Botswana Insurance Holdings Limited







Abridged Unaudited Group Results for the six months ended 30 June 2017

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 2017

Revenue	Embedded Value
Net insurance premium income decreased by 4% to P 1.13 billion Fee revenue increased by 22% to P 51 million Value of new business decreased by 22% to P 58 million	Embedded value decreased marginally by 1% to P 4.31 billion (December 2016: P 4.34 billion) Return on Group Embedded Value is 8.3% (December 2016: 15.2%)

Assets Under Management	Dividends

sets under management	P 188.3 million (gross of tax) paid as dividend
reased by 20% to P25 billion	during the period (Dec 2016: P 188.3 million)
	 Interim normal dividend proposed of P 154.6 million (gross of tax)

Earnings	Solvency
Operating profit decreased by 15% to P 151 million	Business is well capitalised, required capital for the Group is covered 6.6 times (December 2016: 6.6 times)
Core earnings decreased by 21% to P 164 million	(December 2010, 0.0 times)
 Profit attributable to equity holders decreased by 5% to P 251 million 	

Group Consolidated Income Statement

	6 months to 30 June 2017 P'000	6 months to 30 June 3 2016 P'000	Year to 31 December 2016 P'000
Revenue			
Net insurance premium income	1,126,991	1,168,844	2,122,963
Gross premium income - recurring	627,910	566,024	1,160,195
- single	511,486	,	989,876
Insurance premiums ceded to reinsurers	(12,405)	,	(27,108)
Other Investment income	(9,156)	248,171	3,857
Fee revenue	51,087	42,011	91,193
Investment income	341,340	370,513	752,757
Net fair value profit on sale of associate	2,540	370,313	132,131
Net losses on financial assets held at fair value through profit or loss	(404,123)	(164,353)	(840,093)
	, , ,	, ,	
Total revenue	1,117,835	1,417,015	2,126,819
Net insurance and investment contract benefits and claims	(640,399)	(898,450)	(1,122,593)
Gross insurance benefits and claims	(668,896)		(1,559,570)
Reinsurance claims	4,647	, ,	8,371
Change in liabilities under investment contracts	265,889	4,768	676,641
Change in policyholder liabilities under insurance contracts	(242,039)	,	(248,035)
Expenses	(215 211)	(224 904)	(652 957)
Sales remuneration	(315,211)		(652,857) (315,232)
Administration expenses	(159,706)	(167,363)	(337,625)
Profit before share of profit of associates and joint ventures	162,225	196,761	351,369
Share of profit of associates and joint ventures	127,519	117,615	224,671
Profit before tax	289,744	314,376	576,040
Tax expense	(37,089)	(50,601)	(100,729)
Profit for the period	252,655	263,775	475,311
	,		
Profit attributable to:			
- Equity holders of the parent	251,435	263,626	474,112
- Non-controlling interests	1,220	149	1,199
	252,655	263,775	475,311
Earnings per share (thebe) (attributable to ordinary equity holders of the parent)			
- Basic	92	97	173
- Diluted	91	95	171
Diato	J1	33	17.1
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 2017	6 months to 30 June 31 2016	Year to 1 December 2016	
	P'000	P'000	P'000	
Profit for the period	252,655	263,775	475,311	
Other comprehensive income				
Other comprehensive income to be reclassified to profit or loss in				
subsequent periods (net of tax)				
Exchange differences on translating foreign operations	(14,936)	(32,265)	(145,686)	
Total comprehensive income for the period	237,719	231,510	329,625	
Total comprehensive income attributable to:				
- Equity holders of the parent	236,499	231,361	328,426	
- Non-controlling interests	1,220	149	1,199	
	237,719	231,510	329,625	

Group Consolidated Statement of Financial Position

	As at 30 June		As at
	2017 P'000	2016 P'000	2016 P'000
	F 000	F 000	P 000
ASSETS			
Property and equipment	181,932	157,843	156,006
Intangible assets	97,915	110,003	100,357
•	ŕ	,	•
Investment property	110,165	110,072	110,747
Investments in associates and joint venture	1,984,408	2,052,954	1,878,439
Long term reinsurance assets	2,936	2,936	2,936
Non - current assets held for sale	-	-	94,396
Financial assets at fair value through profit or loss	11,043,799	10,978,585	11,024,458
- Bonds (Government, public authority, listed and unlisted corporates)	7,384,010	6,768,687	7,036,769
- Investment in property funds and companies	133,931	160,385	153,584
- Equity investments (Local and foreign)	3,238,733	3,612,105	3,322,194
- Policy loans and other loan advances	80,882	405,218	416,530
- Money market instruments	206,243	32,190	95,381
Insurance and other receivables	214,409	210,678	203,977
Tax refund due	8,915	8,187	248
Cash, deposits and similar securities	948,901	912,302	819,280
Total assets	14,593,380	14,543,560	14,390,844
EQUITY AND LIABILITIES			
Equity attributable to equity holders of parent			
Stated capital	130,821	130,821	130,821
Non distributable reserves	425,761	508,686	444,269
Retained earnings	2,401,278	2,296,511	2,341,425
Total equity attributable to equity holders of parent	2,957,860	2,936,018	2,916,515
Non-controlling interests	21,802	19,532	20,583
Total equity	2,979,662	2,955,550	2,937,098

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9,214,379 8,710,211 8,800,323

1,974,069 2,344,894 2,156,174

387,812 499,313 459,773

7,732

4,805

14,593,380 14,543,560 14,390,844

9,525

4,083

18,300 18,161

11,785

Group Consolidated Statement of Changes in Equity

LIABILITIES

Tax payable

Policyholder liabilities under

- Insurance contracts

- Investment contracts

Trade and other payables

Short-term insurance payables and provisions

Deferred tax liability

Related party balance

Total equity and liabilitie

Other movements in reserves

	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 interest P'000	Total equity P'000
For the 6 months ended 30 June	2017					
As at 1 January 2017						
Opening balances	130,821	444.269	2,341,425	2,916,515	20.582	2,937,097
Profit for the period	-	-	251,435	251,435	1,220	252,655
Foreign Currency translation			,	- ,	, .	. ,
reserve movement	_	(14,936)	-	(14,936)	-	(14,936)
Dividend paid	_	-	(188,317)	(188,317)	-	(188,317)
Transfers from non-distributable			, , ,	, , ,		` ' '
reserves to retained earnings	-	10,208	(10,208)	-	-	-
Other movements in reserves	-	(13,780)	6,943	(6,837)	-	(6,837)
Balances at 30 June 2017	130,821	425,761	2,401,278	2,957,860	21,802	2,979,662
For the 6 months ended 30 June As at 1 January 2016		40.4.05.	0.007.45-	0.040.05=	40.47:	0.004.05
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		/ <i>-</i> -				/aa a
reserve movement	-	(32,265)	-	(32,265)	-	(32,265)
Dividend paid	-	-	(202,441)	(202,441)	-	(202,44)
Transfers from retained earnings						
to non-distributable reserves	-	64,491	(64,491)	-	-	-

Group Consolidated Statement of Cash Flows

	6 months to 30 June 2017 P'000	2016	Year to 31 December 2016 P'000
Cash flows from operating activities	529.461	244.268	985.603
Cash flows (utilised in) investing activities	(399,840) (387,052)	(1,221,409)
Net increase/(decrease) in cash and cash equivalents	129,621	(142,784)	(235,806)
Cash and cash equivalents at the beginning of the period	819,280	1,055,086	1,055,086
Cash and cash equivalents at the end of the period	948,901	912,302	819,280
Represented by:			
Cash deposits and similar securities	817.613	792.602	718,803
Funds on deposit	131,288	- ,	100,477
·	948,901	912,302	819,280

Group Embedded Value

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

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

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

6 months to 6 months to

2. EMBEDDED VALUE RESULTS

	6 months to		Year to
	30 June		1 December
	2017	2016	2016
	P'000	P'000	P'000
Shareholders' net assets excluding goodwill	2,891,898	2,853,491	2,850,554
air value adjustments	-	104,719	-
	2,891,898	2,935,624	2,850,554
/alue of in-force business	1,415,588	1,227,585	1,488,832
- Value before cost of capital	1,441,957		1,406,461
- Fair value adjustments	144,537		239,404
- Cost of capital	(170,906)	(156,755)	(157,033)
mboddod valuo	4,307,486	4,163,210	4,340,852
Inipedded Value	4,507,400	4,105,210	4,040,002
	439,732	393,427	429,524
Required Capital Cover	6.6	7.5	6.6
:mbedded value per share (Pula)	15.33	15.24	15.44
EMBEDDED VALUE FARNINGS			
	4,307,486	4,185,796	4,339,385
	4,340,852	4,100,700	4,157,433
	4,340,852	4,302,451	4,301,504
0 0 ,			181,952
•	(33,366)		
	21,353		108,490
	188,317	202,441	342,906
mbedded value earnings	176,304	192,492	633,348
leturn on embedded value	8.3%	9.2%	15.2%
the control of the co			
	CO 024	EO 204	117.000
·	69,231	59,391	117,089
	61,253	78,856	172,275
•	58,388	102,931	161,575
- Expected return to end of period	2,865	(24,075)	10,700
perating experience variances	16,717	18,797	(6,251)
	17,531	10,905	24,860
	(16,372)	(12,603)	(31,305)
	107	(13,721)	(18,895)
Shareholders' net assets excluding goodwill Fair value adjustments Value of in-force business - Value before cost of capital - Fair value adjustments - Cost of capital Embedded value Required Capital Required Capital Required Capital Cover Embedded value per share (Pula) 3. EMBEDDED VALUE EARNINGS The embedded value earnings are derived as follows: Embedded value at the end of the period Embedded value at beginning of the year Restated Embedded value at beginning of the year Change in embedded value at beginning of the year Change in embedded value Movement in capital an Opening NAV reinstatement Dividends and new capital Embedded value earnings Return on embedded value These earnings can be analysed as follows: Expected return on life business in forc Value of new business - Value at point of sale - Expected return to end of period Operating experience variances - Mortality/Morbidity - Persistency - Expenses - Other Operating assumption changes - Mortality/morbidity - Persistency - Expenses - Other Embedded value earnings from operations Investment variances Economic assumption changes - Interest and Inflation - Risk discount rate Growth from life business Return on shareholders assets - Investment Returns - Net profit non-life operations	15,451	34,216	19,089
		//	
	9,917	(46,979)	4,761
, ,		(1,883)	2,183
	7,331	(5,580)	78,170
·	2,586	(2,329) (37,187)	3,394 1,014
- Other	2,300	(37,107)	1,014
mbedded value earnings from operations	157,118	110,065	367,874
nvestment variances	(14,145)	(11,205)	(44,516)
conomic assumption changes	-	28,880	33,535
- Interest and Inflation	-	21,821	3,241
- Risk discount rate	-	7,058	30,294
rowth from life business	142,973	127,740	356,892
Paturn on charaholders assets	129,665	77,294	200,382
	8,891	(19,897)	11,788
	120,774	97,191	188,594
	1/11//4	9/ 191	100.094

Group Embedded Value (continued)

Change in shareholders' fund adjustments	(96,334)	(12,542)	77,349
- Investment surpluses on treasury shares	11,716	11,686	3,429
- Movement in present value of holding company expenses	16,261	(5,477)	(1,883)
- Movement in fair value of incentive scheme shares	319	(12,676	(15,658)
- Movement in other net worth adjustments	(124,630)	(6,076)	91,461
Embedded value earnings	176,303	192,491	634,624
Fair value adjustments			
- Staff share scheme	(36,252)	(56,106)	(52,512)
- Non-life operations write-up to fair value	169,772	247,749	292,935
- Group holding expenses	(116,715)	(114,052)	(117,034)
- Reversal of cross holding adjustment	127,732	124,272	116,016
Total	144,537	201,864	239,405
Consisting of			
- Net asset value adjustments	-	106,916	-
- Value of in-force business adjustments	144,537	94,948	239,405

The value of new business represents the value of projected after-tax profits at the point of sale arising from new policies sold during the year to 30 June 2017, accumulated to the end of the year at the risk discount rate. The value is adjusted for the cost of capital required to support the new business.

	30-Jun-17 P'000	30-Jun-16 P'000	31-Dec-1 P'00
Value of new business			
Value at point of sale after cost of capital	58,388	102,931	161,57
- Value at point of sale before cost of capital	60,823	110,573	171,17
- Recurring premium	32,019	83,349	94,99
- Single premium	28,804	27,224	76,17
- Cost of capital at point of sale	(2,435)	(7,642)	(9,59
- Expected return to end of period	2,865	(24,075)	10,70

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

Risk Discount Rate	9.5%	10.5%	11.5%
	P'000	P'000	P'000
Shareholder's net assets and fair value adjustments, excluding goodwill	2,891,898	2,891,898	2,891,898
/alue of in-force business	1,804,016	1,415,588	1,327,408
- Value before cost of capital	1,809,817	1,441,957	1,371,799
- Fair value adjustments	144,537	144,537	144,537
- Cost of capital	(150,338)	(170,906)	(188,929)
Embedded value	4,695,914	4,307,486	4,219,306
/alue of new business at valuation date	71,397	58,388	54,325
- Value before cost of capital	73,558	60,823	57,043
- Cost of capital	(2,161)	(2,435)	(2,718)

6. ASSUMPTIONS

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

Commentary

Global economic growth is projected at 3.5% in 2017 and 3.6% in 2018, a pick up from the estimated 3.2% for 2016. For advanced economies, headwinds to growth are weak investment, aging populations and slowly advancing productivity. The world economy growth is expected to pick up on account of cyclical recovery in investment, manufacturing and trade.

After contracting by 1.7% in 2015 (budget speech 2017), the domestic economy grew by 4.3% in 2016 largely because of

improvement in the diamond trade. Mining sector contracted at a slower pace of 3.7% in 2016 compared to a contraction

of 19.6% in 2015. The domestic economy is expected to grow by 4.2 % in 2017. However, the main risks to the domestic growth prospects are the unstable world economy outlook, and the constrained household income growth, which represses demand; hence, we believe that outlook for the domestic economy remains fragile. The Pula exchange rate system was reviewed in 2016 to maintain a stable and competitive real effective exchange rate for For the period ended 30 June 2016

the Pula. In the new exchange rate basket of currencies, the Rand has a weight of 45%, down from 50%, while the SDR weight is 55%, up from 50%, reducing sensitivity to the Rand.

Though ticking upward, inflation has remained within the central Bank target range of 3 to 6% in the first half of 2017. It closed the first half at 3.5% in June, above its average of 2.8% in 2016. We believe that its outlook remains positive, favoring loose monetary policy (including do nothing policy) and fiscal stimulus. Worldwide, Inflation is still subdued, with inflation remaining below most advanced countries central bank's target ranges.

Bank of Botswana cut the Bank rate by 50 bps on 12 August 2016 and has held the key rate unchanged since. Domestic bond yields remained, in nominal terms, at historical low levels. We believe that investors will be driven by both valuations in the local market as well as in the international markets. Worldwide, the Fed raised the short-term rate in June. Bonds spreads in the euro area, especially France, Italy and Spain, have narrowed over German bonds, highlighting the strengthening of those markets on account of reduced uncertainty due to pro-Europe elections wins and signs of recovery. Markets in general and equities markets in particular rebound some degree of optimism as supported by strong equities prices and narrowing spreads over stronger credit sovereign bonds.

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 (CAP 42:01). These policies are consistent with those applied for the year ended 31 December 2016.

FINANCIAL OVERVIEW

	6 months to 30 June 2017 P'000	6 months to 30 June 2016 P'000	% Change	Year 31 Decemb 20' P'00
Analysis of earnings				
Operating profit	151,490	177,298	-15%	333,18
Investment income on shareholders' assets	12,221	31,083	-61%	39,25
Core Earnings	163,711	208,381	-21%	372,44
Profit on sale of associate	2,540	-	-	
Share of profit of associates and joint ventures net of tax	127,511	117,615	8%	224,67
Investment losses surpluses on shareholders assets	(4,018)	(11,620)	65%	(21,07
Profit before tax	289,744	314,376	-8%	576,03
Tax expense	(37,089)	(50,601)	-27%	(100,72
Profit after tax	252,655	263,775	-4%	475,30
Non-controlling interest	(1,220)	(149)	719%	(1,19
Profit attributable to ordinary shareholders	251,435	263,626	-5%	474,10

Commentary (continued)

Operating profit for the life business reported is 26% lower than the same period in 2016 due to the subdued operational earnings from most key business lines especially the annuity business. The asset management business performed very well at 41% above prior year due to an increase in assets under management, while general insurance business was positively impacted by lower claims and operational costs. Share of profit of associates and joint ventures increased by 8% due to good performance from Letshego Holdings Limited (Letshego), Funeral Service Group and Botswana Insurance Company Limited.

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

The Group's embedded value decreased marginally to P4.31 billion as compared to December 2016 year end level of P4.34 billion. The embedded value allows for P188.3 million dividends paid during the period.

The value of new life business decreased by 22% to P58 million compared to the prior period. Value of new business was subdued mainly due to lower single premium business written during the comparative six months.

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

- 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 general insurance segment which provides legal insurance to its customers through BIHL Insurance Company Limited, a
- BIHL also has associate and joint venture holdings of 26.17% in Letshego Holdings Limited, 35.6% in Funeral Services Group
- (FSG), 50% in Botswana Insurance Company Limited and 25.1% in Nico Holdings Limited (Malawi)

inter-segment transactions that occurred during 2017 and 2016 between business segments are set on an arm's length basis in a manner similar to transaction with third parties. Segmental income, segment expense and segment results include those transfers between business segments, which are eliminated on consolidation

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

SEGMENT RESULTS

For the period ended 30 June 2017

	Life Business P'000	Asset Management P'000		Associates & Joint Ventures P'000	Other P'000	Segmental	Consolida P'
Premium revenue	1,103,851	-	23,140	-	_		1,126,9
Fee revenue	.,,		,	-			-,,
- Internal	_	1.348	-	-	-	(1,348)	
- External	_	45,412	27	-	5,648		51,0
Investment income	257,105	81,309	330	-	172,518	(169,922)	341,
Profit on the sale of						, ,	
associate	-	2,540	-	-	-	-	2,
Fair value losses	(56,218)	(347,905)	-	-	-	-	(404,
Total net income/(loss)	1,304,738	(217,296)	23,497	-	178,166	(171,270)	1,117,8
Policyholder benefits paid	(655,381)	-	(8,868)	-	-	-	(664,
Change in liabilities under							
investment contracts	-	265,889	-	-	-	-	265,8
Change in policyholder liabilities							
under insurance contracts	(242,039)	-	-	-	-	-	(242,
Administration expenses	(97,635)	(24,367)	(14,935)	-	(24,109	1,340	(159,
Selling expenses	(154,918)	-	(587)	-	-	-	(155,
Profit/(loss) before share of							
profit of associates and joint							
ventures	154,765	24,226	(893)	-	154,057	(169,930)	162,2
Share of profit of associates							
and joint ventures net of tax	-	6,103	-	121,416	-	-	127,
Income tax expense	(31,695)			-	(14,801		(37,
Profit/(loss) for the period	123,071	24,202	(893)	121,416	139,256	(154,396)	252,6

	Life Business P'000	Asset Management P'000		Associates & Joint Ventures P'000	Other P'000	Inter Segmental P'000	Consolidate P'00
Premium revenue	1,145,367	-	23,477	-	_	_	1,168,84
Fee revenue							
- Internal	_	1,534	_	-	-	(1,534)	
- External	_	42,066	181	-	(236)	. ,	42,01
Investment income	293,320	112,647	304	(39.739)	172,944	(168,963)	
Fair value gains	(64,861)	,		-	(4,181)		(164,35
Total net income/ (loss)	1,373,826	60,936		(39,739)	168,527		
Policyholder benefits paid	(736,623)	-	(8,670)	, ,	-	-	(745,29
Change in liabilities under	, , ,		, ,				, .
investment contracts	-	4,768	-	-	-	-	4,76
Change in policyholder liabilities							
under insurance contracts	(157,925)	-	-	-	-	-	(157,92
Administration expenses	(97,319)	(22,129)	(14,054)	-	(23,721)	(10,140)	(167,36
Selling expenses	(152,839)	` -	(1,602)	-	-	-	(154,44
Profit\(loss) before share of	,		, ,				,
profit of associates and joint							
ventures	229,120	43,575	(364)	(39,739)	144,806	(180,637)	196,76
Share of profit of associates							
and joint ventures net of tax	-	4,164	-	113,451	-	-	117,61
Income tax expense	(42,790)	(9,425)	80		(12,590)	14,124	(50,60
Profit/(loss) for the period	186,330	38,314	(284)	73,712	132,216	(166,513)	263,77

Commentary (continued)

Total Assets	11,705,874	5,330,899	41,781	2,029,927	(4,515,100)	14,593,38
Total Liabilities	9,536,591	4,779,402	27,250	1,428,829	(4,158,354)	11,613,71
At 30 June 2016						
At 30 June 2016 Total Assets	10,569,664	5,897,248	30,884	2,748,416	(4,702,652)	14,543,56

Net premium income decreased by 4% year on year to P1.104 billion compared to P1.145 billion achieved in prior year due to suppressed annuity business income. Recurring premium income grew by an impressive 12% from P530 million in June 2016 to P592 million during the first 6 months of 2017. This line represents a sustainable source of profits in the long term. The value of new business written has decreased by 22% from prior year owing to low new business volumes and reduced margins. Operating profit decreased from P192 million in June 2016 to P147 million in June 2017. The major explanation for the decrease was the low volumes for single premium business which was acquired at lower margins.

Given the challenges on the profitability of the business, the company has embarked on a streamlining exercise to improve efficiency. During the period the company launched Sharia compliant investment products which are expected to contribute to new business growth going forward. The business also introduced a new life cover product, Poelo Whole of Life, aimed at benefiting members with a lifetime cover, inclusive of a 120% premium payback after 15 years. The launch of these products shows our commitment to introducing innovative products that meet market needs, and the products are expected to have a positive impact on revenue and value of new business targets

The outlook for the domestic economy remains fragile due to the unstable world economy outlook and the constrained household income growth, which represses discretionary spending. Despite these challenges Management is focused on delivering sustainable growth and value to its stakeholders through various innovations.

BIFM group's first half of the year was exceptional with the business performing above prior year in terms of operating profit by 41%. The good performance is on the back of a strong assets under management position increased by new mandates won in the latter part of 2016. Favourable exchange rates and interest income positively affected the Zambia business. The efficient management of costs resulted in the company posting an operating profit of P30.8 million. Total assets under management (including Zambia's P4 billion) currently stand at P25 billion due to improved market performance.

The first half of 2017 has seen a continuation of challenging market conditions, and the business has experienced a significant decline in new business as well as a rise in policy cancellations, many of which are due to clients experiencing financial constraints which has made it difficult for them to continue with their Legal Guard policies. This has impacted revenue negatively with premium income being 1.4% lower than for the same period last year

to align the business' cost base to levels more appropriate to a business of the size and nature of Legal Guard and thereby mprove the company's ability to achieve sustainable profitability

During the first half of the year, Legal Guard embarked on and concluded a restructuring exercise. This had become imperative

Legal Guard achieved an operating loss of P0.9 million for the first six months of 2017. The main cause of this outturn was a once off P2.1 million cost incurred as part of the restructuring exercise completed on June 2017.

Despite these negatives, the first half of 2017 saw a significant achievement for the business with the go-live of its new core operating system in April 2017. The system is expected to improve revenue stability going forward as well as provide an enhanced platform for claims administration. The system will also facilitate internal process efficiency improvements and the division's quality of decision making information which will, in turn, reduce the business' cost ratios, whilst also, releasing resources to focus on customer experience improvements. Management has embarked on an exercise focused on improving the productivity of the distribution force and this is expected to impact new business and file size growth going forward.

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. The board has confidence in the Group's ability to maintain dividends at this level whilst ensuring that its capital position remains solid and aligned with future capital requirements across the Group, at sustained levels of Return on Group Equity Value. The Board notes the significant shift in the allocation of shareholders' capital towards investments in associated financial services providers over the past couple of years and is optimistic that this will enhance overall performance and predictability of such over the medium to long term.

LOOKING AHEAD

We continue to focus on our key twin strategies of growth and profitability. However, uncertainty in both the local and 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 partnerships and support and look forward to serving them in the future.

C Lesetedi (Group CEO)

The Directors have resolved to award an interim dividend of 55 thebe per share (gross of tax).

The important dates pertaining to the dividends are:

Declaration date	16 August 2017
Last day to register for dividend	29 September 2017
Payment of dividend	13 October 2017
For and on behalf of the Board	

01 September 2017

B Dambe-Groth (Chairman)

John Hinchliffe *

Mahube Mpugwa

Lieutenant General Tebogo Masire

*British **South African ***Malawian

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