated future trends. In particular, provision is made for the expected impact of AIDS on the experience of the company. The liability calculations also make allowance for the reasonable benefit expectations of policyholders, which may exceed the minimum contractual obligations of the company.

Liability Valuation Methods and Assumptions

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

In the calculation of the policy liabilities for insurance contracts and for investment contracts with participation in profits on a discretionary basis, compulsory margins prescribed in the ASSA guidelines have been added to the various realistic assumptions regarding future experience. In addition, discretionary margins have been added in line with policy design.

The purpose of these margins is to introduce an appropriate degree of prudence, to allow for possible adverse deviations in the experience of the company and to avoid the premature recognition of profits that may give rise to losses in later years. Profits are recognised in line with work done and the risk borne by the company.

For market-related unbundled business (e.g. those where a portion of the premium is allocated to an accumulation account) the liability was taken as the market value of the units notionally credited to the policies, less the present value of future charges not required for risk benefits and renewal expenses. For the purpose of calculating the Pula reserves, the discount rates as supplied below, were used.

Appropriate reserves for the unexpired risk portion and for claims incurred but not reported were held for Group risk premium benefits.

In the case of group policies for which the bonuses are stabilised, the liabilities are equal to the balances of the investment accounts plus corresponding bonus stabilisation reserves. Group linked business was valued at the market value of the underlying assets.

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

For reversionary bonus policies, a gross premium valuation was done. Future bonuses were provided for at the latest declared reversionary bonus rates and at final bonus rates supported by the assumed investment return of 11.3% p.a. A discount rate of 11.3% per annum (previous year: 11.8%) was used. Bonus stabilisation reserves were held to equate the liabilities to the market/fair value of the corresponding assets.

For individual unbundled policies of which the bonuses are stabilised/smoothed, a gross premium valuation was done. Future bonuses were provided for at bonus rates that would be declared should an investment return of 11.3% per annum be earned. A discount rate of 11.3% per annum (previous year: 11.8%) was used to place a present value on assumed future cash flows. A negative Pula reserve has been allowed for, equal to the present value of future charges not required for risk benefits and renewal expenses. Bonus stabilisation reserves were held to equate the liabilities to the market value of the corresponding assets.

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

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

- plus the compulsory margins prescribed by PGN104
- plus discretionary margins as follows to release profits consistent with policy design:
  - The mortality basis has been increased to reflect uncertainty due to AIDS, by the addition of an extra 10% of the AIDS mortality table
  - The expense inflation has been increased by 1.3% p.a. (inclusive of prescribed margin)
  - The discount rate on single premium guaranteed annuities has been decreased by 0.75% p.a.
  - The renewal expenses have been increased by 17.8% (inclusive of prescribed margin)
  - The surrender rates have been increased by 25% of the best estimate assumption (inclusive of prescribed margin)
  - Additional reserves are created to ensure that no policy is treated as an asset

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

Economic parameters

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

	2009 %	2008 %
Gilt return	10.0	10.5
Equity return	13.5	14.0
Property return	11.0	11.5
Cash return	9.0	9.5
Average return	11.0	11.5
Expense inflation	7.0	7.5

Bonus Rates

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

Policy Decrements

The assumptions (before adding margins) with regard to future surrender, lapse, disability payment termination, mortality, medical claims and morbidity rates were consistent with the company's recent experience and provision has been made for the expected increase in the occurrence of AIDS-related claims. The most recent experience investigations were done as at the end of December 2009.

Expenses

Provision for expenses (before adding margins) starts at a level consistent with the company's current experience and allows for a 7.0% escalation per annum thereafter (previous year: 7.5%).

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.

Capital Adequacy Requirements

The capital adequacy requirement 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 capital adequacy requirements have been calculated in accordance with section 6 of PGN 104 of the Actuarial Society of South Africa.

Botswana Life Insurance Limited calculates its capital adequacy requirement on the termination capital adequacy requirement (TCAR) basis. In determination of the amount of the capital adequacy requirement, no allowance has been made for action by management.

For the purpose of grossing up the intermediate ordinary capital adequacy requirements (IOCAR) to determine the ordinary capital adequacy requirements (OCAR), it has been assumed that assets backing the capital adequacy requirements are invested 66% in fixed interest assets, 18% in equities, 4% in property and 12% in offshore assets.

The ratio of accumulated surplus to the Capital Adequacy Requirement of P139.5 million (December 2008: P137.7 million) is 9.8 times (December 2008: 10.1 times).

GT WAUGH
Statutory Actuary
11 February 2010

Basis of Presentation and Accounting Policies

for the year ended 31 December 2009

Corporate general information

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

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

The Group's major shareholder, Sanlam, holds 53% 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.

Basis of presentation

The Group annual financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and in the manner required by the Botswana Companies Act (Companies Act, 2003), the Botswanan 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 certain financial assets, policyholder liabilities and investment properties.

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

The assets, liabilities and activities of the policyholders and shareholders in respect of the life insurance business are managed separately and are governed by the valuation bases for policy liabilities and profit entitlement rules, which are determined in accordance with prevailing legislation, IFRS and generally accepted actuarial practice. The valuation bases in respect of policy liabilities and the profit entitlement of shareholders are set out on page 140. The Financial Soundness Valuation methodology as outlined in the report of the Statutory Actuary is equivalent to the liability adequacy test.

Statement of compliance

The financial statements have been prepared in accordance with IFRS, Insurance Industry Act (CAP 46:01), the Botswana Companies Act (Companies Act, 2003) and the Botswana Stock Exchange Act. The accounting policies for the Group are the same as the accounting policies for the Company.

Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Group has adopted the following new and amended IFRS and IFRIC interpretations as of 1 January 2009:

- IFRS 1 and IAS 27 Determining the cost of investment in subsidiaries, jointly controlled entities or associates (Amendment) effective 1 January 2009
- IFRS 2 Share-based Payment: Vesting Conditions and Cancellations effective 1 January 2009
- IFRS 2 Share-based Payment: Group Cash-settled Share-based Payment Transactions effective 1 January 2010 (early adopted)
- IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended) effective 1 July 2009 (early adopted) including consequential amendments to IFRS 7, IAS 21, IAS 28, IAS 31 and IAS 39
- IFRS 7 Financial Instruments: Disclosures effective 1 January 2009
- IFRS 8 Operating Segments effective 1 January 2009
- IAS 1 Presentation of Financial Statements effective 1 January 2009
- IAS 23 Borrowing Costs (Revised) effective 1 January 2009
- IAS 32 Financial Instruments: Presentation and IAS 1 Puttable Financial Instruments and Obligations Arising on Liquidation effective 1 January 2009
- IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items effective 1 July 2009 (early adopted)
- IFRIC 9 Remeasurement of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement effective for periods ending on or after 30 June 2009
- IFRIC 13 Customer Loyalty Programmes effective 1 July 2008
- IFRIC 15 Agreements for the construction of real estate effective 1 January 2009

- IFRIC 16 Hedges of a Net Investment in a Foreign Operation effective 1 October 2008
- IFRIC 18 Transfers of Assets from Customers effective 1 July 2009 (early adopted)
- Improvements to IFRSs (May 2008)
- Improvements to IFRSs (April 2009, early adopted)

When the adoption of the standard or interpretation is deemed to have an impact on the financial statements or performance of the Group, its impact is described below:

IFRS 1 and IAS 27 ***Determining the cost of investment in subsidiaries, jointly controlled entities or associates***

The amendment allows an entity, in its separate financial statements, to determine the cost of investments in subsidiaries, jointly controlled entities or associates (in its opening IFRS financial statements) as one of the following amounts:

- Cost determined in accordance with IAS 27; or
- Deemed cost –being the fair value of the investment in its separate financial statement at the date of transition to IFRS determined in accordance with IAS 39; or
- Deemed cost –being the previous GAAP carrying amount of the investment at the date of transition to IFRS

The amendment did not affect the group's financial position or performance

IFRS 2 ***Share-based Payment (Revised)***

The IASB issued an amendment to IFRS 2 which clarifies the definition of vesting conditions and prescribes the treatment for an award that is cancelled. The Group adopted this amendment as of 1 January 2009. It did not have an impact on the financial position or performance of the Group.

The IASB issued an amendment to IFRS 2 that clarified the scope and the accounting for group cash-settled share-based payment transactions. The Group adopted this amendment as of 1 January 2009. It did not have an impact on the financial position or performance of the Group.

IFRS 3 ***Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended)***

The Group adopted the revised standard from 1 January 2009. IFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after this date. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results. IAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes by IFRS 3 (Revised) and IAS 27 (Amended) will affect future acquisitions or loss of control of subsidiaries and transactions with non-controlling interests.

The change in accounting policy was applied prospectively and had no material impact on earnings per share.

IFRS 7 ***Financial Instruments: Disclosures***

The amended standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosures are presented in Note 25. The liquidity risk disclosures are not significantly impacted by the amendments and are presented in the same note.

IFRS 8 *Operating Segments*

IFRS 8 replaced IAS 14 Segment Reporting upon its effective date. The Group concluded that the operating segments determined in accordance with IFRS 8 are the same as the business segments previously identified under IAS 14. IFRS 8 disclosures are shown in notes, including the related revised comparative information.

IAS 1 *Presentation of Financial Statements*

The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present two statements.

IAS 32 *Financial Instruments: Presentation and IAS 1 Puttable Financial Instruments*

The standards have been amended to allow a limited scope exception for puttable financial instruments to be classified as equity if they fulfill a number of specified criteria. The adoption of these amendments did not have any impact on the financial position or the performance of the Group.

IAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*

The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations. The Group has concluded that the amendment will have no impact on the financial position or performance of the Group, as the Group has not entered into any such hedges.

IFRIC 9 *Reassessment of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement*

This amendment to IFRIC 9 requires an entity to assess whether an embedded derivative must be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. IAS 39 now states that if an embedded derivative cannot be reliably measured, the entire hybrid instrument must remain classified as at fair value through profit or loss. The Group has no embedded derivates and hence the amendment had no effect on the financial position or performance of the Group.

IFRIC 13 *Customer Loyalty Programmes*

IFRIC 13 requires customer loyalty credits to be accounted for as a separate component of the sales transaction in which they are granted. A portion of the fair value of the consideration received is allocated to the award credits and deferred. This is then recognised as revenue over the period that the award credits are redeemed. The Group does not have customer loyalty programmes, hence, the interpretation did not affect the financial position or performance of the Group.

IFRIC 15 *Agreements for the construction of real estate*

IFRIC 15 provides guidance on the accounting on whether an agreement for the construction of real estate fall within the scope of IAS 11 or IAS 18 and when should revenue from the construction of real estate be recognized. The group does not have agreements for the construction of real estate. Consequently, it does not have an effect on the group's financial position or performance.

IFRIC 16 *Hedges of a Net Investment in a Foreign Operation*

The Interpretation is to be applied prospectively. IFRIC 16 provides guidance on the accounting for a hedge of a net investment. As such it provides guidance on identifying the foreign currency risks that qualify for hedge accounting in the hedge of a net investment, where within the group the hedging instruments can be held in the hedge of a net investment and how an entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment. The Group does not have hedges in respect of the net investment in its foreign operations. Consequently, the interpretation did not affect the financial position or performance of the Group.

Improvements to IFRSs

In May 2008 and April 2009 the IASB issued an omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. Only improvements applicable to the group are disclosed. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the group.

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations: clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in IFRS 5. The disclosure requirements of other IFRSs only apply if specifically required for such non-current assets or discontinued operations.
- IFRS 8 Operating Segment Information: clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. As the Group's chief operating decision maker does review segment assets and liabilities, the Group has continued to disclose this information in the notes.
- IAS 1 Presentation of Financial Statements: Assets and liabilities classified as held for trading in accordance with IAS 39 Financial Instruments: Recognition and Measurement are not automatically classified as current in the statement of financial position. The Group analysed whether the expected period of realisation of financial assets and liabilities differed from the classification of the instrument. This did not result in any reclassification of financial instruments between current and non-current in the statement of financial position as the Group uses the order of liquidity for its presentation of the statement of financial position.
- IAS 7 Statement of Cash Flows: Explicitly states that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities. This amendment will impact the presentation in the statement of cash flows of the contingent consideration on the business combination completed in 2009 upon cash settlement.
- IAS 16 Property, Plant and Equipment: Replaces the term "net selling price" with "fair value less costs to sell". The Group amended its accounting policy accordingly, which did not result in any change in the financial position.
- IAS 18 Revenue: The Board has added guidance (which accompanies the standard) to determine whether an entity is acting as a principal or as an agent. The features to consider are whether the entity:
  - Has primary responsibility for providing the goods or service
  - Has inventory risk
  - Has discretion in establishing prices
  - Bears the credit risk

The Group has assessed its revenue arrangements against these criteria and concluded that it is acting as principal in all arrangements. The revenue recognition accounting policy has been updated accordingly.

- IAS 20 Accounting for Government Grants and Disclosures of Government Assistance: Loans granted with no or low interest will not be exempt from the requirement to impute interest. Interest is to be imputed on loans granted with below-market interest rates. This amendment did not impact the Group as it has not received any form of government assistance, directly or indirectly.
- IAS 23 Borrowing Costs: The definition of borrowing costs is revised to consolidate the two types of items that are considered components of 'borrowing costs' into one – the interest expense calculated using the effective interest rate method calculated in accordance with IAS 39. The Group has amended its accounting policy accordingly which did not result in any change in its financial position.
- IAS 36 Impairment of Assets: When discounted cash flows are used to estimate 'fair value less cost to sell' additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate 'value in use'. This amendment had no immediate impact on the consolidated financial statements of the Group because the recoverable amount of its cash generating units is currently estimated using 'value in use'.

The amendment clarified that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes. The amendment has no impact on the Group as the annual impairment test is performed before aggregation.

- IAS 38 Intangible Assets: Expenditure on advertising and promotional activities is recognised as an expense when the Group either has the right to access the goods or has received the service. This amendment has no impact on the Group because it has always been the Group's policy to expense promotional activities expenditure when incurred. The reference to there being rarely, if ever, persuasive evidence to support an amortisation method of intangible assets other than a straight-line method has been removed. The Group reassessed the useful lives of its intangible assets and concluded that the straight-line method was still appropriate.

Other amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Group:

- IFRS 2 Share-based Payment
- IFRS 7 Financial Instruments: Disclosures
- IAS 8 Accounting Policies, Change in Accounting Estimates and Error
- IAS 10 Events after the Reporting Period
- IAS 19 Employee Benefits
- IAS 27 Consolidated and Separate Financial Statements
- IAS 28 Investments in Associates
- IAS 31 Interest in Joint Ventures
- IAS 34 Interim Financial Reporting
- IAS 38 Intangible Assets
- IAS 40 Investment Properties
- IAS 39 Financial Instruments: Recognition and Measurement
- IFRIC 9 Reassessment of Embedded Derivatives
- IFRIC 16 Hedge of a Net Investment in a Foreign Operation

Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below.

IFRIC 17 Distributions of Non-cash Assets to Owners

This interpretation is effective for annual periods beginning on or after 1 July 2009 with early application permitted. It provides guidance on how to account for non-cash distributions to owners. The interpretation clarifies when to recognise a liability, how to measure it and the associated assets, and when to derecognise the asset and liability. The Group does not expect IFRIC 17 to have an impact on the consolidated financial statements as the Group has not made non-cash distributions to shareholders in the past.

IFRS 9 Financial Instruments

This standard will eventually replace IAS 39 Financial Instruments: Recognition and Measurement. This standard constitutes the first phase of the replacement of IAS 39 and focuses on the classification and measurement of financial assets. It is effective 1 January 2013 with an option for early adoption for reporting periods ending on or after 31 December 2009. It classifies financial assets into two main categories, financial assets subsequently measured at amortised cost or fair value. The standard also allows an entity the option to designate a financial asset as a financial asset at fair value through profit or loss if doing so eliminates or significantly reduces a recognition or measurement inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on a different basis. The financial impact is not expected to be significant because the group classifies its financial assets as at fair value through profit or loss and is likely to choose the fair value option when the standard is adopted since it meets the criteria. However, additional disclosures may arise.

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	Contract under which insurance risk is accepted and upon occurrence of the insured event, the policyholder will receive compensation.
Investment contract	Investment policy, which may contain insignificant insurance risk, but which will not be classified as an insurance 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.
DPF	Policyholder has a contractual right to receive, as a supplement to its guaranteed benefits, additional benefits.
Liability adequacy test	Reassessment of the sufficiency of the insurance liability to cover future insurance obligations.
PVIF	Present value of the entity's interest in the expected pre-tax cash flows of the in-force business acquired.
DAC	Direct and indirect costs incurred during the writing or renewing of an insurance contract, which are deferred, to the extent that these costs will be recovered out of future revenue margins.
Deferred revenue	Initial and other front end fees for rendering future investment management services, which are deferred and recognised as revenue when the related services are rendered.

Assumptions	Underlying variables and uncertainties which are taken into account in determining values, which could be insurance contract liabilities or financial assets fair value.
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.
Unit holder / unit linked	Investor in unit linked products, where the insurance risk is born by the policyholder and not the insurance company.
Embedded value	This is an estimate of the economic worth of a life insurance business. The measurement principles however do differ from the measurement principles under IFRS.
IFRS 4	International Financial Reporting Standard that regulates Insurance Contracts.

A glossy of share-based payment specific terminology:

Equity-settled share-based payment transaction	A share-based payment transaction in which the entity receives goods or services as consideration for equity instruments of the entity (including shares or share options).
Employees and others providing similar services	Individuals who render personal services to the entity and either (a) the individuals are regarded as employees for legal or tax purposes, (b) the individuals work for the entity under its direction in the same way as individuals who are regarded as employees for legal or tax purposes, or (c) the services rendered are similar to those rendered by employees. For example, the term encompasses all management personnel, i.e. those persons having authority and responsibility for planning, directing and controlling the activities of the entity, including non-executive directors.
Equity instrument	A contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.
Equity instrument granted	The right (conditional or unconditional) to an equity instrument of the entity conferred by the entity on another party, under a share-based payment arrangement.
Fair value	The amount for which an asset could be exchanged, a liability settled, or an equity instrument granted could be exchanged, between knowledgeable, willing parties in an arm's length transaction.

Grant date	The date at which the entity and another party (including an employee) agree to a share-based payment arrangement, being when the entity and the counterparty have a shared understanding of the terms and conditions of the arrangement. At grant date the entity confers on the counterparty the right to cash, other assets, or equity instruments of the entity, provided the specified vesting conditions, if any, are met. If that agreement is subject to an approval process (for example, by shareholders), grant date is the date when that approval is obtained.
Intrinsic value	The difference between the fair value of the shares to which the counterparty has the (conditional or unconditional) right to subscribe or which it has the right to receive, and the price (if any) the counterparty is (or will be) required to pay for those shares. For example, a share option with an exercise price of P15 on a share with a fair value of P20 has an intrinsic value of P5.
Market condition	A condition upon which the exercise price, vesting or exercisability of an equity instrument depends that is related to the market price of the entity's equity instruments, such as attaining a specified share price or a specified amount of intrinsic value of a share option, or achieving a specified target that is based on the market price of the entity's equity instruments relative to an index of market prices of equity instruments of other entities.
Measurement date	The date at which the fair value of the equity instruments granted is measured for the purposes of this IFRS. For transactions with employees and others providing similar services, the measurement date is grant date. For transactions with parties other than employees (and those providing similar services), the measurement date is the date the entity obtains the goods or the counterparty renders service.
Share-based payment arrangement	An agreement between the entity (or another group (a) entity or any shareholder of any group entity) and another party (including an employee) to enter into a share based payment transaction which thereby that entitles the other party to receive (a) cash or other assets of the entity for amounts that are based on the price (or value) of the entity's shares or other equity instruments (including shares or share options) of the entity or another group entity, or to receive

Share-based payment arrangement ***(Continued)***	(b) equity instruments (including shares or share options) of the entity or another group entity, provided the specified vesting conditions, if any, are met.
Share-based payment transaction	A transaction in which the entity (a) receives goods or services from as consideration for equity instruments of the entity (including shares or share options), or acquires goods or services by incurring liabilities to the supplier of those goods or services (including an employee) in a share-based payment arrangement, or (b) incurs an obligation to settle the transaction with the supplier in a share-based payment arrangement when another group entity receives those goods or services for amounts that are based on the price of the entity's shares or other equity instruments of the entity.
Share option	A contract that gives the holder the right, but not the obligation, to subscribe to the entity's shares at a fixed or determinable price for a specified period of time.
Vest	To become an entitlement. Under a share-based payment arrangement, a counterparty's right to receive cash, other assets, or equity instruments of the entity vests upon satisfaction of any specified vesting conditions.
Vesting conditions	The conditions that determine whether the entity receives the services that entitle the counterparty to receive cash, other assets or equity instruments of the entity, under a share-based payment arrangement. Vesting conditions are either service conditions or performance conditions. Service conditions require the counterparty to complete a specified period of service. Performance conditions require the counterparty to complete a specified period of service and specified performance targets to be met (such as a specified increase in the entity's profit over a specified period of time). A performance condition might include a market condition.
Vesting period	The period during which all the specified vesting conditions of a share-based payment arrangement are to be satisfied.

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 Group's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Group will ultimately pay for such claims. In particular, the claims arising from HIV and AIDS related causes.

The determination of the liabilities under long-term insurance contracts is dependent on estimates made by the Group. Estimates are made as to the expected number of deaths for each of the years in which the Group is exposed to risk. The Group bases these estimates on standard industry and national mortality tables that reflect recent historical mortality experience, adjusted where appropriate to reflect the Group's own experience. The estimated number of deaths determines the value of the benefit payments and the value of the valuation 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. 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 current market returns as well as expectations about future economic and financial developments.

The balance of policyholder liabilities arising from insurance contracts at 31 December 2009 was P3, 591 million (31 December 2008: P2, 818 million).

(ii) Fair value of investments in un-quoted equity, debentures, and other loans

The investments in un-quoted equity instruments, debentures, and other loans 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. For investments in debentures and other loans, expected cash flows are determined using contractual rates of interest adjusted for incurred losses. The carrying amount at year end was P304, 7 million (2008: P341, 4 million).

Impairment of financial assets

The investments in unlisted equity instruments, debentures and other loans have been impaired based on the expected cash flows, discounted at the current risk free rates adjusted for risk premiums on assets with similar terms and risk characteristics. This impairment requires the Group to make estimates about expected future cash flows and discount rates and hence they are subject to significant judgement and uncertainty. Impairment losses written off in the current year amounted to P1.9 million (31 December 2008: P12 million).

(iii) Impairment of non-financial assets

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

(iv) Valuation of pension fund obligation/asset

In current year, the group has discontinued the defined benefit pension scheme. The scheme was changed to a defined contribution plan. There is therefore no valuation of the pension fund obligation/asset in current year. For comparative information disclosed, the cost of defined benefit pension plans as well as the present value of the pension fund obligation was determined using actuarial valuations. The actuarial valuation involved making assumptions about discount rates, expected rates of return of assets, future salary increases, mortality rates and future pension increases. All assumptions were reviewed at each reporting dates, In determining the appropriate discount rate management considers the risk-free yield curve on government bonds in Botswana. The mortality is based on publicly available mortality table for Botswana.

Future salary increases and pension increases are based on expected future inflation rates for Botswana.

Further details about the assumptions are given in note 22.

(v) Determination of fair value of investment properties

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

(vi) Deferred tax assets

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

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

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.

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 on a time proportionate basis that takes into account the effective interest rate on the asset. Interest income is included in investment income in the income statement.

Rental income on operating leases, is recognised on a straight-line basis over the lease term. The difference between rental income on a straight-line and accrual basis is recognised as a deferred lease asset or liability.

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 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 the month

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.

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

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

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

f) *Reinsurance recoveries*

The Group cedes insurance risk in the normal course of business for all of its businesses. Recoverable amounts are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contract.

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.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Botswana Insurance Holdings Limited (BIHL) and its subsidiaries as at 31 December 2009. The reporting dates of the subsidiaries and the holding company are within three months of the Group's reporting date and all use consistent accounting policies.

(i) Subsidiaries

Subsidiaries are those entities in which the Group has an interest and control; where control represents the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are presently exercisable are also taken into consideration when assessing whether the Group has the power to govern the financial and operating policies of another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group and consolidation ceases from the date that control ceases.

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

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Investments in subsidiaries, associates and joint ventures are recognised at cost less accumulated impairment losses in the Company only financial statements.

(ii) Special Purpose entities

The Group consolidates special purpose entities ("SPE") when the substance of the relationship between the Group and the SPE indicates that the Group controls the SPE.

(iii) 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 reserves. The cumulative post-acquisition movements are adjusted against the cost of the investment. Associates are entities over which the Group generally has between 20% and 50% of the voting rights, or over which the Group has significant influence even if it has less than 20% voting rights, but which it does not control. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The Group's investment in associates includes goodwill on acquisition. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless the Group has incurred obligations or made payments on behalf of the associates.

Unrealised gains and losses on transactions between the group and the associate are eliminated to the extent of the group's interest in the associate.

The year ends of some of the associates do not coincide with that of the Group. Where the reporting date of any of the associates is different from that of the Group, adjustments are made for the effects of any major transactions or events that occur between the reporting date of the associate and that of the Group.

(iv) Interest in a joint venture

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

Unrealised gains and losses on transactions between the group and the associate are eliminated to the extent of the group's interest in the joint venture.

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

(v) Acquisition of minority interest

Minority interests represent the portion of profit or loss and net assets 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. Acquisitions of minority interests are accounted for as transactions with equity owners. Differences between the amount paid and the carrying value of the non-controlling interest acquired is accounted in the equity of the parent and not as goodwill.

Business combinations and goodwill

Business combinations from 1 January 2009

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. 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.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit and loss. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IAS 39 either in profit or loss or as change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Investment properties

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

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

Financial Instruments

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

Financial assets within the scope of IAS 39 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, held to maturity investments and available for sale financial assets as appropriate. When financial assets 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.

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 assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term, on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there or a derivative. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments or a financial guarantee contract. Gains or losses on financial assets held at fair value through profit or loss are recognised in the profit or loss. Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial assets 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 assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or
(iii) the financial asset contains an embedded derivative that would need to be separately recorded.

The fair values of quoted investments are based on the quoted market bid prices at the close of business on the statement of financial position date.

For financial instruments 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

Accrued interest in respect of interest bearing financial instruments is included as part of the fair value gain or loss of the related financial instruments.

Loans and receivables

The company's trade and other receivables are classified as loans and receivables.

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition loans and receivables are subsequently carried at amortised cost using the effective interest method less any accumulated allowances 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. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Derecognising financial assets

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

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

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. The continuing involvement that takes the form of a guarantee over the transferred asset if measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and / or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may re-purchase, except in the case of a put option (including a cash settled option or a similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities at fair value through profit or loss

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

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term, on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument). Gains or losses on financial liabilities held for trading are recognised in profit or loss.

Financial liabilities are designated at initial recognition as at fair value through profit or loss if the following criteria are met:

(i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis; or
(ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or
(iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Financial liabilities at amortised cost

Other liabilities such as trade payables are classified as financial liabilities at amortised cost and are initially measured at fair value. Subsequent to initial recognition, they are measured at amortised cost using the effective interest rate method. Where the effect of the effective interest rate is immaterial, the liabilities are carried at face value.

Derecognising financial liabilities

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

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

Impairment of financial assets and non-financial assets

(i) Financial assets at amortised cost

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

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group including but not limited to 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 company.

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 shall be reversed either directly or by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal shall be recognised in profit or loss.

(ii) Non- financial assets

Assets that are subject to depreciation/amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators. For the purpose of assessing impairment, assets are grouped at the lowest levels for which they are separately identifiable cash flows (cash-generating units).

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

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

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

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

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

Offsetting financial instruments

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

Cash and cash equivalents

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

Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the statement of financial position date. All differences 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. 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 operation, African Life Financial Services Limited Zambia, is Zambian Kwacha. As at the reporting date, the assets and liabilities of the subsidiary are translated into the presentation currency of the Group at the rate of exchange ruling at the statement of financial position date and the income statement is translated at the weighted average exchange rate for the year. The exchange differences arising on the translation are taken directly to the statement of comprehensive income as other comprehensive income. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses. Depreciation is calculated on straight line basis to write off the cost of each asset to their residual value over their estimated useful lives as follows;

Buildings	20 years
Furniture and fittings	5 – 10 years
Computer equipment	4 years
Motor vehicles	4 years
Leasehold improvements	lesser of lease term and 4 years

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

Depreciation commences when an asset is available for use and ceases at the earlier of the asset being classified as held-for-sale and the date that the assets is derecognised. Depreciation does not cease for assets that are idle or retired from active use unless they are fully depreciated.

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

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

Intangible assets

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

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

(i) Computer software

Generally costs associated with researching computer software programmes are recognised as an expense as incurred. However, costs that are clearly associated with an identifiable system, which will be controlled by the Group and has a probable benefit beyond one year, are recognised as an asset. 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 3 years and are carried in the statement of financial position at cost less accumulated amortisation and accumulated impairment losses.

The useful lives of assets and amortisation methods are reviewed and adjusted if appropriate at each statement of financial position date.

(ii) Goodwill

Goodwill is initially measured at cost being the excess of the consideration transferred over the Group's net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

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, for example under an insurance contract, 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 income tax

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

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

- where the deferred income 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 income 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 income 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 income 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 income tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each statement of financial position date and are recognised to the extent that it is probable that future taxable profit will allow the deferred income tax asset to be recovered.

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

Deferred income tax relating to items recognised directly in equity is recognised in other comprehensive income and not in the income statement.

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

(ii) Current income tax

Taxation is provided in the financial statements using the gross method of taxation. 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. Withholding tax on dividends paid is set off against the additional company taxation of the Group in the year in which the dividends are paid.

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. The tax rates and tax laws used to compute the amount are those enacted or substantively enacted by the statement of financial position date.

(iii) Value Added Tax (VAT)

Revenue, expenses and assets are recognised net of the amount of the VAT except:

- where the VAT incurred on the purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable, and

- receivables and payables that are stated with the amount of VAT included.

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

Stated capital

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

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

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

Employee benefits

(i) Pension obligations

The defined contribution plan

Effective in the current year, the Group changed its defined benefit plan to 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.

The defined benefit plan

In the previous years including the prior year for which comparatives are provided, the Group operated a defined benefit pension scheme for its post-employment benefits to employees. Under the defined benefit plan, the Group's obligation was to provide the agreed benefits to current and former employees. The actuarial risk (that benefits will cost more than expected) and investment risk fell, in substance, to the Group. The scheme was funded through payments to a trustee administered fund as determined by actuarial calculations that were performed at the end of every financial year.

The Group determined the estimated liability using the projected unit credit method. The present value of the over funded portion of the scheme was recognised as an asset to the extent that there were material benefits available in the form of refunds and reductions in contributions.

The amount of actuarial gains and losses recognised in the income statement was equal to the amount that the cumulative actuarial gains and losses at the end of the previous reporting period exceed the greater of 10% of the present value of the defined benefit obligation or 10% of the fair value of the plan assets at that date, amortised over the empoyee's average remaining working lives in years.

The past service cost was recognised as an expense on a straight line basis over the average period until the benefits became vested. If the benefits were already vested immediately following the introduction of, or changes to, a pension plan, past service cost was recognised immediately.

The defined benefit asset or liability comprised the present value of the defined benefit obligation less past service cost not yet recognised and less the fair value of plan assets out of which the obligations are to be settled directly. The value of any asset was restricted to the sum of: unrecognised net actuarial losses, any past service cost not yet recognised and the present value of any future economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

(ii) Medical aid

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

There are no post-retirement medical funding requirements.

(iii) Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits are normally paid off within 12 months, hence they are not discounted.

(iv) Leave pay provision

The Group recognises, in full, employee's rights to annual leave entitlement in respect of past service. The recognition is made each year end and is calculated based on accrued leave days not taken at the year end. The charge is made to expenses in the profit or loss 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 plans is recognised in other provisions when there is no realistic alternative but to settle the liability and at least one of the following conditions is met:

- there is a formal plan and the amounts to be paid are reliably determined before the time of issuing the financial statements; or

- past practice has created a valid expectation by employees that they will receive a bonus/profit share payment and the amount can be reliably determined before the time of issuing the financial statements.

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

(vi) Share-based compensation

Employees of the Group receive remuneration in the form of share-based payment compensation, whereby employees render services as consideration for equity instruments. There are two elements to the Group's share based payment scheme; one for management staff and one for other staff. The objective of the scheme is to retain staff. Transactions within the management scheme and the staff scheme are accounted for as equity settled.

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 cumulative expense recognised for equity settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of the period.

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

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

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

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

Policy contract benefits

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

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

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

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

Premiums payable on assumed reinsurance are recognised when due.

Claims handling costs are accounted for separately.

Dividends Payable

Dividends are recorded in the Group's financial statements in the period in which they are approved by the shareholders. Hence dividends proposed or declared after the period ends are not recognised at the statement of financial position date. Dividends that are approved after the statement of financial position date but before the financial statements are authorised for issue are disclosed by way of a note to the financial statements together with the related per share amount. The withholding taxes are accrued for in the same period as the dividends to which they relate.

Selling expenses

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

Administration expenses

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

Leases (where the Group is the lessee)

Operating leases

An operating lease is one in which all the risks and benefits of ownership are effectively retained by the lessor. Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term or on a systematic basis when the straight line basis does not reflect the physical usage of the asset.

Contingent liabilities and assets

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

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

Non-distributable reserves

Non-distributable reserves include the capital reserve account as required by section 9 of the Botswana Insurance Industry Act (Chapter 46:01). The provisions of the Botswana Insurance Industry Act require that 25% of the surplus arising in a year should be transferred to this reserve. This reserve is to be utilised at least once every five years to increase the paid up stated capital of the Company. The last utilisation was for balances at 31 March 2004.

Consolidation reserve

The consolidation reserve is created for the effect of treasury shares which represents BIHL shares purchased and held within the Group. The cost of treasury shares are deducted from equity through a separate reserve account. The excess of the fair value of shares over the cost is accounted for through the consolidation reserve which is a capital reserve.

The reserve represents temporary differences insofar as the mismatch is reversed when the affected investments are realised.

Long-term reinsurance contracts

Contracts entered into with reinsurers under which the Group is compensated for losses on one or more long-term policy contracts issued by the Group and that meet the classification requirements for insurance contracts are classified as long-term reinsurance contracts. The expected claims and benefits to which the Group is entitled under these contracts are recognised as assets. The Group assesses its long-term reinsurance assets for impairment bi-annually.

Impairment occurs when objective evidence exists that the Company may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Company will receive from the reinsurer can be measured reliably. The impairment loss is charged to the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed.

Insurance Contracts Liabilities

The Group's main insurance products are;

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

Mompati is a product designed to provide death cover for the policyholder and his/her family members. The main purpose of the policy is to provide a death benefit to meet funeral expenses but also includes an investment account. The value of the investment account is paid in the event of maturity or surrender (after deducting a surrender penalty, if applicable). The investment account is credited with premiums received and investment returns. Deductions are made from the investment account to cover the cost of funeral benefits, expenses and commission.

The policyholder liability for annuities includes a mismatch and re-investment reserve. Its purpose is two fold:

- To ensure that the company has sufficient assets in the event that liabilities exceed the value of assets,

- To provide against reinvestment risk that arises as a result of the duration of the assets being shorter than the liabilities. The shorter term of the assets may result in future asset proceeds being re-invested on less favourable terms than were available at policy inception. The Company 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.

Investment Contract Liabilities

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. 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 profit or loss when earned.

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

Non-unitised contracts are subsequently also carried at fair value, which is determined by using valuation techniques such as discounted cash flows and stochastic modelling. Models are validated, calibrated and periodically reviewed by an independent qualified person.

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.

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 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.

Insurance contracts with a discretionary participating feature (DPF):

DPF is 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 issuer; or
  - the profit or loss of the company, fund or other entity that issues the contract.

For life insurance contracts, the same accounting treatment is applied to contracts with and without DPF.

Insurance contract liabilities with DPF are recognised when contracts are entered into and premiums are charged. These liabilities are initially recognised at transaction price excluding any transaction costs directly attributable to the issue of the contract.

Liability for Life Insurance Contracts

Life insurance liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are measured by using the net premium method. The liability is determined as the sum of the discounted value of the expected future benefits, claims handling and policy administration expenses, policyholder options and guarantees and investment income from assets backing such liabilities, which are directly related to the contract, less the discounted value of the expected theoretical premiums that would be required to meet the future cash outflows based on the valuation assumptions used.

Certain acquisition costs to the sale of new policies are recognised in the income statement in the year of sale and are not deferred.

Furthermore, the liability for life insurance comprises provision for unearned premiums and unexpired risks, as well as for claims outstanding, which includes an estimate of the incurred claims that have not yet been reported to the Group. Adjustments to the liabilities at each reporting date are recorded in the income statement. The liability is derecognised when the contract expires, is discharged or is cancelled.

There are no regulations in Botswana covering minimum required levels of capital. For the sake of prudence the same level of capital as would be required in South Africa has been calculated equal to the Capital Adequacy Requirement ("CAR"). This is the greater of the calculation on two bases.

- Termination (TCAR): This is the additional amount that would be required if all policies were to surrender or lapse immediately.
- Ordinary (OCAR): This represents the compounded effect of a variety of adverse circumstances (in investment experience, expenses, mortality, lapses, etc).

Botswana Life Insurance Limited, the Group's life insurance subsidiary is currently on a TCAR basis because of the significant profits anticipated on the Mompati book of business. For the purpose of estimating profitability all the CAR is allocated to the Mompati business line.

The liability for life insurance contracts is based on current assumptions set by the actuarial committee. The assumptions are set according to principles consistent with PGN104. These principles are:

- Economic assumptions are set based on market conditions at the valuation date.
- Non-economic assumptions are set by considering recent experience analyses and likely future developments in the experience.

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

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

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

Lapse and surrender rates depend on product features, policy duration and external circumstance, such as sales trends. Credible own experience are 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 statement of financial position date for life insurance contract liabilities at 31 December 2009 are P3,6 billion (31 December 2008: P2, 8 billion)

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. There are no negative bonus stabilisation reserves. Bonus stabilisation reserves are included in long-term policy liabilities. The carrying value included in the liabilities at 31 December 2009 is P 21.8 million (31 December 2008: P18.2 million)

Provision for future bonuses

Future bonuses of 3% per annum are allowed for in the Financial Soundness Valuation.

A bonus philosophy for the With Profit Annuity (WPA) product has been established, which targets a bonus rate of 6% or 8% of the assumed inflation rate of 7.5%.

Reversionary bonus business

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

Individual stable bonus and market-related business

For policies where the bonuses are stabilised or directly related to the return on the underlying investment portfolios, the liabilities are equated to the retrospectively accumulated fair value of the underlying assets. No second tier margins are held on this business, except to the extent that negative Pula reserves are eliminated. The carrying amount as at 31 December 2009 is P 21.5 million (31 December 2008: P 19.6 million)

Participating annuities

The liabilities are equated to the fair value of the retrospectively accumulated underlying assets. This is equivalent to the best estimate prospective liability calculation allowing for future investment returns. Shareholders entitlements emerge in line with fees charged less expenses incurred consistent with work done and risks borne over the lifetime of the annuities. The present value of the shareholder's entitlements is sufficient to cover the compulsory margins for the valuation of policy liabilities. The compulsory margins are thus not provided for in addition to the shareholders' entitlements.

There are very few such policies on the book. Those that are participating annuities have been in force for two years. The carrying amount of participating annuities is P50.7 million (31 December 2008: P46.4 million)

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 at 31 December 2009 is P1.8 billion (31 December 2008: P1.3 billion)

Other non-participating business

Other non-participating business forms less than 1% 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 for other non participating business at 31 December 2009 is P6.4 million (31 December 2008: 5.7 million)

HIV/AIDS

No specific provision is set up for HIV/AIDS claims. Reserves are calculated prospectively and contain allowances for HIV/AIDS claims.

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

Provision for minimum investment return guarantees

In addition to the liabilities described above, provision is made consistent with actuarial guidance note PGN 110 for the possible cost of minimum investment return guarantees provided by the annuity business. Additional mismatch reserves are also held on the annuity business. The carrying amount for the mismatch reserve at 31 December is P19.7 million (31 December 2008: P19.7 million).

Working capital

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

Reinsurance

The Group cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Recoverable amounts are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contract.

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.

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

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 25);
- 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 a healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.
No changes were made in the objectives, policies or processes during the years ended 31 December 2009 and 31 December 2008.

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 company complied with all externally imposed capital requirements. The provisions of the Botswana Insurance Industry Act require that 25% of the surplus arising in a year should be transferred to this reserve. This reserve is to be utilised at least once every five years to increase the paid up stated capital of the Company. The last utilisation was for balances at 31 March 2004.

Capital includes shareholders equity and long-term debt. As at year end there was no long term debt.

	2009 P'000	2008 P'000
Shareholder's equity	1,396,420	1,416,463
Capital Adequacy Requirement	139,538	137,705
Capital Adequacy Requirement cover	9.76	10.06

Governance structure

The agenda of the BIHL Board focuses on Group strategy, capital management, accounting policies, financial results, dividend policy, human resource development and corporate governance and BSE requirements. The BIHL Board is responsible for statutory matters across all BIHL businesses as well as monitoring operational efficiency and risk issues throughout the Group. Refer to the Corporate Governance Report on page 58. for further information on the responsibilities of the BIHL Board and its committees.

The Group operates within a decentralised business model environment. In terms of this philosophy, the BIHL Board sets the Group risk management policies and frameworks and the individual businesses take responsibility for all operational and risk-related matters on a business level, within the limits set by these policies and frameworks. The following diagram generically depicts the flow of risk management information from the individual businesses to the BIHL Board.

BIHL Board
Responsible for the Group's risk management strategy and policies, as well as monitoring the effectiveness and disclosure thereof, in accordance with best practice

Audit, Actuarial and Risk committee
Assists the Board in fulfilling its responsibilities

Business Executive committees
Responsible as the Board's executive overseer to ensure that the businesses achieve optimal risk-adjusted returns

Risk Management
Develops Group risk management framework, policies and guidelines for approval by the Board, co-ordinates reporting responsibilities and improves risk management across the Group

Business (and sub-business) level risk management
Identifies and manages risks faced by the business

Business level management committees
Additional committees that may be established by a business to assist their Executive committees in certain areas of risk management

Business level Audit, Actuarial and Risk committees/forums
Assists the business level Board in fulfilling its responsibilities to the Board

A number of other risk monitoring mechanisms are operating within the Group as part of the overall risk management structure. The most important of these are illustrated in the following table.

OTHER RISK MONITORING MECHANISMS

BIHL Board
Reviews and oversees the management of the Group's capital base

Actuarial Committee
Determines appropriate investment policies and guidelines for policyholder portfolios where guarantees are provided

Compliance
Facilitates management of compliance through analysing of statutory and regulatory requirements, and monitoring implementation and execution thereof

Group Risk Forum
Aids co-ordination and transfer of knowledge between businesses and the Group, and assists Group Risk Management in identifying risks requiring escalation to the BIHL Board

Non-listed Asset Review
Reviews and approves the valuation of all unlisted assets in the Group for recommendation to the BIHL Board

Financial Director
Ensures that sound financial practices are followed, adequate and accurate reporting occurs, and financial statement risk is minimised

Actuarial
Monitors and reports on key risks affecting the life insurance operations. Determines capital requirements of the life insurance operations and the potential impact of strategic decisions thereon, by using appropriate modelling techniques

Group Governance/ Secretariat and Public Officers
Reviews and reports on corporate governance practices and structures. Reports on applicable legal and compliance matters

Forensics
Investigates and reports on fraud and illegal behaviour

Investment Committees
Determines and monitors appropriate investment strategies for policyholder solutions

Group IT Risk Management
Manages and reports Group-wide IT risks

Risk Officer (per business)
Assists business management in their implementation of the Group risk management process, and to monitor the business' entire risk profile

Internal Audit
Assists the BIHL Board and management by monitoring the adequacy and effectiveness of risk management in businesses

Group risk policies and guidelines

All risks are managed in terms of the policies and guidelines of the Board and its committees. Some of the main policies are:

- The BIHL Group Strategic Risk Management (SRM) Policy;
- Group Risk Escalation Policy;
- Group Business Continuity Policy;
- Group Information and Information Technology (I & IT) Risk Management Policy; and
- Investment Cluster Credit Risk Policy and Strategy.

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 SRM Policy.

The aim of the Group Escalation Policy is to ensure that key risks and risk events in any business in the Group are reported to the appropriate governance level. The Group Business Continuity Policy ensures that effective vertical and horizontal recovery abilities, consistent with business priorities, exist across the Group, to deal with disasters and related contingencies. The BIHL Group Strategic Risk Management Policy is briefly summarised below:

BIHL Group Strategic Risk Management Policy

Definition

SRM is a high-level over-arching approach to ensure that:

- All risks which could jeopardise or enhance achievement of the Group's strategic goals are identified;
- Appropriate structures, policies, procedures and practices are in place to manage these risks;
- Sufficient organisational resources are applied to, and corporate culture is fully supportive of, the effective implementation of these structures, policies, procedures and practices;
- The organisation's risks are indeed being managed in accordance with the foregoing; and
- The impact of strategic decisions on the risk-adjusted return on Group Equity Value is considered by way of appropriate modelling techniques prior to such decisions being implemented.

Objective

The primary objective of SRM is to optimise the Group's risk-adjusted return on Group Equity Value.

Philosophy

SRM is achieved by:

- Applying a decentralised philosophy, in that the individual businesses are responsible for the identification of risks in their business and to apply appropriate risk management. Only significant risks are escalated to the BIHL Group level, in accordance with the BIHL Group Risk Escalation Policy (mentioned above). This policy guides the businesses to assess the impact of the risk (on a scale of insignificant to catastrophic), type of risk (on a scale of unlikely to already occurred/highly probable), and accordingly to determine the role players to whom the risk should be reported (from the Risk Officer of the business to the chairman of the BIHL Audit and Risk Committee).
- Implementing maximum loss limits, by using measures such as "value at risk", long-term solvency requirements, capital adequacy requirements and sensitivities on return on embedded value/value of new business; and
- Clearly defining and documenting the business's risk appetite, being the degree of uncertainty that a business is willing to accept in pursuit of its goals, and describing it both qualitatively and quantitatively.

Risk is inherent in doing business, and includes all of the uncertain consequences of business activities that could prevent BIHL from achieving its strategic goals. BIHL's SRM process is aimed at managing three elements of risk:

- **Opportunity:** managing risk on the upside as an "offensive" function; focusing on actions taken by management to increase the probability of success and decrease the probability of failure.
- **Hazard:** managing risk on the downside as a "defensive" function; focusing on the prevention or mitigation of actions that can generate losses; and
- **Uncertainty:** managing the uncertainty associated with risk, focusing on achieving overall financial performance that falls within a defined acceptable range.

Process

Each business has a documented process that links into the business's normal management process and includes:

- Strategic organisational and risk management context:
- Strategic context (defining the business's strengths, weaknesses, opportunities and threats relative to its environment),
- Organisational context (understanding the business' goals, strategies, capabilities and values),
- Risk management context (setting of scope and boundaries),
- Developing risk evaluation criteria, defining a logical framework for risk identification, establishing a risk identification process, analysing the risks identified, evaluating the risks against established risk criteria, deciding on the appropriate action and communication, with the aim of continuous management and improvement.

General operational risks

Operational risk

Operational risk is the risk of loss due to factors such as inadequate systems, management failure, inadequate internal controls, fraud or human error. The business mitigates these risks through its culture and values, a comprehensive system of internal controls, internal audit, forensic and compliance functions and other measures such as back-up facilities, contingency planning and insurance.

The initiation of transactions and their administration is conducted on the basis of the segregation of duties, designed to ensure the correctness, completeness and validity of all transactions. Control is further strengthened by the settlement of transactions through custodians. The custodians are also responsible for the safe custody of the business' securities. To ensure validity, all transactions are confirmed with counter-parties independently from the initial executors.

The business has a risk-based internal audit approach, in terms of which priority is given to the audit of higher risk areas, as identified in the planning phase of the audit process. The internal control systems and procedures are subject to regular internal audit reviews.

The BIHL Investment Committee is responsible for the implementation and monitoring of risk management processes to ensure that the risks arising from trading positions are within the approved risk parameters.

The following functionaries assist in mitigating operational risk:

Internal audit

A board-approved internal audit charter governs internal audit activity within the Group. Regular risk-focused reviews of internal control and risk management systems are carried out. The internal audit function is appointed in consultation with the chairman of the Audit and Risk Committee and has unrestricted access to the chairman of the Committee. The authority, resources, scope of work and effectiveness of the functions are reviewed regularly.

External audit

The Group's external auditors are Ernst & Young. The report of the independent auditors for the year under review is contained on page 111 of this annual report. The external auditors provide an independent assessment of certain systems of internal financial control and 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

The "Group Information and Technology (IT) Risk Management Policy" is authorised by the Group Risk Forum and the Group IT Governance Committee and ratified by the Group Executive Committee. It stipulates the role of the Information and IT Risk manager that each business is responsible for appointing.

Furthermore, it provides a framework of IT risk management, the methods of reporting, assessment and action, appropriate documentation and management of all risk-related IT incidents that have occurred, timing of communication and liaison with other functions in the Group.

Reliance on and the continuous availability of IT systems and processes are inherent to the nature of the Group's operations. An important objective of the Group Information and Technology Risk Management Policy is accordingly to ensure that the Group's IT resources and platforms are maintained and developed in line with changes in the Group's businesses environment and requirements, and that proper back-up processes and disaster recovery measures are in place.

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 a number of facts and circumstances and are of the opinion that adequate resources exist to continue business in the foreseeable future and that BIHL will remain a going concern in the year ahead. The Board's statement to this effect is also contained in the statement on the responsibility of directors in the annual financial statements.

Compliance risk

Laws and regulations:

BIHL considers compliance with applicable laws, industry regulations and codes an integral part of doing business. The Group compliance function, together with the compliance functions of the Group businesses, facilitates the management of compliance through the analysis of statutory and regulatory requirements, and monitoring the implementation and execution thereof.

Compliance with client mandates:

Rules for clients' investment instructions are loaded on an order management system, which produces post trade compliance reports that are continuously monitored. On a monthly basis, these reports are manually compared with the investment instructions. When a possible breach is detected, the portfolio manager is requested to confirm whether a breach has taken place, to explain the reason for the breach and indicate when it will be rectified (which is expected to be as soon as possible).

Further action may be taken, depending on the type of breach. The detailed results of the mandate monitoring process are discussed with the Head of Investment Operations on a monthly basis.

Fraud risk

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

The Chief Executive of each business cluster is responsible for the implementation of the policy in his or her respective business and is accountable to the Board of BIHL.

Quarterly reports are submitted by Group Forensic Services to the BIHL Audit and Risk Committee on the incidence of financial crime and unlawful conduct in the Group and on measures taken to prevent, detect, investigate and deal with such conduct.

Legal risk

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

During the development stage of any new product and for material transactions entered into by the business, the legal resources of the business monitor the drafting of the contract documents to ensure that rights and obligations of all parties are clearly set out.

The Group seeks to minimise uncertainties through continuous consultation with internal and external legal advisers, to understand the nature of risks and to ensure that transactions are appropriately structured and documented.

Lapse risk

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

Legislation risk

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

Taxation risk

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

Reputation risk

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

Strategy risk

The Group's governance structure and various monitoring tools in place ensure that any events that affect the achievement of the Group's strategy are escalated and addressed at the earliest opportunity. The Board has no tolerance for any breach of guidance.
Group strategy is addressed on a continuous basis at various forums within the Group, the most important of which are:

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

Long term insurance risk

The Investment Committee and Actuarial Committee are established within the long-term insurance businesses. The principle aim of these committees is to ensure that insurance and investment contract liabilities are matched with appropriate supporting assets based on the type of benefits payable to the contract holders. Separate asset portfolios are maintained for the different products and categories of long-term policy liabilities.

The business's long-term insurance operations are subject to the general operational risks described in section the above section, but also to specific long-term insurance risks, which include the following:

Risk management: per type of risk

Underwriting risk

Underwriting risk is the uncertainty about the ultimate amount of net cash flows from premiums, commissions, claims, and claim settlement expenses paid under a contract and timing risk, defined as "uncertainty about the timing of the receipt and payment of those cash flows.

Insurance events are random and the actual number and amount of claims will vary from estimates. The business manages these risks through its product development process and underwriting policy to prevent anti-selection and ensure appropriate premium rates (loadings) for substandard risks. It also ensures adequate reinsurance arrangements are in place to limit exposure per individual and manage concentration of risks, the claims handling policy and adequate pricing and reserving. Half yearly actuarial valuations are also performed to assist in the timely identification of experience variances.

Underwriting strategy

The following policies and practices are used by the business as part of its underwriting strategy to mitigate underwriting risk:

- All long-term insurance product additions and alterations are required to pass through the approval framework that forms part of the life insurance business' governance process. The Statutory Actuary approves the policy conditions and premium rates of new and revised products;
- Specific testing for HIV/AIDS is carried out in all cases where the applications for risk cover exceed a set limit. Product pricing and reserving policies also include specific allowance for the risk of HIV/AIDS;
- 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; and
- Regular investigations into mortality and morbidity experience are conducted to ensure that corrective action, for example re-rating of premiums, is taken where necessary.
- Expenses are continuously monitored and managed through the business's budgeting process

Reinsurance

All risk exposures in excess of specified monetary limits are reinsured. Credit risk in respect of reinsurance is managed by limiting the business's exposure to companies with high international or similar credit ratings.

Claims risk

The risk that the business may pay fraudulent claims (claims risk) is mitigated by training client service staff to ensure that fraudulent claims are identified and investigated timeously. The legitimacy of claims is verified by internal, financial and operating controls that are designed to contain and monitor claims risks. The forensic investigation team also advises on improvements to internal control systems.

Non-participating annuities

Interest rate risk is the principle financial risk in respect of non-participating annuities, given the long-term profile of these liabilities. Liabilities are matched with assets, mostly interest-bearing, to ensure that the duration of assets and liabilities are closely matched. The impact of a 1% parallel movement is shown on page 151.

	Dec 2009	Dec 2008
The mean duration of non-participating annuity liabilities is:	8.86 years	7.13years
The mean duration for the supporting assets is:	8.38 years	6.32 years

The loss from a 1% parallel fall in interest rates is approximately P13.8m.

Assumption Changes

2009	Base value	Investment returns	Expenses	Expense inflation	Lapse and surrender rates	Mortality and morbility rates
		+1% or -1%	+10%	+1%	+10% or -10%	+10% or -10%
	P'000	P'000	P'000	P'000	P'000	P'000
Individual Life Business	1,449,773	1,454,455	1,454,580	1,452,730	1,454,455	1,459,485
Annuity Business	1,959,004	2,061,906	1,962,307	1,962,014	1,959,004	1,972,737
Group Life Business	182,547	182,547	184,373	182,822	182,547	170,682
Total	3,591,324	3,698,908	3,601,260	3,597,566	3,596,006	3,602,904

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.

2008	Base value	Investment returns	Expenses	Expense inflation	Lapse and surrender rates	Mortality and morbility rates
		+1% or -1%	+10%	+1%	+10% or -10%	+10% or -10%
	P'000	P'000	P'000	P'000	P'000	P'000
Individual Life Business	1,303,695	1,308,018	1,308,018	1,306,355	1,308,018	1,312,429
Annuity Business	1,400,813	1,474,395	1,405,724	1,402,966	1,400,813	1,410,634
Group Life Business	83,473	83,473	84,308	83,599	83,473	78,047
Total	2,787,981	2,865,886	2,798,050	2,792,919	2,792,304	2,801,110

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.

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 stochastic 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 within an acceptable confidence level. Capital adequacy requirements were covered as indicated by the Companies' shareholders' fund, (as determined according to regulations and the guidelines issued by the Actuarial Society of South Africa). The CAR is covered 9.76 times (31 December 2008: 10.06 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.

Non-participating annuity payable per annum per life insured

Benefits insured per individual life

			Before reinsurance		After reinsurance	
	2009	2008	2009	2008	2009	2008
	Number of lives	Number of lives	P'000	P'000	P'000	P'000
0 - 500	590,182	479,089	6,880,689	5,882,873	6,192,620	5,294,586
500 - 1 000	216	254	150,702	142,785	26,500	24,000
1 000 - 5 000	154	154	192,498	193,134	16,200	14,400
5 000 - 8 000	1	4	14,836	22,156	300	400
>8 000	1	2	14,575	20,263	200	200
	590,532	479,503	7,253,301	6,261,211	6,235,820	5,333,586

Non-participating annuity payable per annum per life insured

	2009	2008	2009	2008
	Number of lives	Number of lives	P'000	P'000
0-20	1,974	1,802	18,868	17,904
20-40	940	821	27,203	23,796
40-60	636	585	31,214	28,772
60-80	358	310	24,877	21,258
80-100	235	201	20,959	17,960
>100	352	270	53,243	40,072

Annuity business is not reinsured.

Group consolidated statement of financial position

as at 31 December 2009

		Group		Company	
		2009	2008	2009	2008
	Notes	P'000	P'000	P'000	P'000
ASSETS					
Property and equipment	2	18,487	16,890	—	—
Intangible assets	3	82,622	79,821	—	—
Financial assets at fair value through profit or loss		9,189,297	7,698,774	—	—
Bonds (Government, public authority, listed and unlisted corporates)	4.1	2,539,745	1,805,165	—	—
Money market instruments	4.1	6,264	432,947	—	—
Equity investments	4.2	6,338,558	5,119,290	—	—
Policy loans and other loan advances	4.4	304,730	341,372	—	—
Investment property	4.5	137,719	146,612		
Interest in subsidiaries	4.6	—	—	63,247	63,247
Investments in associates	4.6	321,054	34,971	—	—
Deferred tax asset	10	960	3,030	—	—
Trade and other receivables	5	274,443	216,991	102,168	57,482
Related party balances	19	937	—	4,961	4,461
Cash,deposits and similar securities	24	1,414,988	1,384,478	5,462	3,306
Total assets		11,440,507	9,581,567	175,838	128,496
EQUITY AND LIABILITIES					
Equity attributable to equity holders of parent					
Stated capital	6	40,601	40,601	40,601	40,601
Non - distributable reserves	7	332,342	277,180	9,762	9,762
Retained earnings		988,434	1,067,587	112,230	2,449
Total equity attributable to equity holders of parent		1,361,377	1,385,368	162,593	52,812
Non controlling interest	9	35,042	31,095	—	—
Total equity		1,396,419	1,416,463	162,593	52,812
Liabilities					
Policyholder liabilities	8	9,720,541	7,819,021	—	—
Insurance contracts		3,591,324	2,817,683	—	—
Investment contracts		6,129,217	5,001,338	—	—
Deferred tax liability	10	21,090	49,759	—	—
Trade and other payables	11	286,507	281,903	13,245	14,722
Tax payable		15,046	9,168	—	—
Related party balances	19	904	5,253	—	60,962
Total equity and liabilities		11,440,507	9,581,567	175,838	128,496

Group consolidated income statement

for the year ended 31 December 2009

		Group		Company	
	Notes	2009 P'000	2008 P'000	2009 P'000	2008 P'000
Revenue					
Net insurance premium income	12	1,253,413	958,636	—	—
Insurance premium income		1,276,720	992,635	—	—
Insurance premium ceded to reinsurers		(23,307)	(33,999)	—	—
Other investment income		105,608	132,468	413,282	182,071
Fee revenue		120,623	121,308	—	—
Investment revenue	13.1	57,397	93,223	413,282	182,071
Net loss from financial assets held at fair value through profit or loss	13.2	(72,412)	(82,063)	—	—
Total income		1,359,021	1,091,104	413,282	182,071
Net policyholder movement		(680,811)	(533,293)	—	—
Policyholder's income/(loss)		1,497,835	(1,545,433)	—	—
Investment revenue	13.1	422,588	369,991	—	—
Net gains/(losses) from financial assets at fair value through profit or loss	13.2	1,075,247	(1,915,424)	—	—
Net insurance and investment contract benefits and claims		(2,178,646)	1,012,140	—	—
Policyholder benefits paid	14	(524,343)	(418,695)	—	—
Change in liabilities under investment contracts		(850,960)	1,534,843	—	—
Change in liabilities under insurance contracts		(803,343)	(104,008)	—	—
Expenses		(447,815)	(332,115)	(19,548)	(9,473)
Sales remuneration		(245,028)	(165,735)	—	—
Administration expenses	15	(202,787)	(166,380)	(19,548)	(9,473)
Profit before share of profit of associates		230,395	225,696	393,734	172,598
Share of profit of associates	4.6	26,821	9,802	—	—
Profit before tax		257,216	235,498	393,734	172,598
Income tax expense	16	(19,544)	(14,037)	(61,767)	(27,283)
Profit for the year		237,672	221,461	331,967	145,315
Attributable to:					
- Equity holders of the parent		227,302	202,256	331,967	145,315
- Non controlling interests		10,370	19,205	—	—
		237,672	221,461	331,967	145,315
Earnings per share (thebe)					
- basic	17	87	77		
- diluted	17	85	76		

Group consolidated statement of comprehensive income

for the year ended 31 December 2009

		Group		Company	
		2009	2008	2009	2008
	Notes	P'000	P'000	P'000	P'000
Profit for the year		237,672	221,461	331,967	145,315
Other comprehensive income					
Exchange differences on translation of foreign operations		(9,170)	4,413	—	—
Total comprehensive income for the year		228,502	225,874	331,967	145,315
Total comprehensive income attributable to:					
- Equity holders of the parent		221,414	211,354	331,967	145,315
- Non-controlling interests		7,088	14,520	—	—
		228,502	225,874	331,967	145,315

Group consolidated statement of changes in equity

for the year ended 31 December 2009

	Attributable to equity holders of parent			
	Stated capital P'000	Treasury shares P'000	Share based payment reserve P'000	Statutory capital reserves P'000
Group				
For the year ended 31 December 2008				
Balance at 01 January 2008	40,601	(56,861)	22,242	330,548
Foreign currency translation	—	—	—	—
Profit for the year	—	—	—	—
Total comprehensive income				
Share based payment expense	—	—	10,089	—
(Transfer to statutory reserve)/ Transfer from retained income	—	—	—	24,568
(Transfer from consolidation reserve)/ Transfer to retained income	—	—	—	—
Dividends paid	—	—	—	—
Acquisitions of minority interests (note 9)	—	—	—	—
Balance at 31 December 2008	40,601	(56,861)	32,331	355,116
For the year ended 31 December 2009				
Balance at 01 January 2009	40,601	(56,861)	32,331	355,116
Foreign currency translation	—	—	—	—
Profit for the year	—	—	—	—
Total comprehensive income				
Share based payment expense	—	—	15,689	—
(Transfer to statutory reserve)/ Transfer from retained income	—	—	—	69,724
(Transfer from consolidation reserve)/ Transfer to retained income	—	—	—	—
Cost of treasury shares acquired/(disposed)	—	302	—	—
Dividends paid	—	—	—	—
Balance at 31 December 2009	40,601	(56,559)	48,020	424,840
Company				
For the year ended 31 December 2008				
Balance at 1 January 2008	40,601	—	—	9,762
Profit for the year	—	—	—	—
Dividends paid	—	—	—	—
Balance at 31 December 2008	40,601	—	—	9,762
For the year ended 31 December 2009				
Balance at 1 January 2009	40,601	—	—	9,762
Profit for the year	—	—	—	—
Dividends paid	—	—	—	—
Balance at 31 December 2009	40,601	—	—	9,762

Attributable to equity holders of parent →						
Foreign currency translation reserve P'000	Consolidation reserves P'000	Total non-distributable reserve P'000	Retained income P'000	Total P'000	Non-controlling interest P'000	Total Equity P'000
13,155	(153,840)	155,244	1,121,212	1,317,057	55,006	1,372,063
9,098	—	9,098	—	9,098	(4,685)	4,413
—	—	—	202,256	202,256	19,205	221,461
9,098		9,098	202,256	211,354	14,520	225,874
—	—	10,089	—	10,089	—	10,089
—	—	24,568	(24,568)	—	—	—
—	78,181	78,181	(83,610)	(5,429)	—	(5,429)
—	—	—	(147,703)	(147,703)	(9,517)	(157,220)
—	—	—	—	—	(28,914)	(28,914)
22,253	(75,659)	277,180	1,067,587	1,385,368	31,095	1,416,463
22,253	(75,659)	277,180	1,067,587	1,385,368	31,095	1,416,463
(5,888)	—	(5,888)	—	(5,888)	(3,282)	(9,170)
—	—	—	227,302	227,302	10,370	237,672
(5,888)		(5,888)	227,302	221,414	7,088	228,502
—	—	15,689	—	15,689	—	15,689
—	—	69,724	(69,724)	—	—	—
—	(24,665)	(24,665)	24,665	—	—	—
—	—	302	—	302	—	302
—	—	—	(261,396)	(261,396)	(3,141)	(264,537)
16,365	(100,324)	332,342	988,434	1,361,377	35,042	1,396,419
—	—	9,762	(16,847)	33,516	—	33,516
—	—	—	145,315	145,315	—	145,315
—	—	—	(126,019)	(126,019)	—	(126,019)
—	—	9,762	2,449	52,812	—	52,812
—	—	9,762	2,449	52,812	—	52,812
—	—	—	331,967	331,967	—	331,967
—	—	—	(222,186)	(222,186)	—	(222,186)
—	—	9,762	112,230	162,593	—	162,593

Group consolidated statement of cash flows

for the year ended 31 December 2009

		Group		Company	
		2009	2008	2009	2008
	Notes	P'000	P'000	P'000	P'000
Net cashflows from operating activities		1,878,222	(1,237,573)	2,156	14
Cash generated from /(utilised) in operations	23	2,123,616	(1,144,127)	(127,173)	(56,035)
Interest received		35,115	74,364	458	618
Dividends received from investments/subsidiaries		23,384	24,362	412,824	181,453
Dividends received from associates		907	1,620	—	—
Loan receivable repaid by associate		—	10,084	—	—
Tax paid		(40,263)	(46,656)	(61,767)	—
Dividends paid		(264,537)	(157,220)	(222,186)	(126,022)
Cash (outflows)/inflows from investing activities		(1,847,713)	1,949,882	—	—
Purchase of property and equipment	2	(4,191)	(6,669)	—	—
Purchase of computer software	3	(1,753)	(714)	—	—
Purchase of Bifm shares from non-controlling interests		—	(91,759)	—	—
Purchase of investment property		(17,762)	(37,829)	—	—
Proceeds from disposal of investment property		1,920	—		
Investment in associate	4.6	(68,445)	(2,782)	—	—
Net movement in investments		(1,757,482)	2,089,635	—	—
Net increase in cash and cash equivalents		30,509	712,309	2,156	14
Cash and cash equivalents at the beginning of the year		1,384,479	672,170	3,306	3,292
Cash and cash equivalents at the end of the year	24	1,414,988	1,384,479	5,462	3,306

1. Segmental analysis

Basis of segmentation

For management purposes, the group is organised into two principal business areas based on their products and services and these make up the two reportable operating segments as follows:

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

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

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 2009 and 2008 between business segments are set on an arm's length basis in a manner similar to transaction with third parties. Segmental income, segment expense and segment results will then include those transfers between business segments, which will then be eliminated on consolidation.

Primary segment - Business segments

At 31 December 2009, the Group's operating businesses are organised and managed separately according to the nature of the products and services offered, with each segment representing a strategic business unit that offers varying products and serves different markets. This is the basis on which the Group reports its primary segment information. The Group is therefore organised into two principal areas of business – Life Insurance and Asset Management Services.

Secondary segment - Geographical segments

The Group, under its 100% owned subsidiary, BIFM Holdings, has a 70% subsidiary in African Life Financial Services (Zambia) Limited. For management purposes, the Zambia operations are reported under BIFM Holdings. The Group therefore only has significant operations in Botswana hence a geographical segment analysis has not been provided.

The amounts used for Segment reporting are measured using IFRS principles.

Notes to the financial statements *(Continued)*

for the year ended 31 December 2009

1. Segmental analysis *(Continued)*

	Life Business	
	2009	2008
	P'000	P'000
Segment information by products and services		
Premium revenue	1,253,413	958,636
Fee revenue	—	—
Investment income	49,636	69,773
Fair value gains and losses		
Internal	412,824	(97,633)
External	(62,424)	(108,191)
Total net income	1,653,449	822,585
Profit for the year after tax	261,655	150,934
Depreciation	3,630	3,227
Amortisation	1,152	1,340
Income tax expense	(705)	7,577
Total Assets	4,640,109	3,949,319
Total Liabilities	3,834,568	3,074,243
Capital expenditure	5,814	6,249
Associates and joint venture		
Share of profit of associates	—	2,043
investment in associates	—	7,008

Asset Management		Inter Group Transactions		Consolidated Total	
2009 P'000	2008 P'000	2009 P'000	2008 P'000	2009 P'000	2008 P'000
—	—	—	—	1,253,413	958,636
120,623	121,308	—	—	120,623	121,308
7,761	25,070	—	(1,620)	57,397	93,223
—	—	(412,824)	97,633	—	—
11,807	21,718	(21,795)	4,410	(72,412)	(82,063)
140,191	168,096	(434,619)	100,423	1,359,021	1,091,104
50,486	91,265	(74,469)	(20,738)	237,672	221,461
512	514	—	—	4,142	3,741
—	—	—	—	1,152	1,340
20,249	6,460	—	—	19,544	14,037
9,520,078	8,188,476	(2,719,681)	(2,559,259)	11,440,506	9,578,536
9,184,238	7,803,487	(2,974,719)	(2,715,656)	10,044,087	8,162,074
128	420	—	—	5,942	6,669
—					
1,872	7,759	24,949	—	26,821	9,802
34,446	27,963	286,608	—	321,054	34,971

2. Property and equipment

2009	Land and buildings 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 2009	3,630	13,924	16,921	5,078	10,157	49,710
Additions	161	2,147	1,658	225	—	4,191
Foreign currency translation differences	—	1,548	—	—	—	1,548
At 31 December 2009	3,791	17,619	18,579	5,303	10,157	55,449
Accumulated depreciation						
At 1 January 2009	—	11,329	7,943	4,540	9,008	32,820
Current year charge	986	1,589	1,396	171	—	4,142
At 31 December 2009	986	12,918	9,339	4,711	9,008	36,962
Carrying amount						
At 1 January 2009	3,630	2,595	8,978	538	1,149	16,890
At 31 December 2009	2,805	4,701	9,240	592	1,149	18,487
2008						
Cost						
At 1 January 2008	—	12,578	16,162	4,597	9,704	43,041
Additions	3,630	1,346	759	481	453	6,669
At 31 December 2008	3,630	13,924	16,921	5,078	10,157	49,710
Accumulated depreciation						
At 1 January 2008	—	9,855	6,613	4,439	8,172	29,079
Current year charge	—	1,474	1,330	101	836	3,741
At 31 December 2008	—	11,329	7,943	4,540	9,008	32,820
Carrying amount						
At 1 January 2008	—	2,723	9,549	158	1,532	13,962
At 31 December 2008	3,630	2,595	8,978	538	1,149	16,890

3. Intangible assets

2009	Goodwill P'000	Computer software P'000	Total P'000
Cost			
At 1 January 2009	77,245	14,364	91,609
Additions	—	1,753	1,753
Foreign currency translation differences	2,201	—	2,201
At 31 December 2009	79,446	16,117	95,563
Accumulated amortisation and impairment			
At 1 January 2009	—	11,788	11,788
Current year amortisation	—	1,153	1,153
At 31 December 2009	—	12,941	12,941
Carrying amount			
At 1 January 2009	77,245	2,576	79,821
At 31 December 2009	79,446	3,176	82,622

2008			
Cost			
At 1 January 2008	13,135	13,650	26,785
Additions	62,844	714	63,558
Foreign currency translation differences	1,265	—	1,265
At 31 December 2008	77,244	14,364	91,609
Accumulated amortisation and impairment			
At 1 January 2008	—	10,448	10,448
Current year amortisation	—	1,340	1,340
At 31 December 2008	—	11,788	11,788
Carrying amount			
At 1 January 2008	13,135	3,202	16,337
At 31 December 2008	77,244	2,576	79,821

3. Intangible assets *(continued)*

Impairment testing of goodwill

Goodwill acquired through business combinations have been allocated to one cash generating unit which is also a reporting segment for impairment testing as follows:

Asset management business

	2009 P'000	2008 P'000
Carrying amount of goodwill	72,839	70,638

The recoverable amount of the asset management business has been determined based on the value-in-use calculation using the cashflow projections on financial budgets approved by senior management covering a 5 year period. A pre-tax G roup specific risk adjusted discount rate of 19.22% (2008: 19.22%) is used. The projected cashflows beyond the 5 years have been extrapolated using a steady average growth rate of 13% (2008: 13%) not exceeding the long-term average growth rate for the market in which the business operate. The projected cashflows are determined by budgeted margins based on past performances and management expectations and market developments.

The key assumptions used for the impairment calculations are:

Investment market conditions - Investment market conditions are based on market research and published statistics. Management plans assume modest investment growth of 13% which is lower than market growth predicted.

Expenses - Estimates obtained from published indices of inflation and market research. The plans assume that expenses will broadly increase in line with inflation.

4. Investments

Fair values

At 31 December 2009 and 31 December 2008, the carrying value of financial instruments reported in the financial statements approximate their value.

	Group		Company	
	2009 P'000	2008 P'000	2009 P'000	2008 P'000
Investments designated at fair value through profit or loss				
At the beginning of the year	8,933,418	9,293,005	63,247	63,247
Sale of investments	(605,846)	(59,409)	—	—
Revaluations	861,725	(1,534,822)	—	—
At the end of the year	9,189,297	7,698,774	63,247	63,247

4.1 Investment assets other than equities and similar securities and investment properties

	Group 2009 P'000	Group 2008 P'000	Company 2009 P'000	Company 2008 P'000
Designated as at fair value through profit or loss				
Bonds (Government, public authority, listed and unlisted corporates)	2,539,745	1,805,165	—	—
Money market instruments	6,264	432,947	—	—
Policy loans and other loan advances (Note 4.4)	304,730	341,372	—	—
	2,850,739	2,579,484	—	—

The bonds are made up of both listed and unlisted bonds. Listed bonds have fixed interest rates which range from 10.17% to 12%. For unlisted bonds, interest rates are fixed, with coupon rates falling between 10% and 11.25% annually, calculated and compounded on a quarterly basis. Bond repayment terms range between 10 and 27 years for all listed and unlisted bonds.

The average market interest rate for money market instruments was 9.48% for 2009 (2008: 10.04%). All money market instruments are of a short term nature, being exercisable within one year of year end.

	Group		Company	
	2009 P'000	2008 P'000	2009 P'000	2008 P'000
4.2 Equity investments				
Listed in Botswana	1,109,905	1,058,894	—	—
Listed foreign markets	5,131,607	4,059,867	—	—
Unlisted	97,046	529	—	—
	6,338,558	5,119,290	—	—
4.3 Sectoral analysis for bonds, money market and equity instruments				
Consumer discretionary	608,555	822,975	—	—
Consumer staples	90,048	404,599	—	—
Industrials	53,799	475,237	—	—
Financials	2,150,131	2,453,415	—	—
Health care	—	571,567	—	—
Information technology	78,020	582,690	—	—
Energy	19,388	311,452	—	—
Education	61,412	38,125	—	—
Property	78,280	301,726	—	—
Tourism	23,583	428,693	—	—
Offshore foreign equities	5,131,607	286,379	—	—
Government	589,744	680,545	—	—
Other	304,730	341,371	—	—
	9,189,297	7,698,774	—	—

Listed financial assets:

The last traded bid prices 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 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 credit spread per instrument. Credit spread is the risk premium attributable to an unlisted instrument due to the factors arising from it not being traded on the open market. The average credit spread for the unlisted bonds and notes held by the Group was determined as 110 basis points in current year (2008: 110 basis points). The credit spread has been used as a risk adjustment to the interest rates applicable to each financial asset.

	Group		Company	
	2009	2008	2009	2008
	P'000	P'000	P'000	P'000
4.4 Policy loans and other loan advances				
Opening balance	341,372	332,425	—	—
New loans	38,459	92,594	—	—
Interest charges	27,085	20,590	—	—
Repayments	(87,505)	(103,291)	—	—
Fair value movement	(14,681)	(946)	—	—
	304,730	341,372	—	—
Loans secured against the company's				
Insurance policies	233,574	259,014	—	—
Other loans	71,156	82,358	—	—

Policy loans

The loans secured against the company's insurance policies have repayment terms of approximately 2 years otherwise the loans are recouped against the surrender value of the investment policy. Interest rate is variable depending on Botswana local bank prime lending rates. The effective interest rate at 31 December 2009 was 11.5% (2008: 18%).

As at year end there were no receivables that were overdue (2008: Nil). 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 Partneships which are partneships 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.

The carrying amounts disclosed above are the same as the fair values at year end.

4.5 Investment property

At beginning of the year	146,612	100,015	—	—
Purchases of investments	17,762	37,829		
Disposals	(1,920)	—		
Revaluations	(24,735)	8,768	—	—
	137,719	146,612	—	—

Investment properties are stated at fair value which has been determined based on valuations performed by Knight Frank; an accredited independent valuer, as at 31 December 2009 and 31 December 2008. Knight Frank is an industry specialist in valuing these types of investment properties.

The fair value represents the amount at which assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable willing seller in an arm's length transaction at the date of valuation, in accordance with International Assets Valuation Committee.

Direct operating expenses are borne by the tenants in these properties. There are no restrictions on the realisability of the investment properties or the remittance of income and proceeds of disposal. There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintanace or enhancements.

	Group		Company	
	2009 P'000	2008 P'000	2009 P'000	2008 P'000
4.6 Interest in associates / joint ventures and subsidiaries				
Carrying amounts at beginning of the period	34,971	34,091	63,247	63,247
Share of results after tax	27,727	9,802	—	—
Dividend received	(907)	(1,620)	—	—
Payments	—	(10,084)	—	—
Reclassification of interest in associate	190,818	—	—	—
Acquisition of interest in Letshego and FSG	68,445	2,782	—	—
Carrying amount at the end of the year	321,054	34,971	63,247	63,247

Investment in associates at 31 December 2009 and 31 December 2008 includes goodwill of P901,000 (2008:P901, 000). There was no impairment loss during the period.

Acquisition of additional interest in Letshego

During the 2009 financial year, the Group acquired additional voting shares of Letshego Limited, increasing its ownership to 13.6% (2008: 13.09%). The Group then obtained board representation from the 1st of July 2009, which enabled them to exercise significant influence over Letshego and consequently apply equity accounting as an associate. An investment of P190 million was transferred to associates and an additional cash consideration of P60 million was paid to the non-controlling interest shareholders.

The Group, through its 100% owned subsidiary BIFM, has invested in various associates being Plot 21, Bongwe, and Re mmogo. All these three are Public Private Partnerships management companies. The table below shows the Group's percentage shareholding and total summarised financial interest.

4.6 Interest in associates *(Continued)*

	Khumo Property Asset Management	Gaborone Sun	Funeral Services Group	Plot 21 Investments	Bongwe	Re mmogo	Letshego	Total
As at 31 December 2009								
Carrying amount (P'000)	943	23,608	12,234	1,984	7,911	—	274,844	321,524
Interest in issued share capital								
Shareholders' fund	50%	20%	24%	33%	33%	33%	14%	—
Share of earnings after tax								
for current year								
Shareholders' fund (P'000)	1,404	—	2,297	—	—	—	24,027	27,727
Distributions received								
Shareholders' fund (P'000)	—	—	(907)	—	—	—	—	(907)
Total assets and liabilities								
of associated company								
Non-current assets (P'000)	324	19,145	102,984	64,470	176,860	—	58,159	421,942
Current assets (P'000)	5,876	13,373	24,800	3,180	27,650	—	1,771,035	1,845,913
Non-current liabilities (P'000)	(19)	—	(5,815)	(61,766)	(200,091)	—	—	(267,690)
Current liabilities (P'000)	(4,628)	(85)	(20,768)	(1,394)	(971)	—	(529,089)	(556,935)
Total Revenue of								
associate company (P'000)	10,137	2,458	33,223	1,245	6,344	—	646,378	699,785
Earnings attributable								
to shareholders (P'000)	1,886	1,912	9,754	187	4,119	—	312,827	330,686
As at 31 December 2008								
Carrying amount (P'000)	155	19,145	7,019	2,475	5,855	322	—	34,971
Interest in issued share capital								
Shareholders' fund	50%	20%	21%	33%	33%	33%	—	—
Share of earnings after tax								
for current year								
Shareholders' fund (P'000)	—	—	1,650	—	—	—	—	1,650
Distributions received								
Shareholders' fund (P'000)	—	7,130	1,620	—	—	—	—	8,750
Total assets and liabilities								
of associated company								
Non-current assets (P'000)	299	19,145	79,002	50,684	10,874	—	—	160,004
Current assets (P'000)	3,373	13,374	44,505	5,145	2,869	—	—	69,266
Non-current liabilities (P'000)	(38)	(20,424)	(50,994)	(10,454)	—	—	—	(81,910)
Current liabilities (P'000)	(3,799)	(85)	(12,006)	(2,475)	(2,213)	—	—	(20,578)
Total Revenue (P'000)	7,880	4,916	22,259	39,424	10,253	—	—	84,732
Earnings attributable to								
shareholders (P'000)	(174)	3,824	6,010	2,354	(224)	—	—	11,790

	Group		Company	
	2009 P'000	2008 P'000	2009 P'000	2008 P'000
5 Trade and other receivables				
Outstanding premiums	42,774	29,098	—	—
Non-insurance contract amounts receivable	213,251	175,006	102,168	57,482
Due from reinsurers	18,418	12,887	—	—
- opening balance	12,888	21,606	—	—
- premiums paid	(5,699)	(13,567)	—	—
- claim recoveries	11,229	4,849	—	—
	274,443	216,991	102,168	57,482

Trade receivables are non-interest bearing and are generally on 30 days terms.

The aging analysis of these receivables is as analysed below:

Neither past due nor impaired	231,669	187,893	102,168	57,482
Past due but not impaired:	42,774	29,098	—	—
Less than 30 days	21,185	15,366	—	—
30 - 60 days	9,429	8,462	—	—
60 - 90 days	12,160	5,270	—	—
	274,443	216,991	102,168	57,482

The carrying values of trade and other receivables are reasonable approximations of their fair values.

Impairment movement

As at 31December 2009 outstanding premiums with a nominal value of P175,707 (2008: P450,000) were impaired and fully provided for. Movements in the provision for impairment of outstanding premiums were as follows:

At 01 January 2009	3,101	2,650	—	—
Charge for the year	175	451	—	—
At 31 December 2009	3,276	3,101	—	—

6 Stated Capital				
Issued and fully paid				
281,070,652 ordinary shares	40,601	40,601	40,601	40,601

	Group		Company	
	2009 P'000	2008 P'000	2009 P'000	2008 P'000
7 Non-distributable reserves				
Foreign currency translation reserve				
Opening balance	22,253	13,155	—	—
Movement for the year	(5,888)	9,098	—	—
Balance at end of year	16,365	22,253	—	—
Consolidation reserve				
Opening balance	(75,657)	(153,840)	—	—
Transfer from retained earnings	(24,665)	78,181		
Balance at end of year	(100,322)	(75,659)	—	—
Number of shares held at 31 December:(000)	9,120	8,696	—	—
Market price per share (Pula)	11.00	8.70		
Treasury shares				
Number of shares held at 31 December:				
Shareholders' fund (000)	2,013	2,841	—	—
Opening balance	(56,861)	(56,861)	—	—
Cost of treasury shares acquired	302	—		
	(56,559)	(56,861)		
Share based payment reserve				
Opening balance	32,331	22,242	—	—
Transfer from surplus for the year	15,689	10,089	—	—
	48,020	32,331	—	—
Statutory capital reserve				
Opening balance	355,115	330,548	9,762	9,762
Transfer from surplus for the year	69,724	24,567	—	—
	424,840	355,116	9,762	9,762
Total non-distributable reserves	332,342	277,180	9,762	9,762

In accordance with the requirements of section 9 of the Botswana Insurance Industry Act (Chapter 46:01), 25% of the annual after-tax income of those subsidiaries registered under the Act is transferred to the Statutory Capital Reserve. This reserve is utilised at least once every five years to increase the paid up share capital of the respective subsidiary companies. The last utilisation was for balances at 31 March 2004.

8 Policyholder Liabilities

8.1 Analysis of movement in policy liabilities

	Insurance contracts P'000	Investments contracts P'000	2009 Total P'000	Insurance contracts P'000	Investments contracts P'000	2008 Total P'000
Income	1,900,286	1,541,072	3,441,358	909,373	(1,341,693)	(432,320)
Premium income	1,253,413	—	1,253,413	953,238	122,507	1,075,745
Investment return after tax	646,873	1,541,072	2,187,945	(43,865)	(1,464,200)	(1,508,065)
Outflow	(1,126,645)	(413,193)	(1,539,838)	(775,663)	(102,975)	(878,638)
Policy benefits	(524,343)	(292,569)	(816,913)	(186,317)	(461,664)	(647,981)
Transfer to segregated assets	—	—	—	—	481,196	481,196
Fees, risk premiums and other payments to shareholders' fund	(602,302)	(120,623)	(722,925)	(589,346)	(122,507)	(711,853)
Net movement for the year	773,641	1,127,879	1,901,520	133,710	(1,444,668)	(1,310,958)
Balance at beginning of the year	2,817,683	5,001,338	7,819,021	2,683,973	6,446,006	9,129,979
Balance at end of the year	3,591,324	6,129,217	9,720,541	2,817,683	5,001,338	7,819,021

	Group		Company	
	2009 P'000	2008 P'000	2009 P'000	2008 P'000
8.2 Analysis of premium income				
Individual business	923,508	674,997	—	—
Recurring	597,924	386,566	—	—
Single	325,584	288,431	—	—
Employee benefits business	329,905	283,639		
Recurring	84,653	61,638	—	—
Single	245,252	222,001	—	—
Total premium income	1,253,413	958,636	—	—

8 Policyholder Liabilities *(Continued)*

	Group		Company	
	2009 P'000	2008 P'000	2009 P'000	2008 P'000
8.3 Composition of policy liabilities				
Individual business	9,537,994	7,819,021	—	—
Linked and market-related liabilities	7,488,634	6,212,197	—	—
Stable bonus fund	43,951	46,194	—	—
Reversionary bonus policies	96,798	92,330	—	—
Non-participating annuities	1,908,300	1,354,401	—	—
Other non-participating liabilities	311	113,899		
Employee benefits business	182,547	—	—	—
Other non-participating liabilities	182,547	—	—	—
Total policy holder liabilities	9,720,541	7,819,021	—	—

8.4 Maturity analysis of policy holder liabilities

2009 (P'000)	On demand	< 1 year	1-5 years	>5 years	open ended	Total
Linked and market-related liabilities	6,129,217	80,154	310,881	957,680	10,702	7,488,634
Stable bonus	—	698	20,491	22,762	—	43,951
Reversionary bonus policies	—	732	21,490	23,872	50,704	96,798
Non-participating annuities	—	1,471	32,688	65,025	1,809,116	1,908,300
Participating annuities	—	—	—	—	—	—
Other non-participating liabilities	—	182,702	156	—	—	182,858
Total insurance policies	6,129,217	265,757	385,706	1,069,339	1,870,522	9,720,541

2008 (P'000)	On demand	< 1 year	1-5 years	>5 years	open ended	Total
Linked and market-related liabilities	5,001,338	67,860	293,368	849,330	301	6,212,197
Stable bonus	—	1,273	17,724	27,197	—	46,194
Reversionary bonus policies	—	1,265	17,618	27,034	46,413	92,330
Non-participating annuities	—	1,008	27,845	48,764	1,276,784	1,354,401
Participating annuities	—	—	—	—	—	—
Other non-participating liabilities	—	83,835	30,064	—	—	113,899
Total insurance policies	5,001,338	155,241	386,619	952,325	1,323,498	7,819,021

8.5 Policy liabilities include the following:

	2009 P'000	2008 P'000
HIV/Aids reserve	50,218	53,997
Other pandemics		
Increase / (Reduction) in earnings caused by using a retrospective HIV/Aids valuation basis instead of a prospective valuation basis		
Asset mismatch reserve	19,727	19,727

Refer to the report of the Independent Actuary for the methods and assumptions used in determining liability valuations.

8 Policyholder Liabilities *(Continued)*

	Group 2009 P'000	Group 2008 P'000	Company 2009 P'000	Company 2008 P'000
8.6 Reconciliation of policy holder liabilities				
Insurance contracts				
Opening balance	2,817,683	2,683,973	—	—
Transfer from income statement	803,342	104,008	—	—
Other transfers	(29,702)	29,702	—	—
Closing balance	3,591,324	2,817,683	—	—
Financial Soundness Valuation (FSV)	3,572,281	2,704,961	—	—
Unearned premium reserve (UPR)	10,783	89,654	—	—
Annuity mismatch and re-investment reserve	7,391	19,727	—	—
Claims incurred but not yet reported (IBNR) reserve	870	3,341	—	—
Investment contracts				
Balance at the beginning of the year	5,001,338	6,446,006	—	—
Pension and investment contributions	—	122,507	—	—
Net investment return	1,541,072	(1,464,200)	—	—
Benefits paid and withdrawals	(413,193)	(102,975)	—	—
Balance at end of the period	6,129,217	5,001,338	—	—
Total policyholder liabilities	9,720,541	7,819,021	—	—
Off balance sheet segregated funds	4,574,544	3,576,303	—	—

Segregated funds are excluded from investments and liabilities under investment management contracts on the balance sheet.

9 Non -controlling interest

	Group 2009 P'000	Group 2008 P'000	Company 2009 P'000	Company 2008 P'000
Balance at beginning of the year	31,095	55,006	—	—
Share of profit	10,370	19,205	—	—
Dividend payment	(3,141)	(9,517)	—	—
Currency translation difference	(3,282)	(4,685)	—	—
Sale of minority	—	(28,914)	—	—
Balance at end of the year	35,042	31,095	—	—

10 Deferred tax

Deferred tax included in the balance sheet and changes recorded in the income tax expense are as follows:

Group	Deferred tax asset 2009 P'000	Deferred liability tax 2009 P'000	Income statement 2009 P'000	Deferred tax asset 2008 P'000	Deferred tax liability 2008 P'000	Income statement 2008 P'000
Balance at the beginning of the year	3,030	(49,759)	—	(3,226)	(67,019)	—
Charge to the income statement	(2,070)	28,669	26,600	6,256	17,260	23,517
Balance at end of the year	960	(21,090)	—	3,030	(49,759)	—
Representing:						
Accelerated depreciation for tax purposes	(554)	(841)	(3,172)	72	1,705	4,276
Unrealised gains on shareholders' investments	1,514	(20,249)	29,771	2,958	(51,464)	19,240

There were no temporary differences associated with investment in subsidiaries, associates and interest in joint ventures for which deferred tax liabilities have not been recognised.

	Group 2009 P'000	Group 2008 P'000	Company 2009 P'000	Company 2008 P'000
11 Trade and other payables				
Trade payables				
Insurance claims payable	83,247	60,518	—	—
Premiums received in advance	58,409	50,425	—	—
Intermediary retention balance	38,402	24,292	—	—
Reassurance payable	6,921	14,542	—	
- opening balance	14,542	21,297	—	—
- premiums due	—	76,768	—	—
- claim recoveries	(7,621)	(83,523)	—	—
Other payables				
Other accounts payable	99,528	132,126	13,245	14,722
	286,507	281,903	13,245	14,722

Terms and conditions of the above financial liabilities are:

- Trade payables are non-interest bearing and are normally settled on 30 - 60 days terms.
- Other payables are non-interest bearing and have an average term of 90 days.

The carrying values of trade and other payables are reasonable approximations of their fair values.

	Group		Company	
	2009 P'000	2008 P'000	2009 P'000	2008 P'000
12 Premium revenue				
Individual life	928,906	797,505	—	—
Gross premium	933,101	801,364	—	—
- Recurring premium	607,517	512,933	—	—
- Single	325,584	288,431	—	—
Premium ceded to reinsurers	(4,195)	(3,860)	—	—
Group and employee benefits	324,507	161,132	—	—
Gross premium	343,619	191,271	—	—
- Recurring premium	97,328	91,777	—	—
- Single	246,291	99,494	—	—
Premium ceded to reinsurers	(19,112)	(30,139)	—	—
	1,253,413	958,636	—	—
13.1 Investment income				
Shareholders' investment income				
(i) shareholder				
Interest income in financial assets at fair value through profit or loss	35,115	74,364	458	618
Rental income on investment properties	2,841	1,508	—	—
Other income	1,032	—	—	—
Dividends	23,384	24,362	412,824	181,453
Investment management fees	(4,975)	(7,011)	—	—
Total shareholders' investment income	57,397	93,223	413,282	182,071
Policyholders' investment income				
(i) policyholder insurance contracts				
Interest income in financial assets at fair value through profit or loss	204,551	172,385	—	—
Rental income on investment properties	6,416	8,366	—	—
Dividends	26,115	27,263	—	—
Investment management fees	(20,489)	(17,907)	—	—
	216,594	190,107	—	—
(ii) policyholder investment contracts				
Interest income in financial assets at fair value through profit or loss	127,690	116,188	—	—
Rental income on investment properties	16,759	22,626	—	—
Dividends	61,544	41,070	—	—
	205,994	179,884	—	—
Total Policyholder's investment income	422,588	369,991	—	—

	Group		Company	
	2009 P'000	2008 P'000	2009 P'000	2008 P'000
13.2 Net (losses)/gains from financial assets held at fair value through profit or loss				
Shareholders' net gain from financial assets held at fair value through profit or loss				
Realised fair value surpluses on investments	8,910	—	—	—
Foreign exchange (losses) gains	(166,697)	70,500	—	—
Unrealised fair value surpluses/(losses) on investments	107,171	(264,794)	—	—
Other income	—	2,241	—	—
Less: treasury share adjustment	(21,796)	109,990	—	—
	(72,412)	(82,063)	—	—
Policyholders' net gain from financial assets held at fair value through profit or loss				
(i) insurance contracts				
Realised fair value surpluses/(losses) on investments	591,878	(350,364)	—	—
Foreign exchange (losses)/ gains	(161,598)	145,889	—	—
	430,280	(204,473)	—	—
(ii) investment contracts				
Unrealised fair value surpluses (losses) on investments	644,967	(1,710,951)	—	—
	644,967	(1,710,951)	—	—
Total Policyholder net gains (losses) from financial assets held at fair value through profit or loss	1,075,247	(1,915,424)	—	—

All financial investments are designated at fair value through profit or loss on initial recognition

	Group		Company	
	2009 P'000	2008 P'000	2009 P'000	2008 P'000
14 Net insurance claims and benefits				
Individual life				
Death and disability claim	73,366	64,166	—	—
Maturity claims	89,574	71,388	—	—
Policy surrenders	91,938	109,109	—	—
Annuities	176,743	144,428	—	—
Reinsurance share on death and disability claims	962	951	—	—
Total individual life	432,583	390,041	—	—

14 Net insurance claims and benefits *(Continued)*

	Group 2009 P'000	Group 2008 P'000	Company 2009 P'000	Company 2008 P'000
Group and employee benefits				
Death and disability claims	91,353	40,907	—	—
Reinsurance share on death and disability claims	407	(12,254)	—	—
Total group and employee benefits	91,760	28,653	—	—
Total	524,343	418,695	—	—

15 Administration expenses include:

	Group 2009 P'000	Group 2008 P'000	Company 2009 P'000	Company 2008 P'000
Auditors' remuneration				
- audit fee current period	3,225	3,297	304	284
- other services	605	329	—	—
Depreciation on property, plant and equipment (note 2)	4,142	3,741	—	—
Amortisation of computer software (note 3)	1,152	1,340	—	—
Directors' fees				
- for services as directors	2,267	2,052	2,267	2,052
- for managerial services	5,218	3,567	—	—
- pension contribution	698	212	—	—
Operating lease rentals	4,917	4,055	—	—
Staff costs				
Salaries and wages for administration staff	65,376	50,460	593	524
Salaries and wages included in selling expenses	—	2,159	—	—
Pension costs	8,166	2,479	—	—
Medical aid	1,561	923	—	—
Share based payment	15,690	10,089	—	—
- for managers	4,903	3,592	—	—
- for staff	10,787	6,497	—	—
Total staff costs	90,793	66,110	593	524
Average number of employees	704	592	2	2

16 Taxation

	Group 2009 P'000	Group 2008 P'000	Company 2009 P'000	Company 2008 P'000
Corporate tax	(85,510)	(74,871)	—	—
Deferred tax	26,600	23,517	—	—
Withholding tax on dividends	39,366	37,317	61,767	27,283
Tax charge	(19,544)	(14,037)	61,767	27,283

16 Taxation *(Continued)*

	Group		Company	
	2009 P'000	2008 P'000	2009 P'000	2008 P'000
Tax reconciliation				
The tax on income before tax differs from the theoretical amount that would arise using the basic tax rate as follows:				
Surplus before tax	257,216	235,498	393,734	172,598
Tax calculated at a tax rate of 25%	64,305	58,876	98,434	43,150
Income not subject to tax	(5,395)	(7,522)	(98,434)	(15,867)
Withholding tax on dividends	(39,366)	(37,317)	61,767	—
Tax charge	19,544	14,037	61,767	27,283

Additional company tax

The Group had additional Company Tax (ACT) available for set off against withholding tax on dividends as at 31 December 2009 of P22 million (31 December 2008: P57 million).

17 Earnings per share (Group only)

Earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Net profit attributable to ordinary equity holders of the parent for basic earnings and diluted earnings (P'000)	227,302	202,256	—	—
Number of shares in issue (000)	281,071	281,071	—	—
Staff share scheme and treasury shares (000)	(19,104)	(18,504)	—	—
Weighted average number of shares used for calculating basic earnings per share (000)	261,967	262,566	—	—
Weighted number of dilutive options (000)	4,463	3,267	—	—
Weighted average number of shares used for calculating diluted earnings per share (000)	266,430	265,833	—	—
Earnings per share (thebe)				
- basic	87	77	—	—
- diluted	85	76	—	—

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 declared and proposed (net)

	Record date	P'000
Declared and paid during the year:		
Final dividend for the year to 31 December 2008: 64.60 thebe (2007: 35 thebe)	6-Apr-2009	181,572
Interim dividend for six months to 30 June 2009: 17 thebe (2008: 14.45 thebe)	5-Oct-2009	40,615
		222,187
Dividend proposed after year end not recognised in the financial statements:		
Final dividend for the year to 31 December 2009: 35 thebe (2008: 31 thebe)	9-Apr-2010	98,375
Special dividend for the year to 31 December 2009: 17 thebe (2008: 45 thebe)	9-Apr-2010	47,782
Dividend proposed for approval at AGM (Before withholding tax - not recognised as liability at 31 December)		146,157
Withholding tax on dividends		(21,924)
Dividend proposed for approval at AGM (After withholding tax - not recognised as liability at 31 December)		124,233

	Group		Company	
	2009 P'000	2008 P'000	2009 P'000	2008 P'000
19 Related party transactions				
(a) Transactions on insurance contracts				
Sanlam Limited (53% shareholder of BIHL)				
- Premium ceded to reinsurer	5,761	13,566	—	—
- Claim recoveries from reinsurer	962	951	—	—
(b) Year end balances arising from transactions on insurance contracts.				
Net due from				
- Sanlam Limited	1,045	—	—	—
(c) Year end balances arising from transactions on other services other than insurance contracts				
	Amount receivable/(payable)			
	P'000	P'000	P'000	P'000
- BLIL (100% owned by BIHL)	—	—	—	(60,962)
- BIFM(100% owned by BIHL)	—	—	4,961	4,461
- Employee share scheme	—	—	102,168	57,482
- Sanlam Limited (53% shareholder of BIHL)	—	(4,505)	—	—
- Sanlam Sky (Subsidiary of Sanlam Limited)	937	—	—	—
- SIM RSA (Subsidiary of Sanlam Limited)	(904)	(748)	—	—
	33	(5,253)	107,129	981

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

	Group 2009 P'000	Group 2008 P'000	Company 2009 P'000	Company 2008 P'000
(d) Loans to associates				
At beginning of the period	—	1,941	—	—
Less repayments received	—	(1,941)	—	—
Balance at end of the period	—	—	—	—

19 Related party transactions *(Continued)*

(e) Loans to directors

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. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2009, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2008: PNil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

	Group		Company	
	2009 P'000	2008 P'000	2009 P'000	2008 P'000
(f) Transactions with key management				
(i) Compensation				
- Short-term employee benefits	19,973	18,190	—	—
- Pension costs - defined contribution plans	256	555	—	—
- Other long-term benefits	1,137	791	—	—
	21,366	19,536	—	—
(ii) Holding in Company's policies	920	841	—	—

(g) Directors' shareholding	Opening balance	Purchases	Closing balance
K R Jefferis	10,175	—	10,175
V Senye	200,000	50,000	250,000
R Sikalesele-Vaka	57,619	524,659	582,278
B Dambe-Groth	22,943	—	22,943
U Corea	15,000	—	15,000
N Phillips	3,850	—	3,850
Total	309,587	574,659	884,246

(h) Executive directors emoluments

The remuneration of executive directors comprises salaries and other short-term incentives as well as participation in long term incentive plans.

19 Related party transactions *(Continued)*

(i) Short-term emoluments

Name	Month of service	Salary P'000	Bonus P'000	contributions P'000	Total P'000
RD Sikalesele-Vaka	12	1,500	1,030	—	2,530
VJ Senye	12	1,163	1,525	140	2,828
Total executive directors		2,663	2,555	140	5,358

Share purchase plans

(ii) Long-term emoluments

Name	No. of options	Strike Price (Pula)	Exercised	Outstanding	Expiry date
RD Sikalesele-Vaka					
Granted 2004	750,000	2.80	500,000	250,000	2014
VJ Senye					
Granted 2004	600,000	2.80	400,000	200,000	2014
Granted 2005	150,000	2.63	100,000	50,000	2015
Total	1,500,000		1,000,000	500,000	

All shares as disclosed above are granted and are exercisable until the expiry date as disclosed.
Refer to note 22(b) for additional information on the scheme.

20 Principal subsidiaries

	Country of incorporation	% of interest held Dec 2009	% of interest held Dec 2008	Nature of business
Directly held				
Botswana Life Insurance Ltd	Botswana	100	100	Life insurance
Bifm Holdings Company Ltd	Botswana	100	100	Holding company
BLI Investments (Pty) Limited	Botswana	100	100	Holding company
IGI Insurance Holdings Limited	Botswana	100	100	Dormant
Indirectly held				
Botswana Insurance Fund Management Ltd	Botswana	100	100	Asset management
Botswana Life Properties (Pty) Ltd	Botswana	100	100	Property investment
Bifm Holdings and Financial Services Ltd	Isle of Man	100	100	Holding company
Bifm Capital (Pty) Ltd	Botswana	51	51	Corporate finance
Bifm Capital 1	Botswana	100	100	Corporate finance
Bifm Capital 2	Botswana	100	100	Corporate finance
Bifm Projects (Pty) Ltd	Botswana	100	100	Building projects
African Life Financial Services (Zambia) Ltd	Zambia	70	70	Asset management and pension administration
KYS Investments (Pty) Ltd	Botswana	63	63	Holding company
Photon Private Equity Fund Managers (Pty) Ltd	Botswana	100	100	Private equity

	Group		Company	
	2009 P'000	2008 P'000	2009 P'000	2008 P'000
21 Commitments				
Capital expenditure budgeted for but not contracted for at the balance sheet date				
Property and equipment	4,550	7,736	—	—
Operating lease commitments				
The future minimum lease payments under non-cancellable operating leases				
Within one year	3,640	4,827	—	—
Within two to five years	9,187	4,753	—	—

22 Employee benefits

(a) Retirement benefits

As at 31 December 2008, the group was in the process of converting the defined benefit pension fund to a defined contribution pension plan. From the beginning of 2009, the Group now provides retirement benefits for employees by means of a defined contribution pension plan. The pension plan is registered under the Pension and Provident Funds Act (Chapter 27:03). Expatriate employees are provided with gratuity in terms of thier conditions of employment. Contributions received on the pension plan are expensed in the year of receipt and included in profit or loss. All assets from the defined benefit plan have been transferred to the new defined contribution plan together with all related acturial gains and losses. The assets transferred amounted to P30 million as at 1 January 2010. There were no unrecognised past service costs.

In prior year, the group provided retirement benefits of employees by means of defined benefit pension fund. Valuation was performed annually on 30 November, the last valuation was performed on 30 November 2008. The fund was financially sound according to the then latest valuation based on reasonable actuarial assumptions about future experience. The employer's contribution was a fairly constant percentage of the remuneration of the members of the funds and was sufficient to meet the promised benefits of the fund. As described above however, the pension plan has been converted from a defined benefit to a defined contribution plan and therefore there are defined benefit contribution disclosure that have been included in the financial statements for current year. Disclosures of comparatives from prior period is for consistency and serve for information purposes only.

22 Employee benefits *(Continued)*
(a) Retirement benefits *(Continued)*

		At 30 Nov 2009	At 30 Nov 2008
Number of employees covered by the fund		—	199
Contributions to defined pension fund during the year (P 000)		—	1,355
Principal actuarial assumptions at latest valuation date:			
Pre-retirement discount rate	per annum	0%	10%
Post-retirement discount rate	per annum	0%	10%
Future salary increases	per annum	0%	9%
Expected return on plan assets at beginning of the year	per annum	0%	11%

Changes in the present value of the defined benefit obligation and in the fair value of the plan assets	**P'000**	**P'000**
Opening present value of defined benefit obligation	34,681	23,490
Derecogntion	(34,681)	—
Interest cost	—	2,467
Current service cost	—	3,611
Contribution by fund participant	—	—
Past service cost—vested benefits	—	—
Benefits paid	—	(310)
Actuarial losses (gains)/ losses on obligation	—	5,424
Closing present vale of defined benefit obligation	—	34,681
The defined benefit obligation is wholly funded		
Opening fair value of plan assets	32,610	38,788
Derecognition	(32,610)	—
Expected return on plan assets	—	4,833
Member contributions	—	—
Employer contributions	—	1,355
Benefits paid	—	(310)
Actuarial (losses)/gain on plan assets	—	(12,056)
Closing fair value of plan assets	—	32,610
Asset allocation by major categories		
Local equity	0%	23%
Offshore equity	0%	40%
Local bonds and fixed interest	0%	23%
Offshore money market	0%	3%
Property	0%	5%
Cash	0%	6%
Total	0%	100%
The expected return on plan assets is based on the weightings above and expected rates of return on the different asset classes.		
Fair value of BIHL's own financial instruments included in plan assets	—	319

22 Employee benefits *(Continued)*

(a) Retirement benefits *(Continued)*

	At 30 Nov 2009	At 30 Nov 2008
Actual return on plan assets		
Expected return on plan assets	—	4,833
Actuarial gain on plan assets	—	(12,056)
Actual return on plan assets	—	(7,223)
Amounts recognised in the balance sheet		
Present value of the obligation	—	34,682
Fair value of plan assets	—	(32,610)
	—	2,071
Unrecognised (losses)/actuarial gains	—	(5,442)
Asset recognisable in the balance sheet per IAS 19	—	(3,370)
The assets of P3,370 in 2008 have not been recognised in the balance sheet as they are not material.		
Amounts recognised in the income statement		
Current service cost	—	3,611
Interest cost	—	2,467
Expected return on plan assets	—	(4,833)
Net actuarial gain recognised in year	—	(518)
Past service cost—vested benefits	—	—
Net expense included in staff costs	—	727

Plan surplus for the current and previous four periods is as follows;

	2009 P'000	2008 P'000	2007 P'000	2006 P'000	2005 P'000
Plan surplus trend analysis					
Present value of funded obligations	—	34,682	23,490	21,490	18,990
Fair value of plan assets	—	(32,610)	(38,788)	(32,124)	(25,949)
Surplus of plan assets over defined benefit obligation	—	2,072	(15,298)	(10,634)	(6,959)

22 Employee benefits *(Continued)*

(b) Share-based payment

The group has a share based payment scheme. The scheme is dividend for (a) Management (b) Other Staff.

(i) Management scheme

The management scheme is classified as equity settled share based payment. The objective of the scheme is to retain staff. Management staff are granted options to purchase shares after a period of 2 continuous service to the Group. The share options vest after a period of 6 years, of continuous service, from the grant date; 1/3 vesting after every 2 years. The options are issued at the ruling market price on the date of grant.

After the share options have vested, employees are given a period of 10 years from the date of vesting to exercise their option. The amount carried in the share based reserve at 31 December 2009 is P11,232 million (31 December 2008: P 7,359 million). The expense recognised in the income statement is P 6,091 million (2008: P3,591 million).

	No. of shares '000	2009 Weighted average exercise price Pula	No. of shares '000	2008 Weighted average exercise price Pula
Movement during the year				
Outstanding at the beginning	7,145	13.59	3,677	6.00
Granted	550	8.70	5,507	16.34
Forfeited	(217)	11.12	(573)	6.93
Exercised	(450)	2.45	(1,467)	3.20
Outstanding at the end	7,028	14.00	7,145	13.59

The weighted average remaining contractual life for the shares outstanding as at 31 December 2009 is 8 years (2008: 8 years)
The weighted average fair value of options granted during the year was P8.70 (2008: P16.90).
The range of exercise prices for options outstanding at the end of the year was P2.63 - P16.90 (2008: P2.63-P16.90).

(ii) Other Staff

The objective of the scheme is to retain staff. Staff are granted share options after a period of 2 continuous years of service to the Company. 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 Company for 5 years. Staff do not pay for the share options. As the settlement is by way of shares, the scheme is classified as at 31 December 2009 settled for accounting purposes. The carrying amount of the share based payment reserve was P19,514 million (2008: P13,525 million). The expense recognised in the income statement was at 31 December 2009 P9,598 million (2008: P6,134 million).

22 **Employee benefits *(Continued)***

(b) Share-based payment

	2009 No. of shares '000	2009 Weighted average exercise price Pula	2008 No. of shares '000	2008 Weighted average exercise price Pula
Movement during the year				
Outstanding at the beginning	3,066	3.94	2,577	3.00
Granted	1,513	9.04	821	7.62
Forfeited	—	—	(50)	3.96
Exercised	(193)	3.60	(282)	2.54
Outstanding at the end	4,386	5.71	3,066	3.94

The weighted average remaining contractual life for the shares outstanding as at 31 December 2009 is 8 years (2008: 8 years)

The weighted average fair value of shares granted during the year was P9.04 (2008: P7.62).

The range of exercise prices for options outstanding at the end of the year was P2.63 - P16.75 (2008: P2.63-P16.75).

The following assumptions have been used in the valuations model of the scheme.

	2009	2008
Dividend yield	6.98%	5.52%
Volatility	23.30%	23.59%
Risk free interest rate	8.10%	10.27%
Spot price (thebe)	11.00	8.70
% of remaining employees	80.00%	80.00%

Options pricing model

Since the BIHL employee share options are not tradable, IFRS 2 requires that the fair value of these options be calculated using a suitable option-pricing model. In terms of best practice, we have adopted a modified binomial tree model for valuation purposes, which can be described, at a high-level, as follows:

i) The life of the option is divided into a large number of small time periods.

ii) A binomial tree is developed with time-dependent nodes corresponding to projected upward and downward movements of the BIHL share. This projection is calculated as a function of the volatility of the underlying share, and by assuming that the share price follows a stochastic process.

iii) Starting from the maturity date of the option, the model works backward through the tree, and at each node determines two possible values for the option: (a) the value of the option if one were to continue to hold it at that point in time, and (b) the value of the option if one were to exercise it at that node. Value (a) above is calculated using arbitrage-free principles and risk-neutral valuation theory, while value (b) is calculated simply as the difference between the projected spot price of the underlying share at that node and the strike price of the option.

22 Employee benefits *(Continued)*

Options pricing model (Continued)

iv) For time periods subsequent to the vesting date of each option, the model uses the greater of the two values referred to above to estimate the option's value at that node. For time periods prior to the vesting date, only value (1) is used to estimate the option's value, reflecting the fact that the option cannot be exercised prior to vesting date.

v) Once the value at a particular node has been determined, that value is discounted to the prior period using the risk-free yield curve, and taking into account the probability of realising that value. Eventually, the value at the first node (i.e. corresponding with valuation date) is calculated. This represents the fair value of the option.

Other inputs used

Generally, there are seven variables that determine the price of an employee share option:

- The market price of the underlying share at the grant date;
- The strike price of the option;
- The time remaining until the option expires (i.e. the expiry date of the option);
- The time remaining until the option vests;
- The expected dividend yield of the underlying share over the life of the option;
- The expected volatility of the underlying share over the life of the option; and
- 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' lifetime.

		Group		Company	
		2009	2008	2009	2008
		P'000	P'000	P'000	P'000
23	**Cash generated from operations**				
	Profit before tax as per income statement	257,216	235,498	393,734	145,315
	Non cash flow items	82,417	87,432	—	—
	Depreciation	4,142	3,741	—	—
	Loss on sale of fixed assets	—	—	—	—
	Amortisation	1,152	1,340	—	—
	Unrealised fair value losses on shareholder assets	63,519	90,831	—	—
	Unrealised fair value(losses)/gains on investment properties	24,735	(8,768)	—	—
	Equity-accounted earnings	(26,821)	(9,802)	—	—
	Share - based payments	15,689	10,089	—	—
	Items disclosed separately	(59,406)	(98,726)	(413,282)	(182,071)
	Interest received	(35,115)	(74,364)	(458)	(618)
	Dividends from associates	(907)	—	—	—
	Dividends received	(23,384)	(24,362)	(412,824)	(181,453)
	Working capital changes:	1,843,389	(1,368,331)	(107,625)	(19,279)
	Net increase in trade and other receivables	(58,386)	(151,228)	(45,186)	(54,549)
	Change in policyholder liabilities	1,901,520	(1,310,958)	—	—
	Net increase/(decrease) in trade and other payables	255	93,855	(62,439)	35,270
	Cash generated from / (utilised) in operations	2,123,616	(1,144,127)	(127,173)	(56,035)
24	Cash and bank	45,543	149,834	5,462	3,306
	Funds on deposit	1,369,445	1,234,644	—	—
	Cash and cash equivalents	1,414,988	1,384,478	5,462	3,306

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 7% (2008: 10.5%). Funds on deposit which have a maturity of three months or less are classified as cash and cash equivalents.

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

25 Risk management

Financial risks

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

Type of risk	Description
Financial risk	Market risk is the risk that the fair value of 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.

25 Risk management *(Continued)*

All the financial instruments of the group are exposed to financial risk. The impact of some of these risks are mitigated by the opposite effect on the policy liabilities.

Market risk

Shareholders' fund investments are exposed to market risk. Market risk arises from the uncertain movement in the fair value of financial instruments that stems principally from potential changes in sentiment towards the instrument, the variability of future earnings that is reflected in the current perceived value of the instrument and the fluctuations in interest rates and foreign currency exchange rates.

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

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

Interest rate risk

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

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

The Group'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 change the mandates.

Sensitivity analysis to interest rate risk

Interest rate risk relates to variable rate financial instruments, call deposit accounts and fixed rate securities. The following table sets out the carrying amounts of the Company's financial instruments that are exposed to interest rate risk. The assumption is based on both shareholder and policyholder assets and liabilities.

25 Risk management *(Continued)*

Interest rate sensitivity on investment income

	Currency	Change in variables	Value (P'000)	Increase / (decrease) in profit before tax (P'000)	Increase / (decrease) in equity (P'000)
December 31, 2009					
	BWP	0.5%	878,120	4,391	3,293
	BWP	-0.5%	878,120	(4,391)	(3,293)
	USD	0.5%	1,013,669	5,068	3,801
	USD	-0.5%	1,013,669	(5,068)	(3,801)
December 31, 2008					
	BWP	0.5%	2,443,324	18,017	13,513
	BWP	-0.5%	2,443,324	(18,017)	(13,513)
	USD	0.5%	776,477	3,882	(2,912)
	USD	-0.5%	776,477	(3,882)	2,912

Interest rate sensitivity on fair values

December 31, 2009					
	BWP	0.5%	2,539,745	116,000	87,000
	BWP	-0.5%	2,539,745	(116,000)	(87,000)
December 31, 2008					
	BWP	0.5%	1,805,165	82,449	61,837
	BWP	-0.5%	1,805,165	(82,449)	(61,837)

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.No forward currency contracts are in place to eliminate the currency exposure on individual foreign transactions.

25 Risk management *(Continued)*

Foreign currency risk *(Continued)*

The following assets are for both shareholder and policyholder funds denominated in foreign currency:

		United States Dollar P'000	Other currencies P'000	Total P'000
December 31, 2009				
	Equity instruments	5,117,362	-	5,117,362
	Money market instruments	1,013,669	-	1,013,669
	Foreign currency exposure	6,131,031	-	6,131,031
	Average rate	7.96	-	-
	Closing rate	6.67	-	-
December 31, 2008				
	Equity investments	4,059,867	-	4,059,867
	Money market instruments	1,009,847	-	1,009,847
	Foreign currency exposure	5,069,714	-	5,069,714
	Average rate	7.49	-	-
	Closing rate	7.40	-	-

Currency sensitivity

The analysis below is performed for the effect of a reasonable possible movement of the currency rate against the Botswana Pula with all other variables held constant, on the income statement and equity.

	Currency	Change in variables	Value (P'000)	Increase / (decrease) in profit before tax (P'000)	Increase / (decrease) in equity (P'000)
December 31, 2009					
	USD	5%	6,131,031	306,552	229,914
	USD	-5%	6,131,031	(306,552)	(229,914)
December 31, 2008					
	USD	5%	5,069,714	253,486	190,114
	USD	-5%	5,069,714	(253,486)	(190,114)

25 Risk management *(Continued)*

Price risk

Price risk is the risk that the fair value of 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.

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 both shareholder and policyholder assets

	Index	Change in variables	Value (P'000)	Increase / (decrease) in profit before tax (P'000)	Increase / (decrease) in equity (P'000)
December 31, 2009					
	DCI	15%	1,109,905	166,486	124,864
	DCI	-15%	1,109,905	(166,486)	(124,864)
	MSCI	10%	5,131,607	513,161	384,871
	MSCI	-10%	5,131,607	(513,161)	(384,871)
December 31, 2008					
	DCI	15%	130,440	19,566	14,675
	DCI	-15%	130,440	(19,566)	(14,675)
	MSCI	10%	500,113	50,011	37,508
	MSCI	-10%	500,113	(50,011)	(37,508)

25 Risk management *(Continued)*

Credit risk

Credit risk in the Group arises from the possibility of investments in bonds, offshore money markets, local money markets 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.

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. At each reporting date, the Group sets the maximum amounts and limits that may be advanced to corporate counterparties by reference to their long term credit ratings.

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. Commission paid to intermediaries is netted off against amounts receivable from them to reduce the risk of doubtful debts.

It is the Group's policy to maintain accurate and consistent risk ratings across its credit portfolio. This enables management to focus on the applicable risks and the comparison of credit exposures across all lines of business, geographic regions and products. The rating system is supported by a variety of financial analytics combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories and are derived in accordance with the Group's rating policy. The attributable risk ratings are assessed and updated regularly.

Maximum credit risk exposure

The table below shows the maximum exposure to credit risk for the components of the balance sheet and so called off balance sheet exposures, such as future commitments. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting or collateral agreements and the use of credit derivatives.

The disclosures are based on both shareholder and policyholder assets

25 Risk management *(Continued)*
Maximum credit risk exposure *(Continued)*

Group	2009 P'000	2008 P'000
Bonds (Government, public authority, listed and unlisted corporates)	2,539,745	1,805,165
Money market instruments	6,264	432,947
Policy loans and other loan advances	304,730	341,372
Trade and other receivables	274,443	216,991
Related party balances	937	—
Cash, deposits and similar securities	1,414,988	1,384,478
Maximum credit risk exposure	4,541,107	4,180,953

Company		
Related party balances	107,129	61,943
Cash, deposits and similar securities	5,462	3,306
Maximum credit risk exposure	112,591	65,249

Financial assets pledged as collateral
There are no financial assets that have been pledged as collateral for financial liabilities or contingent liabilities.

Credit exposure by rating
The table below provides information regarding the credit risk exposure of the Group at 31 December 2009 by classifying assets according to Standard and Poor credit ratings of the counterparties. AAA is the highest possible rating. Assets below are not past due and not impaired:

	AAA	Not rated	Total P'000
31 December 2009			
Bonds (Government, public authority, listed and unlisted corporates)	413,478	2,066,840	2,480,318
Money market instruments	—	6,264	6,264
Policy loans and other loan advances	—	60,687	60,687
Trade and other recievables	—	274,443	274,443
Cash, deposits and similar securities	—	1,369,445	1,369,445
	413,478	3,777,679	4,191,157
Capital portfolio			
Bonds (Government, public authority, listed and unlisted corporates)	9,907	49,521	59,428
Money market instruments	—	6,264	6,264
Policy loans and other loan advances	—	244,044	244,044
Cash, deposits and similar securities	—	45,543	45,543
Net working capital assets	—	240,770	240,770
	9,907	586,142	596,048

25 Risk management *(Continued)*

	AAA	Not rated	Total P'000
31 December 2008			
Assets backing policy liabilities			
Bonds (Government, public authority, listed and unlisted corporates)	377,483	1,362,742	1,740,226
Money market instruments	—	1,589,752	1,589,752
Policy loans and other loan advances	—	305,852	305,852
Trade and other recievables	—	216,991	216,991
Cash, deposits and similar securities	—	149,834	149,834
	377,483	3,625,171	4,002,656
Capital portfolio			
Bonds (Government, public authority, listed and unlisted corporates)	14,612	50,328	64,940
Money market instruments	—	77,838	77,838
Policy loans and other loan advances	—	35,520	35,520
Cash, deposits and similar securities	—	149,834	149,834
Net working capital assets	—	(120,810)	(120,810)
	14,612	192,710	207,322

Collateral held as security for financial assets

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and the valuation parameters. Collateral is mainly obtained for securities lending and for cash purposes. Credit risk is also mitigated by entering into collateral agreements. Management monitors the market value of the collateral, requests additional collateral when needed and performs an impairment valuation when applicable. Government bonds and listed bonds do not have collateral as these are deemed low risk and recoverable.

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 Investment Committees that meets 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

25 Risk management *(Continued)*

Liquidity risk *(Continued)*

Maturity analysis of Financial Liabilities:

31 December 2009 (P'000)	On demand	< 1 year	1-5 years	> 5 years	Open ended	Total
Policy holders liabilities						
-Insurance contracts	—	265,757	385,706	1,069,339	1,870,522	3,591,324
-Investment contracts	6,129,217	—	—	—	—	6,129,217
Trade and other payables	—	286,507	—	—	—	286,507
	6,129,217	552,265	385,706	1,069,339	1,870,522	10,007,049

31 December 2008 (P'000)	On demand	< 1 year	1-5 years	> 5 years	Open ended	Total
Policy holders liabilities						
-Insurance contracts	—	155,241	356,918	982,027	1,323,498	2,817,683
-Investment contracts	5,001,338	—	—	—	—	5,001,338
Trade and other payables	—	281,903	—	—	—	281,903
	5,001,338	437,144	356,918	982,027	1,323,498	8,100,924

Maturity analysis of Financial assets and Financial Liabilities:

Group

	On demand	< 1 year	1-5 years	> 5 years	Open ended	Total
31 December 2009 (P'000)						
Financial Assets:						
Bonds (Government, public authority, listed & unlisted corporates)	—	—	1,824,145	715,600	—	2,539,745
Money market instruments	—	6,264	—	—	—	6,264
Equity investments	—	—	—	—	6,338,558	6,338,558
Policy loans and other loan advances	—	—	304,730	—	—	304,730
Trade and other receivables	—	274,443	—	—	—	274,443
Related party balances	—	937	—	—	—	937
Cash, deposits and similar securities	—	1,414,988	—	—	—	1,414,988
	—	1,696,632	2,128,875	715,600	6,338,558	10,879,665
Financial Liabilities:						
Policy holders liabilities						
-Insurance contracts	—	265,757	385,706	1,069,339	1,870,522	3,591,324
-Investment contracts	6,129,217	—	—	—	—	6,129,217
Trade and other payables	—	286,507	—	—	—	286,507
	6,129,217	552,265	385,706	1,069,339	1,870,522	10,007,049

25 Risk management *(Continued)*
Liquidity risk *(Continued)*

Maturity analysis of Financial assets and Financial Liabilities: (Continued)

Group

	On demand	< 1 year	1-5 years	> 5 years	Open ended	Total
31 December 2008 (P'000)						
Financial Assets:						
Bonds (Government, public authority, listed & unlisted corporates)	—	—	1,805,165	—	—	1,805,165
Money market instruments	—	432,947	—	—	—	432,947
Equity investments	—	—	—	—	5,119,290	5,119,290
Policy loans and other loan advances	—	—	341,372	—	—	341,372
Trade and other receivables	—	216,991	—	—	—	216,991
Cash, deposits and similar securities	—	1,384,478	—	—	—	1,384,478
	—	2,034,416	2,146,537	—	5,119,290	9,300,243
Financial Liabilities:						
Policy holders liabilities						
-Insurance contracts	—	155,241	356,918	982,027	1,323,498	2,817,683
-Investment contracts	5,001,338	—	—	—	—	5,001,338
Trade and other payables	—	281,903	—	—	—	281,903
	5,001,338	437,144	356,918	982,027	1,323,498	8,100,924

The financial instruments as presented in the above maturity analysis are measured at their fair values consistent with the amounts as presented on the statement of financial position. The maturity analysis is prepared based on the basis of the period expected to elapse, after year end, before the instruments mature and/or are settled/settled.

Company

	On demand	< 1 year	1-5 years	> 5 years	Open ended	Total
31 December 2009 (P'000)						
Financial Assets:						
Related party balances	—	107,129	—	—	—	107,129
Cash, deposits and similar securities	—	5,462	—	—	—	5,462
	—	112,591	—	—	—	112,591
Financial Liabilities:						
Trade and other payables	—	13,245	—	—	—	13,245
	—	13,245	—	—	—	13,245
31 December 2008 (P'000)						
Financial Assets:						
Related party balances	—	61,943	—	—	—	61,943
Cash, deposits and similar securities	—	3,306	—	—	—	3,306
	—	65,249	—	—	—	65,249

25 Risk management *(Continued)*
Liquidity risk *(Continued)*

Maturity analysis of Financial assets and Financial Liabilities: (Continued)

Company

	On demand	< 1 year	1-5 years	> 5 years	Open ended	Total
31 December 2008 (P'000)						
Financial Liabilities:						
Trade and other payables	—	14,722	—	—	—	14,722
Related party balances	—	60,962	—	—	—	60,962
	—	75,684	—	—	—	75,684

Determination of fair value and fair values hierarchy

As at 31 December 2009, the Group held the following financial instruments measured at fair value:

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	Level 1 P'000	Level 2 P'000	Level 3 P'000	Total fair value P'000
31 December 2009				
Financial assets designated at fair value through profit or loss:				
Bonds (Government, public authority, listed & unlisted corporates)	—	2,539,745	—	2,539,745
Money market instruments	6,264	—	—	6,264
Equity investments	—	5,982,497	356,061	6,338,558
Policy loans and other loan advances	—	304,730	—	304,730
	6,264	8,826,973	356,061	9,189,298
Financial Liabilities:				
Investment contract liabilities	—	5,926,541	202,677	6,129,217
	—	5,926,541	202,677	6,129,217

25 Risk management *(Continued)*

Reconciliation of movements in level 3 financial instruments measured at fair value

	Equities and similar securities P'000	Total assets P'000
Financial assets		
Balance at 1 January 2009	762,248	762,248
Total loss in income statement	(59,312)	(59,312)
Disposals	(318,437)	(318,437)
Foreign exchange movements	(28,437)	(28,437)
	356,061	356,061

	Investment contract liabilities P'000	Total financial liabilities P'000
Financial liabilities		
Balance at 1 January 2009	422,453	422,453
Total loss in income statement	(219,777)	(219,777)
Balance at 31 December 2009	202,677	202,677

The amount of P 59,312 (2008: P219,777) is the unrealised loss included in the closing balance.

Included in level 1 category are financial assets and liabilities that are measured in whole or in part by reference to unadjusted, quoted prices in an active market for identical assets and liabilities. Quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Included in level 2 category are financial assets and liabilities measured using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). For example, instruments measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions are categorised as level 2.

Financial assets and liabilities measured using inputs that are not based on observable market data are categorised as level 3.

No day 1 profits were unrecognised because of the use of valuation techniques for which not all the inputs are observable in the market.

Stable, reversionary bonus and participating annuity business (smoothed-bonus business)

These policyholder solutions do not expose the Group to significant liquidity risks. Expected cash flows are taken into account in determining the investment guidelines and asset spread of the portfolios. Limits are also placed on the exposure to illiquid investments.

25 Risk management *(Continued)*

Non-participating annuities

As discussed above, the liabilities are matched as far as possible with assets, mostly interest-bearing, to ensure that the duration of assets and liabilities are closely matched. The average duration of non-participating annuity policy liabilities and the supporting assets held by the Group's life insurance operations are reflected in the table below, indicating that the Group's non-participating annuity books are well matched, which also limits the interest rate risk exposure discussed on page 192 of this report.

	December 31, 2009		December 31, 2008	
	Assets	Policy	Assets	Policy
Years	P'000	P'000	P'000	P'000
Non participating annuities and supporting assets	1,908,000	1,908,000	1,354,000	1,354,000

Guarantee plans

Liquidity risk is managed by matching the liabilities with assets that have similar maturity profiles as the liabilities.

Other policyholder business

Policyholder portfolios supporting linked and market-related business, participating annuities and other non-participating life business are invested in appropriate assets, taking into account expected cash outflows.

Investment Policy

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

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

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

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

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

25 Risk management *(Continued)*

Investment Policy *(Continued)*

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

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

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

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

(b) Cash and money market: Bifm manages cash and short-dated money-market instruments primarily for liquidity purposes. Bifm minimises credit risk by investing with reputable banks. Bifm negotiates to get high interest rates on behalf of its clients.

Property - Property is a unique asset class, with bond-like and equity-like features, that matches the liability profiles of a large number of pension funds. Enhanced yields and rental escalations are received over time. The philosophy is to invest in A-grade properties that we believe are more likely to attract and retain corporate tenants. Property investments constitute a significant area of Bifm's drive to develop the local economy and capital markets. Bifm's subsidiary, Khumo Property Asset Management, is a fully-fledged property development and management company.

Alternative investments – The alternative assets that Bifm invests in are private equity, private debt, and hedge funds. Alternatives are utilised where the risk-reward trade-off is believed to be superior. Examples are:

(a) Private equity is becoming a more important asset class globally. In the Botswana context, private equity is a progressive approach to investment management because it is a catalyst for economic development. Bifm invests in local, regional and global private equity funds.

(b) Specialised portfolios and insurance portfolios utilise private debt instruments for matching purposes. In Botswana, private debt is a substitute for listed debt instruments. Listed debt instruments are in short supply in Botswana.

(c) Offshore hedge funds are currently used as an alternative to offshore bonds given our bearish view on the prospects for offshore bonds.

26 Categories of financial assets and financial liabilities

The table below summarises categories of financial assets and financial liabilities held by the Group

Group

	Financial assets held at fair value through profit or loss P'000	Loans and receivables P'000	Financial liabilities held at fair value through profit or loss P'000	Financial liabilities measured amortised cost P'000	Total P'000
31 December, 2009					
Financial assets					
Bonds (Government, public authority, listed and unlisted corporates)	2,539,745	—	—	—	2,539,745
Money market instruments	6,264	—	—	—	6,264
Equity investments	6,338,558	—	—	—	6,338,558
Policy loans and other loan advances	304,730	—	—	—	304,730
Trade and other receivables	—	274,443	—	—	274,443
Related party balances	—	937	—	—	937
Cash, deposits and similar securities	—	1,414,988	—	—	1,414,988
Total financial assets	9,189,297	1,690,368	—	—	10,879,665
Financial liabilities					
Long term policyholder liability - insurance contracts	—	—	3,591,324	—	3,591,324
Long term policyholder liability - investment contracts	—	—	6,129,217	—	6,129,217
Related party balances	—	—	—	904	904
Trade and other payables	—	—	—	286,507	286,507
Total financial liabilities	—	—	9,720,541	287,411	10,007,952
December 31, 2008					
Financial assets					
Bonds (Government, public authority, listed and unlisted corporates)	1,805,165	—	—	—	1,805,165
Money market instruments	432,947	—	—	—	432,947
Equity investments	5,119,290	—	—	—	5,119,290
Policy loans and other loan advances	341,372	—	—	—	341,372
Trade and other receivables	—	216,991	—	—	216,991
Cash, deposits and similar securities	—	1,384,478	—	—	1,384,478
Total financial assets	7,698,774	1,601,469	—	—	9,300,243

26 Categories of financial assets and financial liabilities *(Continued)*

Group

	Financial assets held at fair value through profit or loss P'000	Loans and receivables P'000	Financial liabilities held at fair value through profit or loss P'000	Financial liabilities measured amortised cost P'000	Total P'000
December 31, 2008					
Financial liabilities					
Long term policyholder liability					
- insurance contracts	—	—	2,817,683	—	2,817,683
Long term policyholder liability					
-investment contracts	—	—	5,001,338	—	5,001,338
Related party payables	—	—	—	5,253	5,253
Trade and other payables	—	—	—	281,903	281,903
Total financial liabilities	—	—	7,819,021	287,156	8,106,177

Company

	Financial assets held at fair value through profit or loss P'000	Loans and receivables P'000	Financial liabilities held at fair value through profit or loss P'000	Financial liabilities measured amortised cost P'000	Total P'000
December 31, 2009					
Financial assets					
Related party balances	—	107,129	—	—	107,129
Cash, deposits and similar securities	—	5,462	—	—	5,462
Total financial assets	—	112,591	—	—	112,591
Financial liabilities					
Trade and other payables	—	—	—	13,245	13,245
Total financial liabilities	—	—	—	13,245	13,245
December 31, 2008					
Financial assets					
Related party balances	—	61,943	—	—	61,943
Cash, deposits and similar securities	—	3,306	—	—	3,306
Total financial assets	—	65,249	—	—	65,249
Financial liabilities					
Related party payables	—	—	—	60,962	60,962
Trade and other payables	—	—	—	14,722	14,722
Total financial liabilities	—	—	—	75,684	75,684

Interest income on loan and recievables was P 10,948 (2008: P8,461)

Notes

Notice of Annual General Meeting

Notice is hereby given that the nineteenth annual general meeting of Botswana Insurance Holdings Limited will be held at Gaborone Sun Conference Centre, Gaborone Botswana on 24 June 2010 at 16:00hrs for the following business:

Ordinary Business

1. To read the notice convening the meeting.

2. Ordinary Resolution 1:
To receive, approve and adopt the audited financial statements for the year ended 31 December 2009 together with the reports of the statutory actuary and auditors.

3 Ordinary Resolution 2:
To approve the dividends declared by the directors on 13 August 2009 and 11 February 2010.

4. Ordinary Resolution 3:
To elect directors in accordance with the provisions of the Articles of Associations of the company. The following directors retire by rotation at this meeting and, being eligible, offer themselves for re-election

a. Mrs. B Dambe-Groth
b. Mr. U Corea
c. Mr. H Werth

5. Ordinary Resolution 4:
To confirm the appointment of the following directors who were appointed directors of the company by the Board during the course of the year.
a. Mr Thomas Schultz
b. Mr Chandrakant Chauhan

6. Ordinary Resolution 6:
To approve the remuneration of the chairman and non-executive directors.

7. Ordinary Resolution 5:
To approve the remuneration of the auditors for the year ended 31 December 2009.

8. Ordinary Resolution 7:
To appoint Ernst & Young as auditors for the ensuing year.

Voting and Proxies

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend, speak and vote in his/her stead. The proxy need not be a member of the Company.

2. The instrument appointing such a proxy must be deposited at the registered office of the company not less than 48 hours before the meeting.

3. The completion and lodging of this form of proxy will not preclude the relevant member from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.

By order of the Board

Rorisang Modikana FCCA, FCPA (Botswana),
Company Secretary

A shareholder/s is entitled to attend and vote at this Annual General Meeting is/are entitled to appoint one or more proxies (who need not to be shareholders of the company), to attend, speak and vote on behalf of the shareholder/s at the Annual General Meeting.

Proxy Form

To be completed by certificated shareholders with "own name" registration
For use at the Annual General Meeting to be held on at 16:00hrs on, 24 June 2010 at Gaborone Sun, Conference Centre, Botswana

I/We ____

____

of ____

being a shareholder/s of the above mentioned company, holding ____________ number of shares hereby appoint:

1. ______________________________________ or failing him/her
2. ______________________________________ or failing him/her
3. the Chairman of the Annual General Meeting

as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the company to be held at Gaborone Sun Conference Centre, on 24 June 2010, 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 2009			
2	Ordinary resolution number 2 - to approve the dividends declared by the directors on 13 August 2009 and 11 February 2010			
3	Ordinary resolution number 3 - to elect directors in accordance with the provisions of the Articles of Associations of the company. The following directors retire by rotation at this meeting and, being eligible, offer themselves for re-election: a. Mrs. B Dambe-Groth b. Mr. U Corea c. Mr. H Werth			
4	Ordinary resolution number 4 - to confirm the appointment of the following directors who were appointed directors of the company by the Board during the course of the year: a. Mr. T Schultz b. Mr. C Chauhan			
5	Ordinary resolution number 6 - to approve the remuneration of the chairman and non-executive directors			
6	Ordinary resolution number 5 - to approve the remuneration of the auditors for the year ended 31 December 2009			
7	Ordinary resolution number 7 - to appoint auditors for the coming year to 31 December 2010			

Administration & Management

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

Registered Office
Block A: Fairgrounds Office Park
P O Box 336
Gaborone

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

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

Company Secretary
Rorisang Modikana

Statutory Actuary
GT Waugh

Group Bankers
Barclays Bank of Botswana Limited
First National Bank of Botswana Limited
Stanbic Bank Botswana Limited
Standard Chartered Bank Botswana Limited

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

Francistown Branch Office
Botswana Insurance Building
Private Bag F283
Francistown
Tel:2413 581; Fax: 2414 614

Selebi Phikwe Branch Office
Botswana Building Society House
The Mall
Private Bag 0081
Selebi Phikwe
Tel: 2614 226; Fax: 2615 834

Palapye Branch Office
Mam Estate Unit 3
P O Box 10449
Palapye
Tel: 4922 332; Fax: 4922 416

Maun Branch
Ngami Centre
Private Bag 140
Maun
Tel: 6860 129; Fax: 6860 126

Lobatse Branch Office
Botswana Life Insurance House
Private Bag 105
Lobatse
Tel: 5331 422; Fax: 5331 423

Botswana Life Insurance Limited

Management

Florence Matome	- Service Delivery Manager
Beauty Buka	- Branch Manager (Maun)
Ndapiwa Mosweu	- Branch Manager (Palapye)
Gillian Rakwela	- Branch Manager (Lobatse)
Odirile Tamajobe	- Branch Manager (Selebi Phikwe)
Keba Moshe	- Branch Manager (Francistown)
Thomas Masifhi	- Branch Manager (Gaborone)

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

Corporate Communications, Marketing & Client Liaison

Glen Lekoma	- Head: Corporate Communications, Marketing & Client Liaison
Tebogo Hirschfeldt	- Corporate Communications and Marketing Manager

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