

### SALIENT FEATURES

- OPERATING PROFIT  
**INCREASES BY 14%**  
ON AN ANNUALISED BASIS
- ASSETS UNDER MANAGEMENT INCREASE BY  
**26% TO P11.75 BILLION**
- VALUE OF NEW BUSINESS  
**INCREASES BY 36%**  
ON AN ANNUALISED BASIS
- EMBEDDED VALUE REACHES  
**1.3 BILLION PULA**



## BOTSWANA INSURANCE HOLDINGS LIMITED

GROUP RESULTS FOR  
THE YEAR ENDED  
31 DECEMBER 2006



Botswana Insurance Holdings Limited  
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## Group Income Statement

	12 months to 31 Dec 2006	9 months to 31 Dec 2005
<b>Restated</b>	<b>P'000</b>	<b>P'000</b>
<b>Net insurance premium income</b>	<b>678,984</b>	450,647
Insurance premium revenue	701,943	469,380
Insurance premium ceded to reinsurers	(22,959)	(18,733)
<b>Investment returns and other income</b>	<b>718,873</b>	366,715
<b>Net fair value gains on financial assets</b>	<b>1,699,561</b>	1,299,982
<b>Total income</b>	<b>3,097,418</b>	2,117,344
Selling expenses	(73,241)	(51,124)
Operating expenses	(117,363)	(81,275)
Net insurance benefits and claims	(257,557)	(149,194)
Net fair value adjustment on investment contracts	(1,700,829)	(1,299,982)
Change in policyholder liabilities under insurance contracts	(557,652)	(328,113)
<b>Total expenses</b>	<b>(2,706,642)</b>	(1,909,688)
<b>Surplus from operations</b>	<b>390,776</b>	207,656
Share of results of associates	2,761	4,465
<b>Surplus before tax</b>	<b>393,537</b>	212,121
Taxation	(77,478)	(39,532)
Company tax	(93,635)	(47,075)
Withholding tax on dividends	16,157	7,543
<b>Surplus after tax</b>	<b>316,059</b>	172,589
<b>Attributable to:</b>		
- ordinary shareholders	309,609	168,375
- minority interest holders	6,450	4,214
Basic earnings per share (thebe)	119.16	64.94
Diluted earnings per share (thebe)	117.77	64.29
Weighted number of shares in issue	275,684,402	275,684,402
Staff share scheme and treasury shares	(15,851,167)	(16,393,237)
Weighted average number of shares		
-basic earnings per share	259,833,235	259,291,165
Weighted number of dilutive options	3,068,000	2,589,250
Weighted average number of shares - diluted earnings per share	262,901,235	261,880,415

## Abridged Group Statement Of Changes In Equity

	12 months to 31 Dec 2006	9 months to 31 Dec 2005
<b>Share capital and share premium</b>	<b>P'000</b>	<b>P'000</b>
Shares in issue	40,601	40,601
Share-based payment and treasury shares	(7,784)	(5,496)
	<b>32,817</b>	35,105
<b>Reserves</b>		
Opening balance as previously reported	609,483	471,525
Prior year adjustment	-	10,419
Opening balance as restated	609,483	481,944
Income attributable to ordinary shareholders for the year	309,609	168,375
Prior period as previously reported		153,137
Prior year adjustment		15,238
Transfer to consolidation and share-based reserves	1,523	563
Dividends paid	(105,486)	(48,438)
Foreign currency translation reserve	1,191	7,039
	<b>816,320</b>	609,483
<b>Ordinary shareholders' equity</b>	<b>849,137</b>	644,588

## Abridged Group Cash Flow Statement

	12 months to 31 Dec 2006	9 months to 31 Dec 2005
Cash flows from operating activities	312,076	138,956
Cash flows utilised in investing activities	(298,037)	(138,471)
Cash flows utilised in financing activities	(2,288)	(432)
Net increase in cash resources	11,751	53
Cash resources at beginning of the year	7,287	7,234
<b>Cash resources at end of the year</b>	<b>19,038</b>	7,287
<b>Prior year adjustments</b>		
Current assets		
Reserves at 1 April 2005		
(tax recoverable)		
(insurance contracts)		
Surplus for the period to 31 Dec 2005		
Current liabilities		
As previously reported	587,510	1,634,120
- Release of actuarial reserves	10,419	(3,471)
- Investment charges on policyholder funds	-	(5,079)
- IFRS 2 share based payment	(3,684)	-
As restated	594,245	1,599,913

## Group Balance Sheet

	At 31 Dec 2006	At 31 Dec 2005
<b>ASSETS</b>	<b>P'000</b>	<b>P'000</b>
Investments	9,145,271	6,767,586
Intangible assets	14,649	15,610
Property, plant and equipment	20,666	43,873
Current assets	81,042	98,568
Trade and other receivables	47,066	69,172
Taxation recoverable	14,938	22,109
Cash balances	19,038	7,287
	<b>9,261,628</b>	6,925,637

## CAPITAL, RESERVES AND LIABILITIES

Share capital and share premium	32,817	35,105
Reserves	816,320	609,483
Ordinary shareholders' equity	849,137	644,588
Minority shareholders' interest	21,172	17,723
	<b>870,309</b>	662,311
Policyholder liabilities under	8,172,640	6,114,114
- insurance contracts	2,157,459	1,599,913
- investment contracts	6,015,181	4,514,201
Deferred taxation	50,664	17,494
Current liabilities	168,015	131,718
Trade and other payables	164,960	131,718
Taxation	3,055	-
	<b>9,261,628</b>	6,925,637



## Group Embedded Value

The embedded value represents an estimate of the value of the Group, excluding the value attributable to minority interests and goodwill attributable to future new business.

The embedded value comprises:

\* the value of the shareholders' net assets; and

\* the value of the in-force business adjusted for the cost of solvency capital required to support this business.

The value of the in-force is the present value of future after-tax profits arising from business in force at the calculation date.

	12 months to 31 Dec 2006	9 months to 31 Dec 2005
<b>Embedded value results</b>	<b>P'000</b>	<b>P'000</b>
Shareholders' net assets after fair value adjustments	937,344	681,951
Shareholders' net assets, excluding goodwill	836,560	631,387
Fair value adjustments	1,007,784	50,564
Value of in-force	386,837	313,204
Value before cost of capital	440,301	360,262
Fair value adjustments	(16,506)	(12,258)
Cost of capital	(36,958)	(34,800)
Embedded value at end of period	1,324,181	995,155
Capital Adequacy Requirement (CAR)	124,652	90,990
CAR Cover	7.5	7.5
Embedded Value per share	4.80	3.61

## Embedded value earnings

Embedded value at end of period	1,324,181	995,155
Embedded value at beginning of period as restated	995,155	852,895
Change in embedded value	329,026	142,260
Consolidation of the staff share scheme	1,283	(124)
Dividends paid	105,486	48,438
<b>Embedded value earnings</b>	<b>435,795</b>	190,574

## These earnings can be analysed as follows:

Roll forward	256,819	112,040
Investment return on free assets after tax	215,605	75,228
Expected return on life business in force	41,214	36,812
Change over the period	178,976	78,534
Value of new business	63,976	35,228
Value at point of sale	59,257	32,850
Expected return to end of period	4,719	2,378
Change in assumptions and methodology	(41,572)	(43,351)
Experience variations	156,572	86,657

Total earnings	435,795	190,574
Value of new business at calculation date	63,969	35,228
Value before cost of capital	61,821	37,301
Recurring premium	28,125	22,107
Single premium	33,696	15,194
Cost of capital	(2,563)	(4,451)
Expected return to end of period	4,711	2,378

## Assumptions

The main assumptions used are as follows:

	% p.a	% p.a
<b>1. Economic assumptions</b>		
Risk discount rate	14.50	13.50
Overall investment return (before taxation)	13.07	11.06
Expense inflation rate	8.00	7.00

## 2. Other assumptions

The assumptions for future mortality, persistency and premium escalation were based on recent experience adjusted for anticipated future trends.

## Notes

	P'000	P'000
<b>a) Changes in assumptions and methodology</b>		
Expenses	(42,157)	(22,961)
Mortality	14,812	-
Persistency	(14,078)	(13,147)
Data and methodology changes	(2,425)	(1,177)
Total operational	(43,849)	(37,285)
Economic	2,277	(6,066)
Total	(41,572)	(43,351)

## Notes

<b>b) Experience variations</b>		
Mortality and morbidity	29,437	30,978
Persistency	4,612	(20,385)
Expenses and commission	2,804	(6,375)
Other	37,547	24,045
Total operational	74,400	28,263
Investment returns	65,841	44,482
Tax	16,331	13,912
Total	156,572	86,657

## c) Fair value adjustments

Staff share scheme	(28,434)	(6,792)
Group Holding expenses	(16,506)	(12,258)
FSG write-up to fair value	5,218	5,130
Reversal of IAS27 cross holding adjustment	124,000	52,226
Total	84,278	38,306
Consisting of:		
NAV adjustments	100,784	50,564
VIF adjustments	(16,506)	(12,258)



## Botswana Insurance Holdings Limited

### Commentary on results for the year ended 31 December 2006

The Directors take pleasure in presenting the reviewed results of Botswana Insurance Holdings Limited (BIHL) for the year ended 31 December 2006.

#### Change in financial reporting period

Members are reminded that BIHL changed its financial reporting period from 31 March to 31 December. For presentation purposes, the 12 months results for the year to 31 December 2006 have been compared with the results for the 9 months to 31 December 2005. As the number of months in each period is different, the results are not entirely comparable.

#### Economic environment

Inflation in Botswana continued to fall from 10.5% in September 2006 to 8.5% in December 2006 and is expected to further reduce towards the 7% mark during 2007. It was a very good year for the Domestic Companies Index of the Botswana Stock Exchange; closing the year 74% up from last year. There are also positive signs of an upturn in economic growth, which is expected to gather pace through 2007.

Global equity markets ended the year with a continuation of the rally which began in the third quarter. The MSCI World index added a strong 14% during the fourth quarter even after investors lowered their earnings expectations for 2007. Although markets saw further evidence of weakness in the US housing market and the auto sector, there were no major negative spillover effects to other sectors. Corporate profits have been exceptionally strong since early 2003. Looking forward, however the scope for further widening in profit margins is diminishing, suggesting lower performance levels into the future.

#### Accounting policies and presentation

The accounting policies adopted for the period comply in all material respects with International Financial Reporting Standards (IFRS) as well as the Botswana Companies Act. These policies are consistent with those applied in prior periods.

#### Prior year adjustments

Prior year results have been restated for

- the release of actuarial reserves on certain business portfolios considered by the statutory actuary to be no longer required;
- investment management fees on policyholder funds which were undercharged in 2005; and
- the impact of the change in accounting for the Group's share scheme from "equity accounted" to "equity accounted with a cash alternative" in terms of IFRS 2 share-based payment.

#### Financial review

	12 months to 31 Dec 006	9 months to 31 Dec 2005
	<b>Pula</b>	<b>Pula</b>
Operating surplus	179,263	118,154
Investment income on shareholder assets	48,365	35,165
Investment surpluses on shareholder assets	59,459	54,588
Tax	(77,478)	(39,532)
Surplus attributable to ordinary shareholders	309,609	168,375

**Attributable after tax profit** for the year amounted to P310 million, an impressive 38% increase on an annualised basis from P168 million.

**Operating surplus** increased by 14% on an annualised basis from P118 million to P179 million on strong operational performance from both the asset management and life businesses.

Assets under management increased by 26% from P9.35 billion at 31 December 2005 to P11.75 billion at 31 December 2006. This was as a result of retention of clients and very good investment returns for the year. Investment performance continued to exceed benchmarks. The life business results were also impressive as a result of positive mortality experience due to prudent underwriting; growth in the annuity business and very good investment returns from strong equity markets. This was however offset by deteriorating persistency arising from the difficult economic environment. Operating expenses have been well contained.

**Investment returns**, particularly on equities, have continued to be strong, from both local and offshore funds.

**Embedded value of new business** The value of new business for the period increased by 82%, on an annualised basis, from P35.2 million to P63.9 million. This was mainly from the growth in the annuity business and better margins on the new products launched during the year; Level Term Assurance; Decreasing Term Assurance and Mmoloki (Family Wealth Protector).

**Embedded value** increased by an impressive 33% over the year reaching P1.3 billion.

**Solvency:** The solvency position of the Group continues to strengthen with significant distributable reserves having been built up in the business. The capital adequacy requirement is covered 7.5 times. The directors are currently reviewing the Group's capital requirements.

#### Life business

Premium income increased by 13% to P678.9 million on an annualised basis. This was mainly from the growth in the annuity business. As a result of customer focus and response to client demands, three new individual life products mentioned above were launched in July 2006 and have performed very well. In addition, there is more focus on targeting the corporate sector of the business. The business is reviewing synergies and business opportunities with new shareholder, Sanlam.

## Directors:

**M C Letshwiti (Chairman), RD Sikalesele-Vaka (Joint Group CEO), V Senye (Joint Group CEO), J A Burbidge<sup>1</sup>, M Dawes<sup>2</sup>, H Fidzani, S Gupta<sup>3</sup>, HC Werth<sup>3</sup>, K Jefferis, J Van Der Merwe<sup>3</sup>.**  
Nationalities <sup>1</sup> British <sup>2</sup> South Africa <sup>3</sup> Indian

