



# Abridged Unaudited Group Financial Results

---

for the Six Months Ended  
30 June 2016



Botswana Life



**THE DIRECTORS HEREBY PRESENT THE UNAUDITED ABRIDGED CONSOLIDATED FINANCIAL RESULTS OF BOTSWANA INSURANCE HOLDINGS LIMITED (BIHL) AND ITS SUBSIDIARIES (THE 'GROUP') FOR THE SIX MONTHS ENDED 30 JUNE 2016.**

## Revenue

✓ Net insurance premium income - 11%

**to P1.17 billion**

✓ Fee Revenue - 8%

**to P42 million**

✓ Value of new business remained at

**to P78.9 million**

## Assets under management

⬆ Assets under management + 2%

**to P21 billion**

## Embedded Value

✓ Embedded value - 2%

**to P4.2 billion**

✓ Return on Group Embedded Value

**10.4 %**

Dec 2015 = P 4.3 billion

December 2015: 21.9%

## Earnings

✓ Operating profit - 6%

**to P177 million**

✓ Core earnings - 3%

**to P208 million**

✓ Profit attributable to equity holders - 8%

**to P264 million**

## Solvency

✓ Business is well capitalised, required capital for the life business is covered

**7.5 Times**

December 2015: 8.8 times

## Dividends

⬆ **P202.4 million**

paid as dividends during the period

2015: P 126.5 million

Interim normal dividend proposed of

**P 154.6 million** (gross of tax)



## Group Consolidated Income Statement

	6 Months to 30 June 2016 P'000	6 Months to 30 June 2015 P'000		Year to 31 Dec 2015 P'000 Restated
<b>Revenue</b>				
Net insurance premium income	1 168 844	1 314 167	(11%)	2 487 265
Gross premiums - recurring	566 024	514 770		1 078 940
- single	615 268	805 720		1 427 340
Insurance premiums ceded to reinsurers	(12 448)	(6 323)		(19 015)
<b>Other Investment income</b>	248 171	747 077		1 868 060
Fee revenue	42 011	45 637	(8%)	88 447
Investment income	370 513	341 062		684 327
Net (losses)/gains on financial assets held at fair value through profit or loss and investment properties	(164 353)	360 378		1 095 286
<b>Total revenue</b>	1 417 015	2 061 244		4 355 325
<b>Net insurance and investment contract benefits and claims</b>	(898 450)	(1 501 929)		(3 173 297)
Gross benefits and claims paid	(750 039)	(632 991)		(1 307 020)
Reinsurance claims	4 746	5 310		9 736
Change in policy holder liabilities under investment contracts	4 768	(275 178)		(674 663)
Change in policy holder liabilities under insurance contracts	(157 925)	(599 070)		(1 201 350)
<b>Expenses</b>	(321 804)	(299 725)	7%	(647 127)
Sales remuneration	(154 441)	(147 988)		(323 517)
Administration expenses	(167 363)	(151 737)		(323 610)
<b>Profit before share of profit of associates and joint venture</b>	196 761	259 590	(24%)	534 901
Share of profit of associates and joint venture	117 615	85 169	38%	186 728
<b>Profit before tax</b>	314 376	344 759	(9%)	721 629
Tax expense	(50 601)	(55 984)		(133 942)
<b>Profit for the period</b>	263 775	288 775	(9%)	587 687
<b>Profit attributable to:</b>				
- Equity holders of the parent	263 626	287 951	(8%)	585 060
- Non-controlling interests	149	824		2 627
	263 775	288 775	(9%)	587 687
Earnings per share (thebe) (attributable to ordinary equity holders of the parent)				
- Basic	97	105	(8%)	214
- Diluted	95	104	(9%)	211
Number of shares in issue	281 070 652	281 070 652		281 070 652





## Group Consolidated Statement of Comprehensive Income

	6 Months to 30 June 2016 P'000	6 Months to 30 June 2015 P'000	Year to 31 Dec 2015 P'000 Restated
Profit for the period	263 775	288 775	587 687
<b>Other comprehensive income</b>			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax)</i>			
Exchange differences on translating foreign operations	(32 265)	3 887	(50 831)
<b>Total comprehensive income for the period</b>	<b>231 510</b>	<b>292 662</b>	<b>536 856</b>
<b>Total comprehensive income attributable to:</b>			
- Equity holders of the parent	231 361	291 838	534 229
- Non-controlling interests	149	824	2 627
	231 510	292 662	536 856

## Group Consolidated Statement of Financial Position

	At 30 June 2016 P'000	At 30 June 2015 P'000	At 31 Dec 2015 P'000 Restated
<b>ASSETS</b>			
Property and equipment	157 843	18 437	155 504
Intangible assets	110 003	123 755	122 708
Long term reinsurance assets	2 936	1 728	3 042
Investment property	110 072	106 365	110 073
Investments in associates and joint venture	2 052 954	1 594 330	1 741 680
<b>Financial assets at fair value through profit or loss</b>	<b>10 978 585</b>	<b>10 603 735</b>	<b>10 931 578</b>
- Bonds (Government, public authority, listed and unlisted corporates)	6 768 687	5 837 292	6 362 935
- Investments in property funds and companies	160 385	150 534	156 557
- Equity investments (Local and foreign)	3 612 105	4 070 947	3 911 528
- Policy loans and other loan advances	405 218	407 746	408 432
- Money market instruments	32 190	137 216	92 126
Deferred tax asset	-	495	41
Trade and other receivables	210 411	233 787	219 894
Short term insurance receivables	268	2 284	-
Tax refund due	8 186	2 705	1 070
Cash, deposits and similar securities	912 302	803 116	1 055 086
<b>Total assets</b>	<b>14 543 560</b>	<b>13 490 737</b>	<b>14 340 676</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of parent</b>			
Stated capital	130 821	130 821	130 821
Non distributable reserves	508 686	585 408	484 681
Retained earnings	2 296 511	2 126 393	2 297 105
<b>Total equity attributable to equity holders of parent</b>	<b>2 936 018</b>	<b>2 842 622</b>	<b>2 912 607</b>
Non-controlling interests	19 533	17 448	18 474
<b>Total equity</b>	<b>2 955 551</b>	<b>2 860 070</b>	<b>2 931 081</b>
<b>Liabilities</b>			
Policyholder liabilities under:	11 055 105	10 194 238	10 933 113
- Insurance contracts	8 710 211	7 950 007	8 555 331
- Investment contracts	2 344 894	2 244 231	2 377 782
Deferred tax liability	18 161	22 721	18 360
Trade and other payables	499 312	390 106	441 030
Short term insurance payables and provisions	7 732	8 587	5 815
Tax payable	4 805	10 273	9 137
Related party balances	2 894	4 742	2 140
<b>Total equity and liabilities</b>	<b>14 543 560</b>	<b>13 490 737</b>	<b>14 340 676</b>



## Group Consolidated Statement of Changes in Equity

For the 6 months ended 30 June 2016

	Stated capital P'000	Non distributable reserves P'000	Retained earnings P'000	Total Equity attributable to equity holders of parent P'000	Non- controlling interests P'000	Total Equity P'000
<b>As at 1 January 2016 - Restated</b>						
Opening balances	130 821	484 681	2 297 105	2 912 607	18 474	2 931 081
Profit for the period	-	-	263 626	263 626	149	263 775
Foreign currency translation reserve movement	-	(32 265)	-	(32 265)	-	(32 265)
Dividend paid	-	-	(202 441)	(202 441)	-	(202 441)
Transfers from retained earnings to non-distributable reserves	-	64 491	(64 491)	-	-	-
Other movements in reserves	-	(8 221)	2 712	(5 509)	910	(4 599)
<b>Balances at 30 June 2016</b>	130 821	508 686	2 296 511	2 936 018	19 533	2 955 551

For the 6 months ended 30 June 2015

	Stated capital P'000	Non distributable reserves P'000	Retained earnings P'000	Total Equity attributable to equity holders of parent P'000	Non- controlling interests P'000	Total Equity P'000
<b>As at 1 January 2015</b>						
Opening balances	130 821	547 772	2 007 474	2 686 067	18 569	2 704 636
Profit for the period	-	-	287 951	287 951	824	288 775
Foreign currency translation reserve movement	-	3 887	-	3 887	-	3 887
Dividend paid	-	-	(126 482)	(126 482)	(1 945)	(128 427)
Transfers from retained earnings to non-distributable reserves	-	37 463	(37 463)	-	-	-
Other movements in reserves	-	(3 714)	(5 087)	(8 801)	-	(8 801)
<b>Balances at 30 June 2015</b>	130 821	585 408	2 126 393	2 842 622	17 448	2 860 070

## Group Consolidated Statement of Cash Flows

	6 months to June 2016 P'000	6 months to June 2015 P'000	Year to 31 December 2015 P'000
Cash flows from/(utilised in) operating activities	244 268	(1 284 389)	(1 550 626)
Cash flows (utilised in) /from investing activities	(387 052)	1 429 037	1 947 244
Net (decrease)/ increase in cash and cash equivalents	(142 784)	144 648	396 618
Cash and cash equivalents at the beginning of the period	1 055 086	658 468	658 468
Cash and cash equivalents at the end of the period	912 302	803 116	1 055 086
Represented by:			
Cash deposits and similar securities	792 602	674 405	166 048
Funds on deposit	119 700	128 711	889 038
	912 302	803 116	1 055 086

### Restatement

The Consolidated Income Statement, the Consolidated Statement of Financial Position, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash flows as at 31 December 2015 have been restated for the understatement of withholding tax expense on dividend accrued of P10 million.



## 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 required capital 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.

	6 months to 30 June 2016 P'000	6 months to 30 June 2015 P'000	Year to 31 December 2015 P'000
<b>Embedded value results</b>			
Shareholders' net assets after fair value adjustments	2 958 210	3 030 272	3 028 158
Shareholders' net assets, excluding goodwill	2 853 491	2 752 366	2 828 708
Fair value adjustments	104 719	277 906	199 450
Value of in-force	1 227 586	1 031 263	1 274 293
Value before cost of capital	1 289 393	1 202 827	1 287 672
Fair value adjustments	94 948	(52 300)	107 624
Cost of capital	(156 755)	(119 264)	(121 003)
<b>Embedded value at end of period</b>	<b>4 185 796</b>	<b>4 061 535</b>	<b>4 302 451</b>
Embedded value per share (Pula)	15.32	14.87	15.74
<b>Embedded value earnings</b>			
Embedded value at end of period	4 185 796	4 061 535	4 302 451
Embedded value at beginning of period	4 302 451	3 823 689	3 823 689
Change in embedded value	(116 655)	237 840	478 762
Movement in treasury shares	132 679	-	77 502
Dividends paid	202 441	126 482	281 070
<b>Embedded value earnings</b>	<b>218 465</b>	<b>364 328</b>	<b>837 334</b>
<b>Return on Embedded value</b>	10.4%	20%	21.9%
<b>These earnings can be analysed as follows:</b>			
Expected return on life business in force	59 391	53 365	111 760
Value of new business	78 856	78 928	170 446
Value at point of sale	102 931	77 031	163 640
Expected return to end of period	(24 075)	1 897	6 806
Operating experience variances	18 797	12 047	80 280
Mortality/Morbidity	10 905	23 601	50 839
Persistency	(12 603)	3 749	3 174
Expenses	(13 721)	(14 096)	(23 707)
Other	34 216	(1 207)	49 974
Operating assumption changes	(46 979)	34 388	89 720
Mortality/morbidity	(1 883)	1 468	48 209
Persistency	(5 580)	12 075	16 858
Expenses	(2 329)	(34 605)	(53 930)
Other	(37 187)	55 450	78 583
<b>Embedded value earnings from operations</b>	<b>110 065</b>	<b>178 728</b>	<b>452 207</b>
Investment variances	(11 205)	(21 989)	21 159
Economic assumption changes	28 880	5 496	-
Investment return	21 822	-	-
Risk discount rate	7 058	-	-
Asset mix assumptions	-	5 496	-





## Group Embedded Value (continued)

	6 months to 30 June 2016 P'000	6 months to 30 June 2015 P'000	Year to 31 December 2015 P'000
<b>Embedded value earnings from covered business</b>	<b>127 740</b>	<b>162 235</b>	<b>473 366</b>
Return on shareholders' assets	80 681	136 760	239 133
Investment Returns	(15 716)	53 482	119 139
Net profit non-life operations	96 397	83 278	119 994
Change in shareholders' fund adjustments	10 044	65 333	124 835
Changes in treasury share adjustments	11 686	3 469	11 841
Movement in fair value of incentive scheme shares	(5 477)	-	1 927
Movement in present value of holding company expenses	(12 676)	30 911	(18 165)
Movement in other net worth adjustments	16 511	30 953	129 232
<b>Embedded value earnings</b>	<b>218 465</b>	<b>364 327</b>	<b>837 334</b>
<b>a) Value of new business</b>			
Value of new business at calculation date	78 856	78 929	170 446
Value before cost of capital	110 573	92 182	181 173
Recurring premium	83 349	22 994	64 116
Single premium	27 224	69 188	117 057
Cost of capital	(7 642)	(15 150)	(17 533)
Expected return to end of period	(24 075)	1 897	6 806
<b>b) Fair value adjustments</b>			
Staff share scheme	(56 106)	6 120	(50 629)
Non-life operations write-up to fair value	38 750	-	137 493
Non-life operations write-up to fair value (VIF)	209 000	189 707	209 000
Group holding expenses	(114 052)	(52 300)	(101 376)
Reversal of cross holding adjustment	124 272	82 079	112 586
<b>Total</b>	<b>201 864</b>	<b>225 606</b>	<b>307 074</b>
Consisting of:			
Net Asset Value adjustments	106 916	277 906	199 450
Value of In Force adjustments	94 948	(52 300)	(107 624)
<b>c) Assumptions</b>			
The main assumptions used are as follows:			
<b>1. Economic assumptions</b>		% p.a.	% p.a.
Risk discount rate	10.50	11.00	11.00
Overall investment return (before taxation)	8.08	8.75	8.58
Expense inflation rate	4.00	4.50	4.50

### 2. Other assumptions

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





## Commentary

### Economic environment

Worldwide economic growth and subdued levels of employment creation remain topical issues amidst fragility of key players in the global market. Botswana has also been affected as a result. Monetary and fiscal policies coupled with structural reforms have now become customary regulatory tools to deal with weaker than desirable global economic recovery. To reduce monetary and fiscal policy uncertainty, major economies, especially the G-20, have become advanced in communication of policy actions to assist the commercial sector in more informed strategic decision making.

The unexpected Brexit vote on 23 June 2016 to leave the EU has driven global equity markets downward and decreased yields have been witnessed for the quarter ending in June 2016. The immediate effect of the referendum has been mostly negative for Britain and Europe while uncertainty prevails over the extent of disruption in the medium to longer term, also as far as it pertains to Botswana.

Worldwide, inflation has been largely subdued, with developed economies continuing to record low inflation. The US consumer price index increased by 1 percent while inflation was at 0.1 percent in the Euro Zone in June 2016. In larger emerging markets such as Brazil and South Africa, inflation was 8.8 percent and 6.3 percent respectively, year on year, in June.

In Botswana inflation fell below the target range of 3 – 6 percent during the first six months of 2016, closing the quarter at 2.7 percent in June. Botswana inflation outlook remains positive and will remain within the target range of 3 – 6%.

Total foreign exchange reserves decreased from USD8.76 billion in May 2015, to USD 7.499 billion in May 2015 to USD 7.499 billion in May 2016, a 14.40 percent fall. In Pula terms, the fall was BWP 2.563 billion, despite the Pula falling against the USD by 13.37 percent over the same period.

### Accounting policies and presentation

The accounting policies adopted for the period comply in all material respects with International Financial Reporting Standards (IFRS) and are presented in the manner required by the Botswana Insurance Industry Act (Cap 46:01) and the Companies Act of Botswana (Companies Act, 2003). These policies are consistent with those applied for the year ended 31 December 2015.

### Financial overview

	6 months to 30 June 2016 P'000	6 months to 30 June 2015 P'000	% Change	Year to 31 December 2015 P'000 Restated
<b>Analysis of earnings</b>				
Operating profit	177 298	188 648	(6%)	385,884
Investment income on shareholders' assets	31 083	26 362	18%	34 078
<b>Core earnings</b>	<b>208 381</b>	<b>215 010</b>	<b>(3%)</b>	<b>419 962</b>
Share of profit of associates and joint venture net of tax	117 615	85 169	38%	186 728
Investment (losses)/ surpluses on shareholders' assets	(11 620)	44 580	(126%)	114 939
Profit before tax	314 376	344 759	(9%)	721 629
Tax expense	(50 601)	(55 984)	(10%)	(133 943)
<b>Profit after tax</b>	<b>263 775</b>	<b>288 775</b>	<b>(9%)</b>	<b>587 686</b>
Non-controlling interests	(149)	(824)		(2 627)
<b>Profit attributable to ordinary shareholders</b>	<b>263 626</b>	<b>287 951</b>	<b>(8%)</b>	<b>585 059</b>

Operating profit for the life business increased by a moderate 2 percent due to subdued operational earnings from most key business lines under challenging operational conditions. The asset management business was adversely affected by underperforming global equity markets while legal insurance business was adversely affected by additional claims provisioning and increased operational costs. Share of profit of associates witnessed the anticipated increase of 38 percent due to the increased shareholdings in Funeral Services Group (FSG) and Letshego Holdings Limited (Letshego) and recent investments made in associates Botswana Insurance Company Limited and Nico Holdings Limited.

Investment income which comprises dividend income and interest income increased significantly compared to prior year. Investment losses were incurred on shareholders assets that can primarily be ascribed to underperformance in global equity markets. This area remains susceptible to market volatility.

### Embedded value

The Group's embedded value decreased to P4.19 billion as compared to the December 2015 year end level of P4.30 billion. The embedded value allows for P202.4 million of dividends paid during the period.





## Commentary (continued)

### Value of new life business

The value of new life business remained at P78.9 million compared to the prior period. Value of new business was subdued due to lower annuity business relative to the comparative six months.

### Overview of operations

For management purposes, the group is organised into four principal business areas based on their products and services and these make up the four reportable operating segments as follows:

- The life insurance segment which provides life insurance services to its customers through Botswana Life Insurance Limited, Botswana's leading life insurance company, a full subsidiary of the Group
- The asset management segment which provides asset management services to its customers through Botswana Insurance Fund Management Limited, a full subsidiary of the Group
- The short term insurance segment which provides legal insurance to its customers through BIHL Insurance Company Limited, a full subsidiary of the Group
- BIHL also has associate holdings of 25.7 percent in Letshego Holdings Limited, 35.6 percent in Funeral Services Group, 50 percent in Botswana Insurance Company Limited and 25.1 percent in Nico Holdings Limited (Malawi)

Inter-segment transactions that occurred during 2016 and 2015 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 include those transfers between business segments, which are eliminated on consolidation.

The source of revenue for segments included in other segments is Unit Trust business, Holding Company and the Corporate Social Investment Trust.

### Segment results

#### For the six months ended 30 June 2016

	Life Business P'000	Asset Management P'000	General Insurance P'000	Associates P'000	Other P'000	Inter Segmental P'000	Consolidated Total P'000
Premium revenue	1 145 367	-	23 477	-	-	-	1 168 844
Fee revenue							
- Internal	-	1 534	-	-	-	(1 534)	-
- External	-	42 066	181	-	(236)	-	42 011
Investment income	293 320	112 647	304	(39 739)	172 944	(168 963)	370 513
Fair value losses	(64 861)	(95 311)	-	-	(4 181)	-	(164 353)
<b>Total net income</b>	<b>1 373 826</b>	<b>60 936</b>	<b>23 962</b>	<b>(39 739)</b>	<b>168 527</b>	<b>(170 497)</b>	<b>1 417 015</b>
Policyholder benefits paid net of reinsurance claims	(736 623)	-	(8 670)	-	-	-	(745 293)
Change in policyholder liabilities under investment contracts	-	4 768	-	-	-	-	4 768
Change in policyholder liabilities under insurance contracts	(157 925)	-	-	-	-	-	(157 925)
Administration expenses	(97 319)	(22 129)	(14 054)	-	(23 721)	(10,140)	(167 363)
Selling expenses	(152 839)	-	(1 602)	-	-	-	(154 441)
<b>Profit before share of profit of associates and joint venture</b>	<b>229 120</b>	<b>43 575</b>	<b>(364)</b>	<b>(39 739)</b>	<b>144 806</b>	<b>(180 637)</b>	<b>196 761</b>
Share of profit of associates and joint venture	-	4 164	-	113 451	-	-	117 615
Tax expense	(42 790)	(9 424)	80	-	(12 590)	14 124	(50 601)
<b>Profit/(loss) for the period</b>	<b>186 330</b>	<b>38 315</b>	<b>(284)</b>	<b>73,712</b>	<b>132 216</b>	<b>(166 513)</b>	<b>263 775</b>



## Commentary (continued)

For the period ended 30 June 2015

	Life Business P'000	Asset Management P'000	General Insurance P'000	Associates P'000	Other P'000	Inter Segmental P'000	Consolidated Total P'000
<b>Continuing operations</b>							
Premium revenue	1 291 782	-	22 385	-	-	-	1 314 167
Fee revenue							
- Internal	-	2 714	-	-	-	(2 714)	-
- External	-	44 179	186	-	1 272	-	45 637
Investment income	235 300	101 833	410	-	181 138	(177 619)	341 062
Fair value gains	181 893	178 485	-	-	-	-	360 378
<b>Total net income</b>	<b>1 708 975</b>	<b>327 211</b>	<b>22 981</b>	<b>-</b>	<b>182 410</b>	<b>(180 333)</b>	<b>2 061 244</b>
Policyholder benefits paid net of reinsurance claims	(619 502)	-	(8 179)	-	-	-	(627 681)
Change in policyholder liabilities under investment contracts	-	(275 178)	-	-	-	-	(275 178)
Change in policyholder liabilities under insurance contracts	(599 070)	-	-	-	-	-	(599 070)
Administration expenses	(93 355)	(29 466)	(11 792)	-	(18 242)	1 118	(151 737)
Selling expenses	(146 706)	-	(1 282)	-	-	-	(147 988)
<b>Profit before share of profit of associates and joint venture</b>	<b>250 342</b>	<b>22 567</b>	<b>1 728</b>	<b>-</b>	<b>164 168</b>	<b>(179 215)</b>	<b>259 590</b>
Share of profit of associates and joint venture	-	10 253	-	74 916	-	-	85 169
Tax expense	(50 516)	(5 082)	(386)	-	(9 486)	9 486	(55 984)
<b>Profit for the period</b>	<b>199 826</b>	<b>27 738</b>	<b>1 342</b>	<b>74 916</b>	<b>154 682</b>	<b>(169 729)</b>	<b>288 775</b>

	Life Business P'000	Asset Management P'000	General Insurance P'000	Other P'000	Inter Segmental P'000	Consolidated Total P'000
<b>Segment assets and liabilities</b>						
<b>At 30 June 2016</b>						
Total Assets	10 569 664	5 897 248	30 884	2 748 416	(4 702 652)	14 543 650
Total Liabilities	9 111 719	5 318 712	16 267	1 522 018	(4 380 705)	11 588 011

	Life Business P'000	Asset Management P'000	General Insurance P'000	Other P'000	Inter Segmental P'000	Consolidated Total P'000
<b>At 30 June 2015</b>						
Total Assets	9 979 186	6 170 669	27 229	2 470 527	(5 156 874)	13 490 737
Total Liabilities	8 357 899	5 668 047	13 817	1 507 979	(4 917 075)	10 630 667

### Life insurance business

Net premium income decreased 11 percent year on year at P1.145 billion compared to P1.292 billion for the comparative six months. The decrease was mainly due to a number of material single premium transactions relating to retirement schemes that were concluded in the first six months of 2015 and were not repeated in 2016. Recurring premium income grew by an impressive 8 percent from P486 million in June 2015 to P530 million during the first 6 months of 2016. Operating profit grew from P188 million to P192 million over the comparative six months mainly on the back of the good performance on recurring premium business which is a more sustainable source of profits in the longer term. Despite the challenging economic environment the Value of New Business written was maintained at the same level compared to prior year. Given the pressure on sales volumes, management has focused on containing expenditure growth below 4 percent year on year which compares well with current inflation levels. This is despite the introduction of new segments that are expected to deliver revenue growth in the near future.

The launch of 3 very unique products during the first half of 2016 is expected to transform the perception of life insurance in Botswana and potentially change the landscape forever. The affluent offering, which opened its doors to business in the first half of 2016, is beginning to penetrate previously untapped segments in the Botswana market that offer significant upside potential.

Investment management during the first half of 2016 has been particularly challenging compared to 2015 with Global Investments markets experiencing increased volatility. This was exacerbated with Britain's vote to leave the EU. Despite these challenges, management continues to focus on various ways to deliver competitive products offering sustained returns at attractive levels.



## Commentary (continued)

### Asset management business

BIFM Holdings Group posted strong half year results in a challenging business environment and heightened market volatility. The results are also reflective of the success and robustness of our realignment strategy which we embarked on and completed in 2015, the business is stable and geared for growth.

Operating profit for the period decreased from P25m to P22m year on year owing mainly to the significant decrease in AUM experienced in 2015 as well as the volatility in global investment markets. Our Zambian business was mostly affected as their local environment also experienced market volatility which affected investment income. Total assets under management (AUM) ended at P21.1 billion, (BIFM P17.6 billion and Zambia P3.5 billion), a modest growth of 2% year on year, on the back of inflows to the Unit Trust business.

### Short term insurance business

2016 marks the second year after the restructuring of Legal Guard following the sale of the general insurance lines business in August 2014.

The first half of 2016 was devoted to carrying forward the positive changes from 2015 whilst at the same time reflecting on the challenges of retaining a market leadership position in the legal insurance space. The business continues to prioritize revenue growth, optimizing a cost effective and efficient claims administration model, customer centricity as well as realigning processes to deliver efficiencies.

Financial performance for the first half has been subdued with an operating loss of P0.7 million compared to P1.3 million operating profit recorded for the first half of 2015. This lower result has come about from increased operating costs and increased open claims provisions to reflect an accurate estimate of all potential claims as a prudential measure. Management however remains optimistic that the business remains sound with revenues showing a 5 percent year on year increase in spite of the difficult domestic economic environment.

Management is very aware of the challenges that lie ahead for the remainder of the year but remains focused in ensuring that the business remains profitable in the long term.

### Capital management and solvency

The Group remains well positioned in terms of capital management and solvency. This was taken into consideration by the board when resolving an interim dividend that is equal to the comparative interim dividend of 2015. The board has confidence in the Group's ability to maintain dividends at this level while ensuring that its capital position remains solid and aligned with future capital requirements across the Group, whilst sustaining levels of Return on Group Equity Value. The Board notes the significant shift in the allocation of shareholders capital towards investments in associated financial service providers and is optimistic that this will enhance overall performance over the medium to long term.

### Social Responsibility

To deliver on the Group's Sustainability agenda, BIHL Group has continued to support sustainable growth through the creation of long term value and contribution to the society. The first half of 2016 saw BIHL Group, through the corporate social investment division of the company, BIHL Trust, contribute meaningfully in a number of key ways.

The BIHL Trust values investment in all aspects of life, be it financial, assets or human capital (our people). We strongly believe in the power of education, as motivated by Botswana's continued involvement in the education of many across the country, this is testament that indeed "Thuto ke boswa". The BIHL Trust therefore believes one of its flagship projects is the BIHL Trust Thomas Tlou Scholarship and this year's recipients competed aggressively for the scholarship opportunity. Two scholarships were awarded and this brings the number of scholarships to ten in this academic year.

As part of the BIHL Group's drive to celebrate talent, the BIHL Trust sponsored the first prizes of the Visual Arts Category in President's Day Competition through beadwork, pottery, leatherwork, lekgapho and woodcarving. BIHL is proud to be involved in the upliftment of local artists as they showcase their various disciplines through this national competition.

Part of this sponsorship was a "heritage trail" along Gaborone's Independence Avenue, it tells the journey of Botswana's growth and development through key milestones illustrated for the traveller or commuter to enjoy. Progressing along the historic route passed the National Museum, the heritage trail is a journey through the years, using art and photography to share captured moments of a nation that rose from a humble beginning to a veritable success story on the African continent.

The significance of such a historic year as this is simply incredible. As a business that has had its doors open to work with and support Botswana for 40 of the 50 years since we gained Independence, we are truly humbled, proud and passionate about the story of our country; of the people of Botswana and how we as a nation progressed with grace and promise.



## Commentary (continued)

### Looking ahead

We continue to focus on our key twin strategies of growth and profitability. However, uncertainty in the global markets is expected to continue to affect the results. We would like to thank all our Clients, Brokers, Agents, Staff and other Stakeholders for the on-going partnership and support and look forward to serving them in the future.

### Changes in directorships

Resignation - Mr. Heinie Werth resigned as a director on 17 February 2016.

Appointment - Ms. Catherine Lesetedi-Letegele was appointed as a director on 01 March 2016

### Dividend Declaration

The Directors have resolved to award an interim dividend of 55 thebe per share (gross of tax) for the period ending 30 June 2016. In terms of the Botswana Income Tax Act (Cap 50:01) as amended, withholding tax at the rate of 7.5% or any other currently enacted tax rate will be deducted from the interim gross dividend for the period ended 30 June 2016.

The important dates pertaining to the dividends are:

<b>Declaration date:</b>	17 August 2016
<b>Last day to register for dividend:</b>	28 September 2016
<b>Payment of dividend:</b>	14 October 2016

For and on behalf of the Board

**B Dambe-Groth (Chairperson)**

**C Lesetedi - Letegele (Group CEO)**

02 September 2016

---

### Directors:

Batsho Dambe – Groth (Chairperson),  
Catherine Lesetedi - Letegele (Group  
CEO), Chandra Chauhan, Gaffar  
Hassam\*\*\*, John Hinchliffe\*, Mahube  
Mpugwa, Andre Roux\*\*, Lieutenant  
General Tebogo Masire, Gerrit van  
Heerde\*\*

### Registered Office:

Plot 66458 Fairgrounds Office Park  
PO Box 336, Gaborone,  
Tel: +267 370 7400  
Fax: +267 397 3705  
[www.bihl.co.bw](http://www.bihl.co.bw)

### Transfer Secretaries:

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

### Auditors:

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

\*British \*\*South African \*\*\*Malawian