Annual Report 08

BOTSWANA INSURANCE HOLDINGS LIMITED
ANNUAL REPORT 2008

BIHL 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.

2000

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.

2001

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.

2003

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

2005

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 remaining 25% shareholding in Glenrand Botswana to Glenrand M.I.B.

2006

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

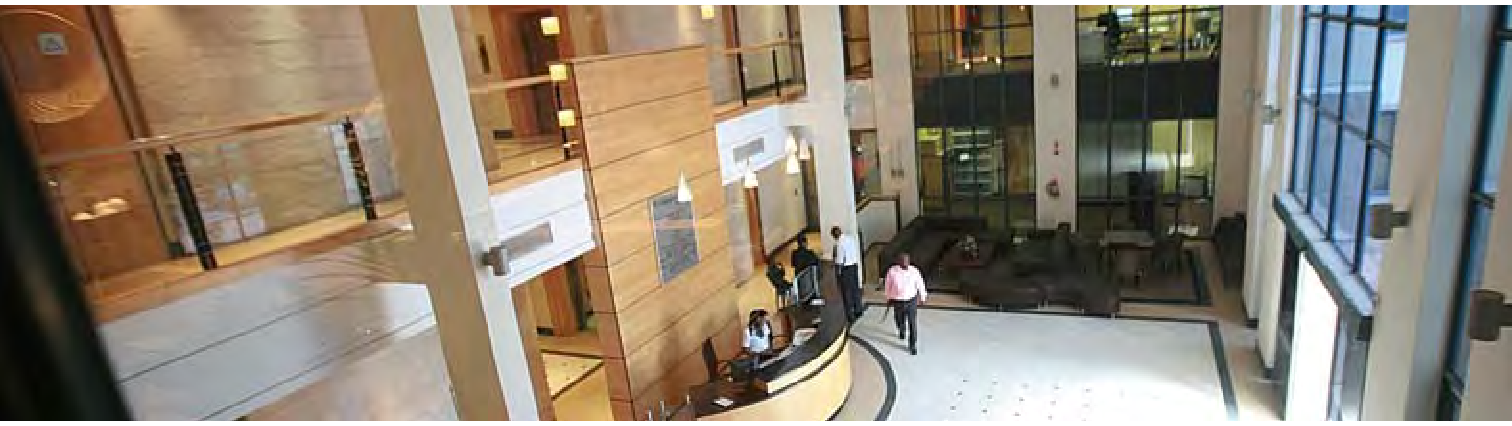
2007

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

2008

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

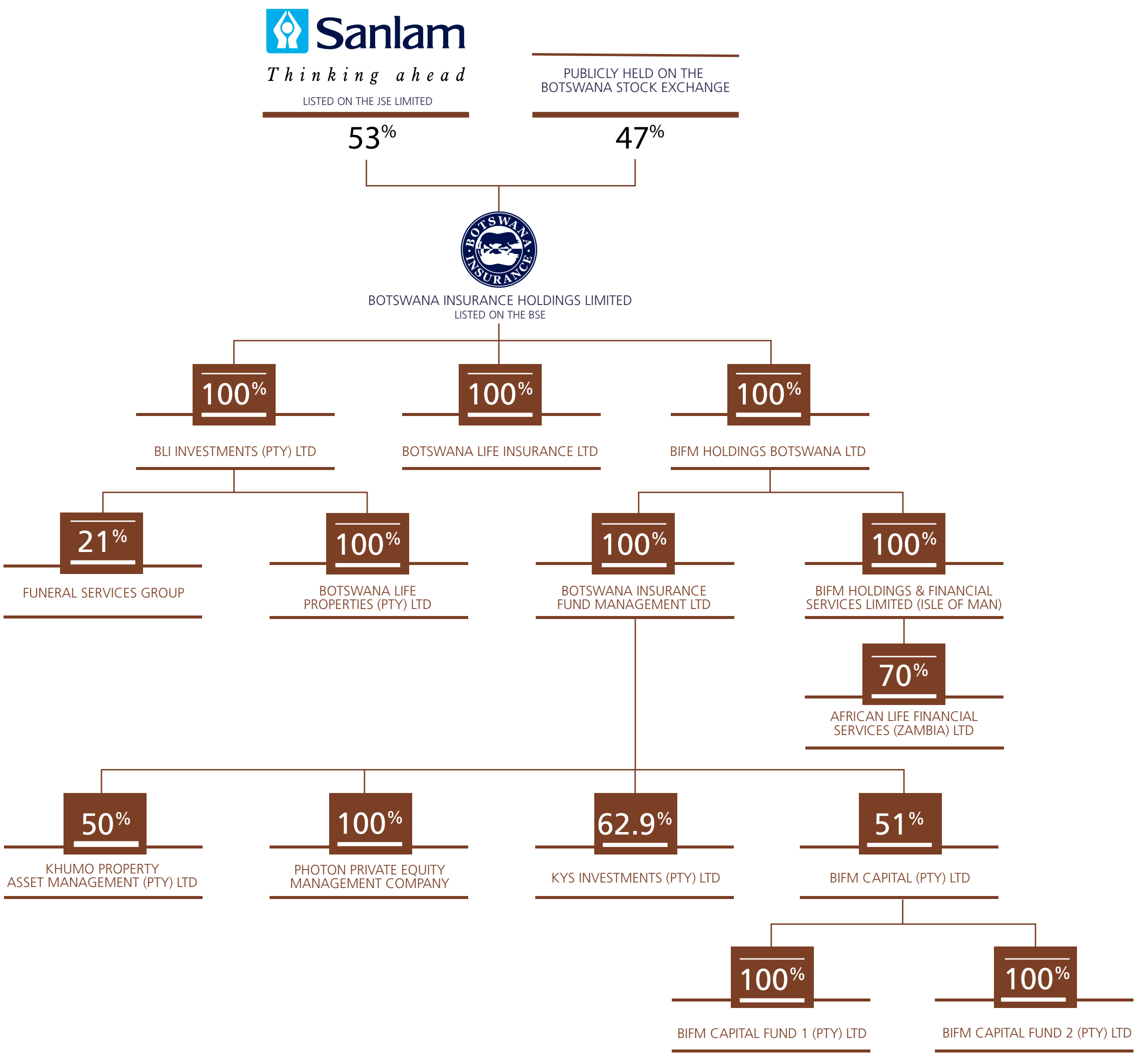
Contents



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 P10.8 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.



Your future, Our future - Assured

That we live in uncertain times is an understatement. The global economy is in turmoil and comparisons to the Great Depression of the 1930s are, although exaggerated, all too common. This feeds into a general mood of despondency and helplessness.

But not at BIHL.

For more than 30 years, we have steadfastly served the people of Botswana, contributing to their financial wellbeing and to our country's growth and prosperity. This is not going to change because times are tough.

That's our promise to you.

There is no question that difficult times lie ahead, for all of us. There are many things happening in the wider national and international economy over which we have no control. But there are also steps we can take and are taking to reduce the negative impact of these. As you read through this annual report, you will see that we have no intention of allowing external events to overwhelm us. We will not allow negativity and despair to crush us or to distract us from our mission.

That's our pledge to you.

We will continue to make a positive contribution to the wealth of our nation. We will continue to do everything in our power to protect your future wealth through our investments and our policies. We will continue to invest in Botswana's infrastructure and to be transparent, ethical and honest in all our dealings. We will continue to live up to the obligations and responsibilities we carry as Botswana's largest home-grown financial services company.

That's our assurance to you.

Sale of Minority Stake reversed

As set out in the 2007 BIHL annual report, BIHL entered into an agreement on 31 March 2007, with various parties which resulted in the sale of 27.5% of Bifm Botswana.

The transaction included:

- The sale of 10% to a citizen consortium (Kelsoft) whose members include Mr Maclean Letshwiti, then chairman of BIHL; Dr Keith Jefferis, non-executive director of BIHL; Ms Regina Sikalesele-Vaka, CEO Botswana Life; and Mr Victor Senye, CEO Bifm Holdings; and
- The sale of 17.5% to AFM Holdings, a Sanlam IFSC registered company used as a vehicle for regional expansion by Sanlam Investment Management Ltd (SIM).
- Bifm, in turn, acquired 10% of AFM Holdings, thereby allowing BIHL, through Bifm, to participate in Sanlam's regional expansion and the transfer of skill from SIM to the Bifm group.
- An option for a broader group of citizens to acquire an additional 2.5% in Bifm Botswana from the 17.5% acquired by AFM Holdings.

In addition, as part of the transaction, Bifm Holdings, AFM Holdings, Kelsoft and Bifm negotiated a shareholders agreement to align the interests of all the shareholders.

The transaction was conducted in utmost good faith in the interests of Bifm and its stakeholders. The over-arching strategic objectives for BIHL were to secure the growth of Bifm and retention of key personnel so as to ensure future sustainability of the business; and to promote the expansion of Bifm into Africa. From Sanlam's perspective, the objective was to facilitate a transaction which would enhance shareholder value in the local market.

However, media speculation negatively affected the image of the company.

Although the Board, at the time, believed that the transaction would have served the best interests of the Group, it resolved to reverse the transaction in its entirety. Care was taken to ensure that BIHL shareholders were not prejudiced in any way. Bifm thus remains a wholly owned subsidiary of BIHL.

Meanwhile the transaction is the subject of an enquiry by Non-Bank Financial Institutions Regulatory Authority (NBFIRA) and the Botswana Stock Exchange (BSE). The results of this enquiry are still awaited.

Group Highlights

2008 was an eventful year for the BIHL Group. Here are some of the highlights:

Chairman resigns

After five years at the helm of BIHL, non-executive Chairman Mr Maclean C. Letshwiti resigned as Chairman and from the Board of BIHL effective 31 December, 2008. A suitable replacement is being sought.

Human Resources

The Remuneration Philosophy of the BIHL Group was reviewed and significant changes to remuneration practices and policies were successfully implemented. The changes bring BIHL in line with best global HR remuneration practices, and provide significant benefits to employees and the Group.

Public Private Partnerships

Bifm's first Public Private Partnerships (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.

The seven storey SADC headquarters, is taking shape. The building is scheduled for completion by mid 2009. This PPP project is 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.

Property Development

Fairgrounds Office Park Phase II, which is being co-financed by Bifm and IRIS Property Group (formerly RMB Properties), which is still under construction, is fully let. The facilities manager will be Khumo Property Asset Management (Pty) Ltd.

BIHL Trust

The BIHL Trust was formally constituted in 2008 to provide the framework for the Group's Corporate Social Investment initiatives going forward. Dr Happy Fidzani was appointed as Chairman of the Trust.

Financial Highlights

Operating surplus

+3%

2008 **P222 million**

Assets under management

-9 %

2008 **P13.8 billion**

Embedded value

+12%

2008 **P1.99 billion**

Value of new business

+21%

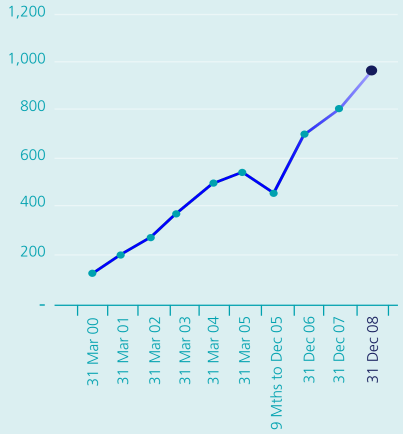
2008 **P99 million**

	Year to Dec 2008 P million	Year to Dec 2007 P million	% Change
Group summary			
Premium income (net of reinsurance)	959	791	21%
Value of new business	99	81	21%
Operating surplus	222	216	3%
Total surplus	221	554	-60%
Assets under management	13,800	15,115	-9%
Ordinary shareholders' equity	1,385	1,317	5%
Total assets	9,579	10,784	-11%
Embedded value	1,991	1,781	12%
Productivity			
Operating expenses to premium income and asset management fees	15%	16%	-1%
Return on embedded value	20%	49%	-29%
Selling expenses to premium income	17%	15%	2%
Shareholder investment returns to average shareholder equity	1%	34%	-33%
Solvency and liquidity			
Capital adequacy cover (times)	5.90	5.40	
Dividend cover on core earnings** (times)	1.23	1.85	
Ordinary share performance			
Basic earnings (thebe per share)	77	206	-63%
Diluted earnings (thebe per share)	76	202	-62%
Dividend (thebe per share) (interim and final)	93.00	56.00	66%
Embedded value (thebe per share)	758.00	634.00	20%
Trading prices (thebe per share)			
closing price	870	1690	-49%
high	1700	1825	-7%
low	870	850	2%
Price earnings ratio	6.01	9.00	-33%
Domestic Companies Index (DCI)	7,035.50	8,426.72	-17%
Number of shares in issue ('000)	281,071	281,071	0%
Number of shares traded ('000)	18,051	9,224	96%
Market capitalisation (P million)	2,445	4,750	-49%
Number of shareholders	3,079	2,900	6%
Earnings yield (%)	8.85	11.00	-20%
Dividend yield (%)	10.69	2.82	279%

** Core earnings include operating surplus and shareholder investment income

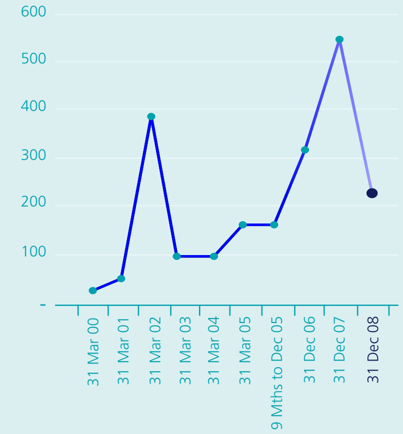
Premium Income

P million



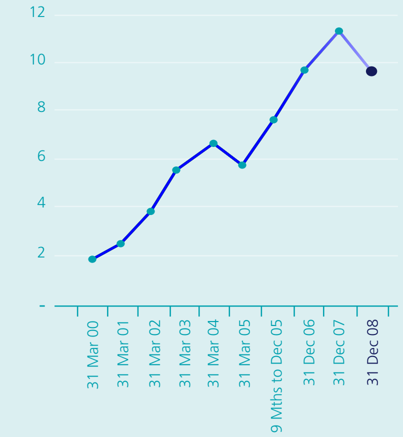
Surplus after Taxation

P million



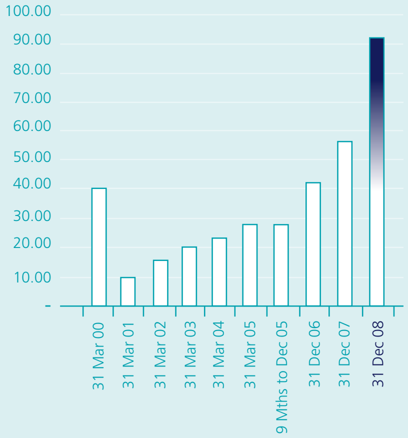
Investments

P billion



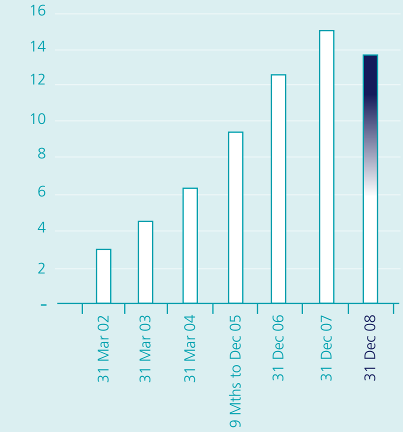
Dividents per Share

Thebe



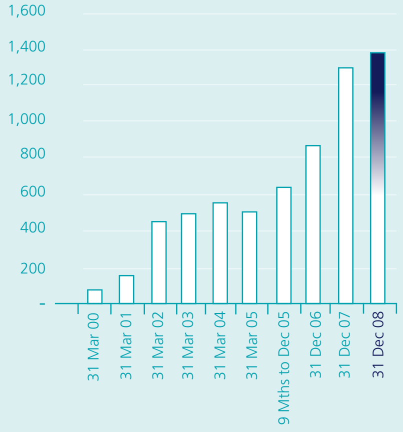
Assets under Management

P billion



Shareholder's Equity

P million



Ten Year Review

	Year to 31-Dec-08 P'000	Year to 31-Dec-07 P'000	Year to 31-Dec-06 P'000	9 mths to 31-Dec-05 P'000
Group Income Statement				
Revenue				
Premium income	958,636	791,281	678,983	450,647
- Recurring	565,313	447,885	371,750	255,517
- Single	393,323	343,396	307,233	195,130
Pension and investment contribution	—	—	—	—
Fee income	121,308	110,316	81,466	46,802
Fair value gains on investment properties	8,768	80,682	23,221	(6,921)
Investment income	93,223	215,321	158,198	31,038
Net (losses)/gains from financial assets at fair value through profit or loss	(90,831)	226,424	161,872	124,110
Total Revenue	1,091,104	1,424,024	1,103,740	645,677
Net policyholder movement	(533,293)	(566,603)	(522,360)	(325,939)
Policyholder's income	(1,545,433)	1,341,240	1,993,678	1,471,667
Investment income	369,991	388,912	332,025	239,447
Net (losses)gains on financial assets held at fair value through profit and loss	(1,915,424)	952,328	1,661,653	1,232,221
Net insurance and investment contract benefits and claims	1,012,140	(1,907,843)	(2,516,038)	(1,797,606)
Policyholder benefits paid	(418,695)	(343,149)	(257,557)	(149,194)
Change in fair value of financial instruments liabilities	1,534,843	(1,038,206)	(1,700,829)	(1,299,982)
Change in policyholder liabilities under insurance contracts	(104,008)	(526,488)	(557,652)	(348,430)
Expenses	(332,115)	(257,737)	(190,604)	(132,399)
Selling expenses	(165,735)	(118,067)	(73,241)	(51,124)
Administrative expenses	(166,380)	(139,670)	(117,363)	(81,275)
Goodwill impaired and amortised	—	—	—	—
Surplus from operations	225,696	599,684	390,776	187,339
Share of after tax results of associates	9,802	4,001	2,304	4,465
Surplus before tax	235,498	603,685	393,080	191,804
Tax	(14,037)	(49,867)	(77,021)	(34,453)
Surplus after tax	221,461	553,818	316,059	157,351
Earnings per share (thebe)				
- basic	77	206	119	65
Gross dividends per share (thebe)	76.00	56.00	42.00	27.50
Weighted average number of shares in issue ('000)	262,567	259,519	259,833	259,291

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
527,492	488,892	354,299	249,558	205,251	145,647
297,406	289,468	261,063	217,828	162,685	122,687
230,086	199,424	93,236	31,730	42,566	22,960
—	—	—	—	69,304	63,884
40,420	53,368	50,751	33,658	—	—
3,863	—		—	—	—
27,233	27,602	36,149	9,870	17,554	7,115
30,832	830,867	(482,416)	280,654	2,392	12,154
629,841	1,400,729	(41,217)	573,740	294,502	228,800
(290,364)	(1,155,956)	278,905	(40,951)	(141,757)	(142,557)
595,311	185,409	(89,303)	265,713	166,109	274,945
298,925	43,606	(34,265)	52,040	143,146	101,526
296,387	141,803	(55,038)	213,673	22,964	173,419
(885,675)	(1,341,365)	368,208	(306,664)	(307,866)	(417,502)
(158,008)	(151,555)	(81,947)	(66,538)	(107,088)	(90,442)
(438,329)	(830,867)	482,416	—	—	—
(289,338)	(358,943)	(32,261)	(240,126)	(200,778)	(327,060)
(145,201)	(129,108)	(116,699)	(101,423)	(78,859)	(57,631)
(67,837)	(54,015)	(45,374)	(39,504)	(43,122)	(28,301)
(77,364)	(71,388)	(67,620)	(59,437)	(32,935)	(28,518)
—	(3,705)	(3,705)	(2,482)	(2,802)	(812)
194,276	115,665	120,989	431,366	73,886	28,612
(3,853)	1,965	2,427	9,709	8,544	4,552
190,423	117,630	123,416	441,075	82,430	33,164
(33,664)	(13,494)	(21,576)	(54,266)	(22,685)	(44)
156,759	104,136	101,840	386,809	33,120	59,745
62	38	37	53	23	132
27.50	23.50	20.00	15.00	10.00	40.00
252,616	269,369	267,257	275,684	261,481	24,844

Ten Year Review *(Continued)*

	As at 31-Dec-08 P'000	As at 31-Dec-07 P'000	As at 31-Dec-06 P'000	As at 31-Dec-05 P'000
Group Balance Sheet				
Property and equipment	16,890	13,962	20,666	43,873
Intangible assets	79,821	16,337	14,649	15,610
Investments	9,115,001	10,661,753	9,112,637	6,767,586
Trade and other recievables	87,813	65,764	62,004	91,289
Cash deposits and similar securities	149,833	672,170	255,198	7,287
Total assets	9,578,537	10,783,859	9,228,994	6,925,637
Ordinary shareholders' equity	1,385,368	1,317,057	849,136	644,588
Minority interest	31,094	55,006	21,172	17,723
Policyholder liabilities	7,819,021	9,129,979	8,140,007	6,114,114
- insurance contracts	2,817,682	2,683,973	2,157,459	1,599,913
- investment contracts	5,001,339	6,446,006	5,982,548	4,514,201
Deferred tax	46,729	70,246	50,664	17,494
Trade and other payables	296,325	211,571	168,015	131,718
Total equity and liabilities	9,578,537	10,783,859	9,228,994	6,925,637
Group Cash Flow Statement				
Cash (utilised)/generated from operations	(1,202,774)	1,184,913	106,098	134,266
Interest received	74,364	45,495	32,502	85,280
Tax paid	(46,656)	(44,276)	(50,044)	(32,153)
Dividends (paid)/received	(157,220)	(152,840)	(88,610)	(48,438)
Cash flow from operating activities	(1,238,840)	1,033,292	(54)	138,955
Cashflow generated from/(utilised) in investing activities	1,951,148	(616,320)	(954,666)	(138,470)
Net cash flows (utilised)/generated from financing activities	—	—	—	(432)
Net (decrease)/increase in cash and cash equivalents	(712,174)	416,972	(954,720)	53
Cash and cash equivalents at the beginning of the year	672,170	255,198	1,209,918	7,234
Cash and cash equivalents as at the end of the year	1,384,343	672,170	255,198	7,287

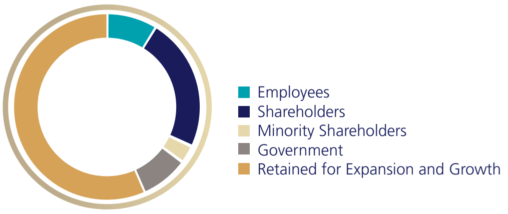
As at 31-Mar-05 P’000	As at 31-Mar-04 P’000	As at 31-Mar-03 P’000	As at 31-Mar-02 P’000	As at 31-Mar-01 P’000	As at 31-Mar-00 P’000
47,527	16,497	18,091	17,296	7,582	7,903
16,632	16,121	18,649	22,020	24,648	11,137
5,390,907	6,007,611	4,423,241	2,970,647	1,727,043	1,491,613
78,862	207,938	183,633	151,775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

Value Added Statement

	Year to 31 Dec 2008 P'000	Year to 31 Dec 2007 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 2008

Value Added Distribution 2007

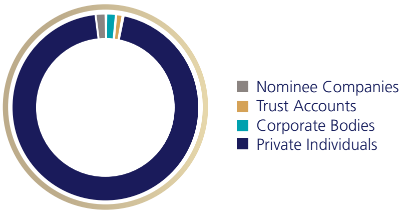


Share Analysis - Ordinary Shares

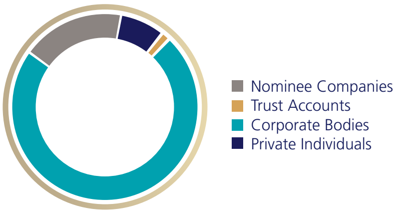
	Shareholders		Shares held	
	Number of holders	% of holders	Shares held	% of issued shares
Range of Shares				
1 — 5000	2,246	72	2,269,168	1
5001 — 10000	373	12	2,116,217	1
10001 — 50000	328	11	7,503,149	3
50001 — 100000	50	2	4,223,617	2
100001 — 500000	48	2	11,179,307	4
500,001 — 1000,000	15	0	10,049,018	4
OVER 1,000,000	19	1	243,730,176	87
Total	3,079	100	281,070,652	100
Top ten shareholders				
African Life Assurance Company Limited South Africa			100,978,319	36
African Life Assurance Company Limited Botswana			48,603,380	17
Stanbic Nominees (Pty) Ltd (Re: BIFM BPOPF)			16,792,420	6
Barclays Botswana Nominees (Pty) Ltd (Re: IAM 030/14)			12,571,370	4
Stanbic Nominees (Pty) Ltd (Re: BIFM)			11,976,033	4
Botswana Motor Vehicle Accident Fund			10,735,164	4
Barclays Botswana Nominees (Pty) Ltd (Re: FAM BPOPF)			10,083,686	4
BIHL Employee Share Scheme Trust			7,021,855	3
Barclays Botswana Nominees (Pty) Ltd (Re: AG 211/002)			2,359,864	1
Stanbic Nominees (Pty) Ltd (Re: AG 13001100)			1,838,119	1
Other			58,110,442	20
			281,070,652	100

	Shareholders		Shares held	
Category	Number	%	Number	%
Corporate bodies	110	3.57	165,089,782	58.74
Nominee companies	79	2.57	87,900,766	31.27
Trust accounts	4	0.13	7,518,296	2.67
Private individuals	2,886	93.73	20,561,808	7.32
	3,079	100	281,070,652	100

Breakdown of Shareholders 2008



Breakdown of Shareholders 2007



Board of Directors

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11


1. Maclean Cortez Letshwiti +++

BA (UB); PMD (UCT)

Chairman: BIHL, Independent non-executive director. Director: Avis (Pty) Limited. Director: Fedics Food Services (Pty) Limited. Director: Letshego Holdings Limited. Appointed Chairman: 25 November 2003

2. Regina Sikalesele-Vaka ++

LLB (UB)

Joint MD BIHL; CEO Botswana Life Insurance Limited. Executive director. Director: Engen Limited. Trustee: FNBB Foundation Member: University of Botswana Council. Member: BOCCIM 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)

Joint MD BIHL; 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. Finance and Head of rest of Africa. Executive Director: Sanlam Developing Markets. 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 (Pty) Limited, DHS,Croc 661, TWE Portion 6. Member: Committee of Botswana Stock Exchange. Appointed to the board: 1 April 2005

6. Sanjeev Gupta +

BCom Hons FCA (India); FCPA (Bots)

Non-executive director. Managing Director: Emerging Markets, SIM. Director: Healthcare Holdings Limited. Director: KYS Investments. Appointed to the board: 1 July 2003

7. Heinie Carl Werth +

BACC, CA (SA), MBA,EDP

Non-executive director. Chief Executive Officer: Sanlam Developing Markets 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. Batsho Pamela Dambe-Groth +++

BSc (Hons), (University of Wales Institute of Science and Technology)

Independent Non Executive director
Director: Botswana Craft Marketing, Resource Logic, Etsha Weavers Group, Boitekanelo, Gems of Kalahari. Appointed to board: 25 March 2008

10. Uttum Corea +++

FCA (S.L.), FCPA (Bots.), PIAM (Harvard).

Independent Non Executive director
Director: Bank of Botswana, Colmore Investments, Aeroc Holdings, Abacus House Botswana, Plot Four Eight Four Four, Queensway Trustees, Appointed to board: 18 February 2008

11. Norman John Kelly +

BSc (University of Witwatersrand) Fellow of the institute of Actuaries (Sanlam Developing Markets.)

Appointed to the board: 15 May 2008

BIHL Audit Committee

Margaret M. Dawes (Chairperson)
Maclean C. Letshwiti
Francois J. Kellerman
Uttum Corea
Norman J. Kelly

BLIL Investment Committee

Norman J. Kelly (Chairperson)
Regina D. Sikalesele-Vaka
Uttum Corea
Margaret M. Dawes
Francois J. Kellerman

Bifm Investment Committee

Keith R. Jefferis (Chairperson)
Victor J. Senye
Sanjeev Gupta

Human Resources Committee

Batsho P. Dambe - Groth (Chairperson)
Sanjeev Gupta
Margaret M. Dawes

Nominations Committee

Maclean C. Letshwiti (Chairperson)
Uttum Corea
Heinie C.Werth

+ Non-Executive
++ Executive
+++ Independent Non-Executive
* Subsequent to the year end, Maclean Cortez Letshwiti and Sanjeev Gupta resigned from the Board.

Chairman's Letter

Molaetsa go tswa go Modulasetilo

".. the time has come for me to move on and focus on my other business interests."

Maclean Cortez Letshwiti
Chairman, Botswana Insurance Holdings Limited

Dear Stakeholder

For the past five years, it has been my privilege to address you in the BIHL annual report. This is the last time I will be doing so as I have decided that the time has come for me to move on and focus on my other business interests.

I do so with mixed feelings. Since becoming chairman in 2003, BIHL has grown from strength to strength. Although I leave BIHL at a difficult time, I know it is probably better placed now than at any time in its history to deal with the formidable challenges that lie ahead.

I've had a great deal of fun being involved with an organisation that has developed from being just a company into a Botswana icon.

I'm proud of the fact that BIHL is the biggest, home-grown, Botswana financial services group. It has shown what we, Batswana are capable of, touching so many aspects of the lives of our people in so many different ways. We participate in public private partnerships, in tourism and property management, in asset management and life assurance and retirement annuities. There can be no question that BIHL has played, and will continue to play, a key role in Botswana's development.

I'm also proud of the fact that as I move on, I leave BIHL with sound fundamentals for growth: an excellent management team; and a Board of Directors with the skills and expertise needed to guide the business and the willingness to share their knowledge and wisdom. This augurs well for a bright future for the BIHL Group.

However, there's no question that challenging times lie ahead.

The global economic environment in 2008 was turbulent. Fallout from the sub-prime debt catastrophe led to the failures of old and large investment banks in the United States of America, Europe and the United Kingdom. This shook the world's capital markets, resulting in ongoing uncertainty and volatility, with market values plummeting everywhere. The falling oil price did not provide any respite. Indeed, the serious credit crunch lowered global economic growth and talk of a global recession became increasingly commonplace.

Go bana le seabe

Mo dingwageng tse tlhano tse di fetileng, ke ntse le sebaka sa go bua le lona mo pegong ya ngwaga le ngwaga ya BIHL. Lekwalo le ke lame la bofelo ke le le kwalela ka jaana ke tsere tshwetso gore nako e fitlhile ya gore ke gatele pele mme ke ye go itebaganya le dikgwebo tse dingwe tsame.

Ke dira se ka maikutlo aa farologanyeng. Fa esale ke nna modulasetilo wa lekgotla la botsamaisi ka 2003, BIHL e godile fela thata. Le fa ke tlogela BIHL ka nako e e thata ke tshepa gore e mo maemong a a botoka go gaisa dinako tsotlhe go itebaganya le dikgwetlho dipe fela tse e tla kopanang le tsone. Ke ntse le nako e e itumedisang fela thata mo go amaneng le kompone e e godileng go tswa mo komponeng fela e e potlana go nna sekgantshwane mo Botswana.

Ke motlotlo gobo BIHL ele kompone e kgolo e bile ele ya mono gae ya merero ya madi mo lefatsheng la Botswana. Se se supile bokgoni jwa rona re le Batswana. Re ama matshelo a batho bale ba ntsi ka ditsela tse di farologanyeng. Re tsaya karolo mo go direng ditlhabololo re tshwaraganye le mmuso (Public Private Partnerships), mo go tsa bojanala ga mmogo le tsa dikago, tsa dipeeletso le go beeletsa madi a insurance (life assurance.) Ga gona pelaelo gore BIHL e na le seabe se segolo mme ebile e tlaa tswelela ka go dira jalo mo ditlhabololong tsa lefatshe leno.

Ke motlotlo gape ka gobo e re le fa ke rola marapo, ke tlogela BIHL ena le maano a a popota a go gola, botsamaisi jo bo tsepameng le lekgotla la khuduthamaga la botsamaisi jo bo sa ipeleng ka dikitso le botsipa fela tseo di tlhokafalang go tsamaisa kgwebo ya rona, me bana le maikaelelo a go abelana kitso le botlhale. Se se supa fa rena le bokamoso jo bo nametsang re le kompone.

Le fa go ntse jalo, ga gona pelaelo ya gore re lebaganwe ke dikgwetlho tse di ntsi kwa pele.

Seemo sa itsholelo mo lefatsheng ka bophara mo ngwageng wa 2008 se ne se tlhobaetsa. Ditatlhegelo tsa dikoloto (sub prime debt) di bakile go phutlhama ga dibanka tse dikgolo kwa Amerika, Yuropa le Enyelane. Se se ile sa tshikinya mebaraka ya madi mo lefatsheng mme sa baka ketsaetsego e e tsweletseng ga jaana e e golaganyeng le kwelo tlase ya mebaraka ya tsa madi mo lefatsheng ka bophara. Go wela tlase ya ditlhwatlhwa tsa ole gago a aka ga tokafatsa seemo. Dikoloto tse di farafereng lefatshe di digile kgolo ya itsholelo lefatshe ka kakaretso mo e bileng kgang gongwe le gongwe eleng seemo sa itsholelo se se welang tlase.

Chairman's Letter *(Continued)*

The local economy did not escape unscathed as diamond exports, which constitute 40% of government revenue, slumped due to reduced sales of the gemstones in overseas markets. Prices of other base metals and minerals, including copper, have also fallen, putting further pressure on the country's balance of payment. As a result, values on the BSE also declined.

Against this backdrop, BIHL's financial performance for the year ended 31 December is little short of remarkable. Certainly, in those areas of our performance over which we have control, we fared extremely well.

This is borne out by the fact that the value of new business increased by 21% to P99 million; and we were able to declare a final dividend of 26.35 thebe per share – an increase of 9% from prior year. We also declared a special divident of 38,25 thebe per share.

We ended the year with an improved operating surplus – up 3% to P222.4 million; and our investment income - dividends, interest and rental income earned on shareholders' funds – also increased, this time by an impressive 30%. This was attributable to an increase in interest income from unlisted investments and fixed deposits.

However, investment surpluses which comprise market-related revaluations of equity investments, decreased significantly due to unrealised losses on our equities portfolio as a result of the declines in global stock market valuations.

Looking ahead, one of the biggest challenges facing BIHL - apart from the performance of the international and local stock markets – is competition.

It's tough at the top with new competitors continually trying to chip away at our market share. Our challenge is not only to retain market share (which we have been able to do very successfully), but also to grow. New opportunities have been identified and the groundwork will be laid to exploit those opportunities which will raise the Group's profitability significantly in the next few years.

Residual areas of weakness that require attention such as human capital development and IT capacity are well under control, as you will read in other parts of this document.

Itsholelo ya rona mono gae ga e a falola ka jaana theko ya diteemane e ka gale e dirang diperensente dile masome a mane a madi a mmuso e ile ya wela tlase fela thata ka ntata ya kwelo tlase mo thekong ya diteemane lefatshe ka kakaretso. Ditlhwatlhwa tsa ditshipi, ditswa mmung di tshwana le kopore le tsone di wetse tlase mme se se tlisitse kgatelelo mo letsenong la lefatshe la rona. Godimo ga moo ditlhwatlhwa tsa diabe kwa mmarakeng wa diabe wa BSE di wetse tlase.

Ka ntlha ya tsotlhe tse ke sa tswang go di nankola, ga re a dira go tlala seatla mo ngwageng wa madi o o fedileng ka Sedimonthole a fela. Mme le gale re dirile bontle fela thata mo go tsotlhe tseo re nang le taolo ya seemo mo go tsone.

Se se bakilwe ke gore tlhwatlhwa ya kgwebo e re e dirileng e godile ka diperesente dile masome mabedi le bongwe go nna di dikadike di le masome a ferang borobangwe le metso e ferang boroba bongwe (P99 million) mme se se re kgonisitse go fa babeeletsi dithebe dile masome a mabedi le borataro le metso ele masome a mararo le botlhano mo seabe sengwe le sengwe (final dividend of 26.35 thebe per share) se ele kgolo ya diperesente dile robongwe go tshwantshanngwa le mo ngwageng o o fetileng.

Re heditse ngwaga re na le kgolo ya diperesente dile tharo mo mading a go tsamaisa kompone a a setseng mme one a dira didikadike dile makgolo a mabedi le masome a mabedi le bobedi aa metso mene.(P222.4 million) mme dipoelo tsa dipeeletso tsa rona, morokotso le madi a go hirisa dikago tsa babeeletsi ba rona le madi a bone di godile ka diperesente dile masome a mararo. Se se bakilwe ke kgolo ya morokotso mo dipeeletsong tse di seng mo mmarakeng wa diabe le madi a re a bolokileng kwa dibankeng re sa a dirise.

Mme le fa go ntse jalo madi a gantsi a salang fa re dira dipeeletso a one a tswang mo go tse dingwe, go fetolwa ga ditlhwatlhwa tsa tse re beeleditseng mo go tsone di ile tsa wela tlase fela thata ka ntlha ya kwelo tlase ya ditlhwatlhwa mo mebarakeng ya diabe.

Fa re lebela pele, nngwe ya dikgwetlho tse dikgolo tse di lebaganeng BIHL kwa ntle ga mebaraka ya diabe ya boditshabatshaba le ya mono gae ke phadisanyo.

Go thata kwa godimo ka jaana dikompone tse disha tse re phadisanyang le tsone di leka ka metlha go ngatha seabe sa rona mo mmarakeng. Kgwetlho ya rona ga se fela go kakatlela seabe sa rona mo mmarakeng, sengwe seo re se kgonneng ka botlalo, mme ke go gola.

I am confident that the plans that are now being implemented will ensure BIHL not only survives, but thrives and grows.

Thanks

I'd like to thank the management of the operating companies for a sterling job under very difficult circumstances and for producing excellent results in the review period, and indeed, over the years.

I'd also like to thank the Board most sincerely for the outstanding support they've given to me, and the operating companies. The Board consists of a very dedicated group of individuals who, despite the demands of their positions, have given freely of their time and expertise – and BIHL is the better for it.

Finally, I want to thank the staff and partners of BIHL for tackling the challenges of the past year with such enthusiasm and loyalty.

BIHL has all the right ingredients to succeed and move ahead. I will be watching the Group's progress with interest and pride. I wish the new chairman, the Board of Directors, the management teams and staff wisdom, strength and courage to continue the BIHL tradition of moving forward and serving its staff, customers and the country as a whole, with pride.

Maclean C Letshwiti
Chairman of Botswana Insurance Holdings Limited

Diphatlha tse disha tsa kgwebo di bonwe, mme dithulaganyo tsa go simolola go bona gore diphatlha tse tsa kgwebo di ka tlisetsa kompone eng di simolotswe mme tsholofelo ke gore mo dingwageng di se kae tse di tlang, diphatlha tse di tlaa isa dipoelo tsa kompone kwa godimo fela thata.

Go santse gona le fa re leng bokoa teng mme se se tlhokana le go tsibogelwa. Tlhabololo ya bodiredi le bokgoni jo bo tletseng mo go tsa boranyane ke dingwe tsa dikgwetlho tsa rona. Mme le gale, dikgang tse , jaaka le tlaa bala mo pegong e di a tsibogelwa.

Kena le tshepo e ntsi ya gore dithulaganyo tse di dirwang di tlaa netefatsa gore BIHL e golela pele.

Malebo

Ke rata go leboga botsamaisi ka tiro e e manontlhotlho e bo e dirang le ntswa bo direla ka fa tlase ga mabaka a a thata. Ke bo lebogela go ntsha maduo a mantle mo ngwageng o re o sekasekang o, tota le mo dingwageng tse di fetileng.

Ke rata le go leboga lekgotla la botsamaisi ka tshegetso e ba mphileng yone le kompone ka kakaretso. Lekgotla le, le na le batho ba ba nang le maikaelelo a magolo. Ere le ntswa ba na le ditiro tseo di tlhokang nako e ntsi ya bone, ba tsweleletse ka go ineela mo go feng kompone ya rona nako le botsipa jwa bone. Se se dirile BIHL botoka fela thata.

La bofelo ke batla go lebogela botlhe fela ba ba direlang BIHL go lebagana le dikgwetlho tse di re emeng pele ka maikaelelo a magolo le boammaaruri le boikanyego.

BIHL ena le tsotlhe fela tse di tlhokafakang go gatela pele. Ke tlaabo ke lebile kafa e dirang ka teng ka keletlhoko le boipelo jo bogolo. Ke eleletsa modulasetilo yo mosha, batsamaisi le babereki, botlhale, nonofo le maatla go tsweledisa ngwao ya rona ya BIHL ya go gatela pele, re direla babereki, badirisi le lefatshe ka boipelo.

Maclean C Letshwiti
Modulasetilo wa Botswana Insurance Holdings Limited

Financial Review

Economic and Financial Markets Review

2008 will go down in the world's economic history as an important year. The global financial crisis that had been spluttering along at low intensity from August 2007 exploded into a full-blown systemic crisis after the bankruptcy of Lehman Brothers in the USA in mid-September 2008. The principle of mutual trust on which the smooth functioning of the financial system is based, was severely undermined and central banks and governments across the world were forced to step in to the breach to prevent the system from collapsing. Real economic activity weakened sharply. Although Botswana's banks somehow escaped the havoc wrought by the sub-prime crisis, the economy did not.

The long-term fall-out from the crisis will take time to bottom out, but already there are worrying signs of a less than benign outcome. Surely business models in the financial sector, especially banks, need to be reassessed and returned to robustness. Risk management practices have certainly been found wanting. A complete overhaul of the regulatory superstructure under which financial institutions and markets operate, is accepted as being inevitable and indeed necessary.

The financial crisis has lent a new twist to the perennial debate on the relative merits of free markets and governments in guiding economic activity. The market system finds itself in the dock for its failures. Unfortunately, much of the debate suffers from ideological preconceptions, as exemplified by the incomplete biased assessments of the underlying causes of (and therefore solutions to) the crisis. The risk is that the world ends up with a heavily regulated financial system, including substantial government involvement, in which political expediency reigns freely. The end result could well be a system that is less efficient and less tolerant to initiative and innovation, suffering from a suppression of profitability.

In the meantime the financial institutions had to navigate an extremely challenging environment in 2008, especially during the final quarter of the year when stock markets collapsed and volatility increased to levels last seen at the time of the 1987 market crash. The Morgan Stanley World Index declined by 40% from 15 September 2008 to its trough on 20 November 2008; the Emerging Market Free Index fell by an even greater 47% putting paid to any notion that the emerging markets can decouple from the developed world. The VIX, measuring volatility in US equity prices, jumped from 25.7% on 15 September 2008 to a high of 89.5% on 24 October 2008.

Exchange rate volatility increased against a backdrop of a strengthening US dollar as investors fled to safer havens, while currencies such as Japanese yen benefited from a reversal of a carry trade. Emerging markets currencies were savaged by a sharp contraction in investors' appetite for risk and the ensuing withdrawal of portfolio investment, as well as falling commodity prices in the case of commodity exporting countries.

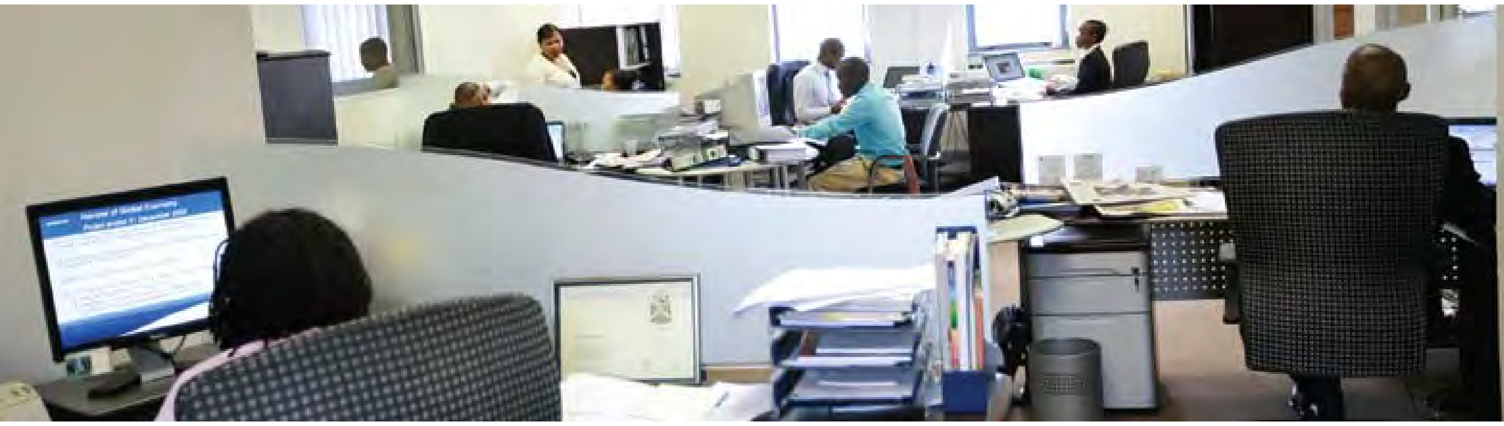
Bond yields plummeted to their lowest levels in 50 years as the short term outlook for inflation improved because of declining commodity prices and the looming recession; official interest rates were dramatically cut and the central banks made known their intention to drive down the cost of long term capital through outright purchases of government bonds if necessary.

Botswana Review

The macroeconomic situation is deteriorating rapidly. Diamond exports collapsed in the last quarter of 2008, and no further significant exports are expected until mid 2009. The closure of all Botswana's diamond mines, and the anticipated re-opening of only limited mining capacity in April 2009, will almost certainly push the economy into recession in 2009.

As a result of the decline in diamond exports, and compounded by a sharp fall in copper-nickel exports, the balance of trade and government have moved into deficits, which are likely to lead to the drawdown of the foreign exchange reserves and/or the issuance of a lot more government debt.

Just about the only positive economic news relates to inflation and interest rates. Inflation is falling, as expected, and although it is still in double figures, it should fall within the Bank of Botswana's (BoB) 3-6% target range by mid-year. The 2009 Monetary Policy Statement indicated that the BoB expects both domestic and imported inflationary pressures to abate, and interest rates were cut by 100 bps in late February 2009. At 14%, the Bank Rate is now at the lowest level since mid-2000.



It therefore stands to reason that the past year has presented the financial services industry with an exceptionally tough environment. The industry was caught in a pincher, pressurised by the decline in household discretionary income from the one side; and the turmoil in financial markets from the other. The benefits of international diversification were hampered by the general malaise in emerging markets, although the depreciation of the rand provided some buffer.

The year 2009 is unfortunately likely to be another testing year, although the weakest point in the cycle is probably not far off. The full effect of the financial crisis remains highly uncertain, as does its resolution. The impact of the global credit crunch on real economic activity started to become visible in early 2009 and this painted a bleak picture. Governments are doing their utmost to avoid a severe recession with super-expansionary fiscal and monetary policies. However, financial conditions are expected to ease during 2009. The downward cycle in interest rates has started, and further declines in inflation and interest rate will bring some relief during the year, while the equity market should also retrace some of its losses from severely depressed levels. It will nevertheless only be able to extend the recovery once there is a greater clarity on the outlook for company profits and once the ongoing process of deleveraging has run its course.

Financial Performance

The purpose of this review is to provide further insight into the financial performance and position of the Group. Readers are advised to read this review in conjunction with the annual financial statements presented on page 75.

Key features

Revenue

- Net premium income increased by 21% to P 959 million
- Fee income increased by 10% to P121 million
  Value of new business increased by 21% to P99 million

Earnings

- Core earnings increased by 10% to P 321 million
- Total surplus after tax decreased by 59% to P222 million as a result of unrealised investment losses on shareholder assets attributable to the downturn in both the global and local capital markets.

Assets under management

- Assets under management decreased by 8% to P14 billion as a result of poor market performance.

Embedded Value

- Embedded value increased by 12% to P1.99 billion.

Dividends

- Final dividend of 26.35 thebe per share (net of tax). An increase of 9% from prior year.
- Special dividend of 38.25 thebe per share (net of tax).

Solvency

- Business well capitalised, required capital covered. 5.9 times (December 2007: 5.4 times).

Financial Review *(Continued)*

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 for the year ended 31 December 2007.

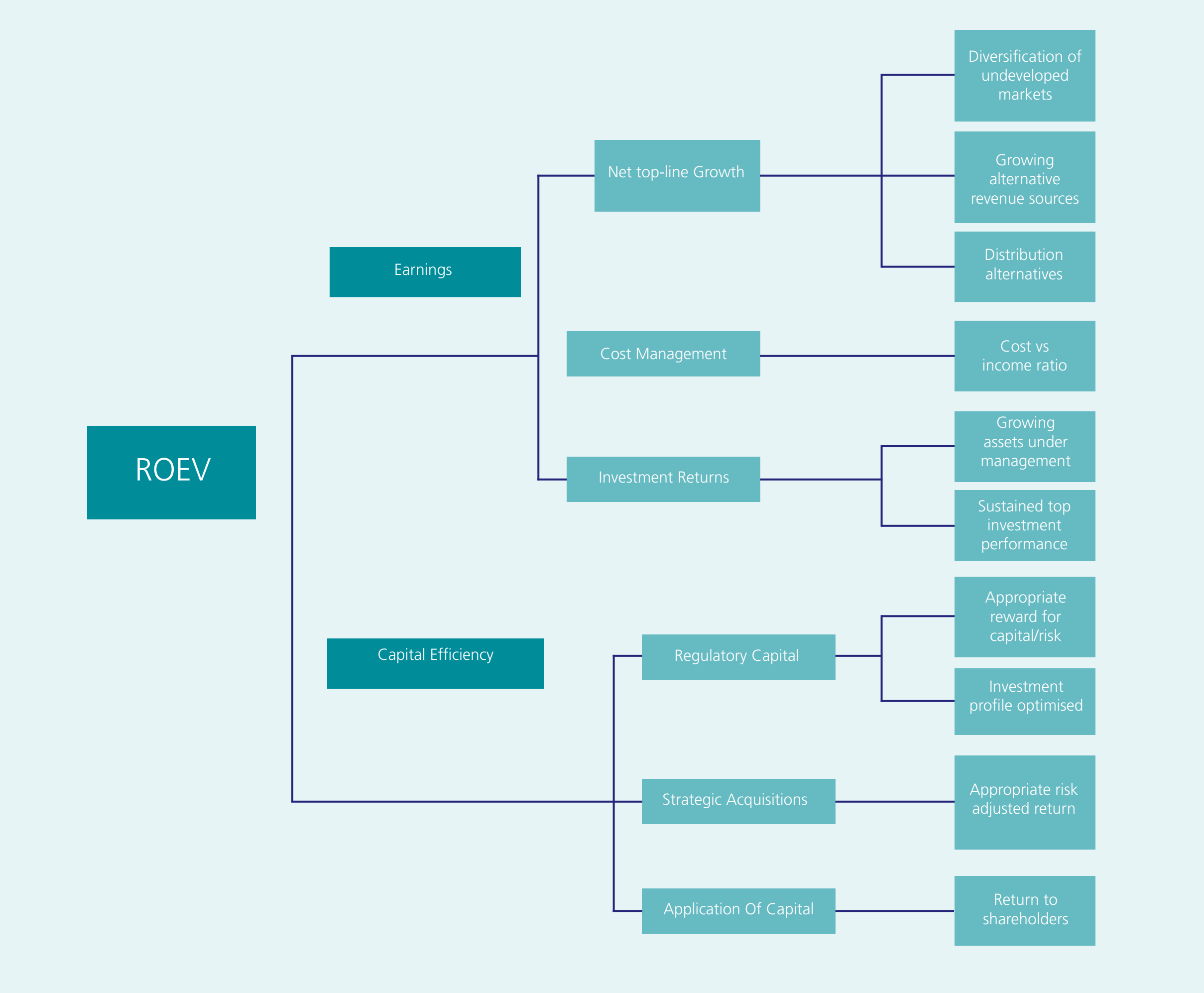
How we measure ourselves

The BIHL Group's performance measurement and financial communication philosophy is based on its values of transparency, honesty and integrity. We are passionate about providing useful, clear and value-added information in our financial statements to our shareholders and stakeholders. This is why the BIHL Annual Report contains significant additional information than prescribed by International Financial Reporting Standards (IFRS).

We view the requirements of IFRS and other relevant regulations and legislation as minimum compliance standards.

Our disclosures are 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 maximising 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 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

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

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

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.

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.

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.

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 minorities and tax.

Core earnings

Core earnings is the aggregate of the net result from financial services (refer above) 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.

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.

Capital management

The Group's actions in respect of capital management are covered in detail in the financial review.

Financial Review *(Continued)*

Key Performance Indicators

BIHL delivered another solid set of results in 2008 despite unprecedented levels of uncertainty and market volatility in the face of a financial markets crisis of historic magnitude. The Group's operations were adversely affected by these conditions and the results are commensurately not spectacular in absolute terms. However, BIHL'S performance during 2008 and its strong financial position are in stark contrast to the significant losses incurred by and corporate failures of major international conglomerates. This performance was underpinned by the Group's diversification strategy.

The key financial performance indicators of the Group are set out below

Return on Embedded Value

	2008 P'million	2007 P'million
Embedded value at end of period	1,991	1,781
Embedded value at beginning of period	1,781	1,324
Change in embedded value	210	457
EEV Methodology Change	—	51
Dividends paid	148	140
Embedded value earnings	358	648
Return on embedded value (ROEV)% p.a.	20.1%	48.9%

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 2008 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.

New business volumes

Total new business volumes increased by 17% from P 461million in 2007 to P538 million in 2008. This is an outstanding performance despite the challenging economic conditions.

New fund flows

The Group net fund flows have increased by 45% from P567 million to P823 million in 2008, a particularly satisfactory result.

Net Funds flows

	2008 P'000	2007 P'000
Life Insurance Business		
Total New Business		
Recurring	149,697	117,965
Single	387,925	343,396
Total Existing Business		
Recurring	415,616	329,920
Single	—	—
Outflows	(418,695)	(343,149)
Asset Management Business		
Investments	889,174	239,909
Outflows	(601,035)	(121,102)
Net Funds inflow	822,622	566,938

Earnings

The Group's diversification strategy supported the overall operational performance during 2008. The turmoil in investment markets and associated uncertainty, combined with a disproportionate performance of financial, industrial and resources shares during the first half of 2008, had a negative impact on the fees earned by the investment management businesses. The net result of financial services per share was in line with 2007. The net result from financial services increased from 1.93% to 2.69% on a per share basis. This represents a good result taking cognizance of the business environment and the significant losses reported by the international financial services organisations.

Core earnings

Core earnings per share increased by 10%, in line with the operational results.

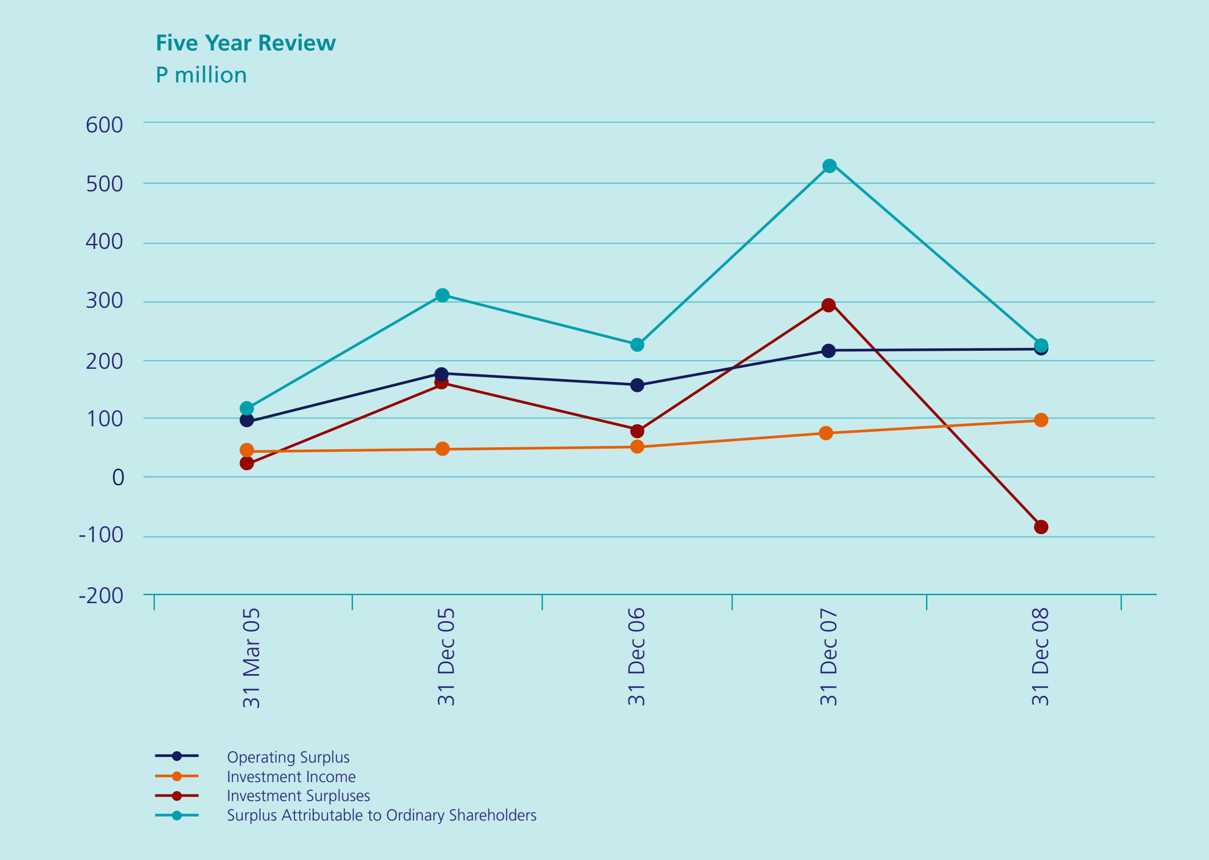
Administration costs

Administration costs increased by 19% in 2008, in line with the core earnings. This reflects the Group's focus on cost control and operational efficiency, with the administration cost ratio only slightly up from 25.8% in 2007 to 28.1% in 2008.

Financial overview

The performance over the past five years is as follows:

Analysis of earnings	Year to 31 Dec 08 Pmillion	% change	Year to 31 Dec 07 Pmillion	% change	Year to 31 Dec 06 Pmillion	% change	9 Mths 31 Dec 05 Pmillion	% change	Year to 31 Mar 05 Pmillion
Operating surplus	222	3%	216	21%	179	14%	157	55%	101
Investment income on shareholders' assets	98	30%	76	57%	48	3%	47	7%	44
CORE Earnings	320	10%	292	28%	227	11%	204	41%	145
Investment (losses)/ surpluses on shareholders' assets	(85)	(127%)	311	88%	165	158%	64	150%	—
Tax	(14)	(72%)	(49)	(35%)	(77)	95%	(39)	44%	(27)
Surplus after tax	221	(59%)	554	75%	315	38%	229	94%	118
Minority shareholder's interest	(19)		(20)		(6)		(4)		(1)
Surplus attributable to ordinary shareholders	202	(63%)	534	73%	309	38%	225	91%	117



Financial Review *(Continued)*

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

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)
Minority shareholder’s interest	—	19,205	—	19,205
Surplus attributable to ordinary shareholders	20,206	72,060	109,990	202,256

Contribution to earnings - year to 31 December 2007

	Life insurance business P’000	Asset Management business P’000	Consolidation adjustments and other P’000	Total P’000
Operating surplus	167,225	58,395	(9,418)	216,202
Investment income on shareholders’ assets	37,386	22,491	14,912	74,789
CORE EARNINGS	204,611	80,886	5,494	290,991
Investment surpluses on shareholders’ assets	239,775	58,940	(5,716)	292,999
Tax	(35,156)	(13,990)	(721)	(49,867)
Minority shareholder’s interest	—	19,695	—	19,695
Surplus attributable to ordinary shareholders	409,230	145,531	(943)	553,818

2008 Contribution to Earnings

2007 Contribution to Earnings

Operating surplus comprises of the operating profit excluding investment income and surpluses earned on the shareholders' funds. Despite the significant negative impact of the markets on this line, the operating surplus increased by 3% to P222 million.

Investment income consists of dividends, interest and rental income earned on shareholders' funds. This increased by 30% due to an increase in interest income from unlisted investments and fixed deposits.

Investment surpluses, which comprise market-related revaluations of equity investments, decreased significantly due to unrealised losses on our equities portfolio as a result of declines in global stock market valuations.

Shareholder Income Statement

	2008 P'000	2007 P'000
Financial services income	757,437	660,111
External clients	757 437	660,111
Sales remuneration	(165,735)	(118,067)
Income after sales remuneration	591,702	542,044
Underwriting policy benefits	(202,880)	(186,172)
Administration costs	(166,380)	(139,670)
Result from financial services before tax	222,442	216,202
Tax on financial services income	(54,187)	(55,627)
Result from financial services after tax	168,255	160,575
Minority shareholders' interest	(15,483)	(17,378)
NET RESULT FROM FINANCIAL SERVICES	152,773	144,513
Net investment income	70,416	56,601
Investment income	88,395	70,308
Tax on investment income	(18,593)	(12,691)
Minorities shareholder's interest	(1,007)	(1,016)
CORE EARNINGS	221,568	199,798
Net equity-accounted headline earnings	9,802	4,000
Equity-accounted headline earnings	9,802	4,000
Tax on equity-accounted headline earnings		
Minorities shareholder's interest	—	—
Net investment surpluses	(62,085)	234,763
Investment surpluses	(85,140)	243,540
Tax on investment surpluses	21,426	(7,475)
Minorities shareholder's interest	(2,715)	(1,302)
Net secondary tax on companies	37,317	25,926
Secondary tax on companies	37,317	25,926
Minorities shareholder's interest	—	—
HEADLINE EARNINGS	202,256	464,487
Net other equity-accounted earnings	—	—
Net profit/(loss) on disposal of subsidiaries	—	69,636
Profit/(loss) on disposal of subsidiaries	—	69,636
Tax on profit/(loss) on disposal of subsidiaries	—	—
Minorities shareholder's interest	—	—
ATTRIBUTABLE EARNINGS	202,256	534,123

Financial Review *(Continued)*

Embedded value

Despite the impact of volatility in equity markets, the Group's embedded value increased by 12% from December 2007 to P1.99 billion as at December 2008 as a result of strong operational results. The embedded value is after allowing for the P148 million dividend paid during the period.

	31 Dec 2008 Pmillion	**31 Dec 2007 Pmillion**
Net asset value	1,612	1,546
Value of in force	379	235
Embedded value	1,991	1,781

Embedded value earnings for the period comprises the following:

	12 mths to 31 Dec 2008 Pmillion	**12 mths to Dec 31 2007 Pmillion**
Expected return on life business in force	52	36
Value of new business	99	84
Operating experience variances	123	37
Operating assumption changes	(6)	12
Investment variances andassumption changes	(26)	35
Return on shareholders assets	19	400
Change in shareholders' fund adjustments	97	43
Embedded value earnings	358	648

The main operating experience variances are positive variances for mortality, persistency at earlier policy durations and expenses. Also included is the effect of the inclusion in operating profit of return on working capital.

Operating assumption changes include a weakening of the mortality basis for individual life business, increased lapse rates at later policy durations and an adjustment to the expense basis to allow for an improvement in unit expenses

Investment variances and assumption changes include the effect of the poor investment returns on actuarial reserves as well as fees earned on policyholder funds invested. Return on shareholders' assets is significantly lower compared with the prior year.

Value of new business

The value of new covered business (VNB) written during the year increased by 21% to P99 million, an exceptional performance in the current environment. The increase is due to improved retention and growth in new business volumes. New business margins have been maintained at very satisfactory levels.

Overview of operations

Life insurance business

The business recorded excellent growth during the year. Net insurance premium income increased by 21% to P959 million. This was due to the introduction and enhancement of products; increased market share in the Corporate Business and partnership with banks for distribution of insurance products.

Despite the inflationary pressures, administration expenses were well controlled. Policyholder claims settlement promises were honoured and P419 million was paid during the year.

Asset Management business

The year was characterized by negative pressures in both the local and global capital markets. Widespread declines in global capital markets were driven by negative sentiments following the sub-prime crisis and failures of large investment banks. This consequently led to serious credit crunch lowering global economic growth and heading to a global recession.

The local equity market followed suit, though no official direct link to the offshore market behaviour was established. During the twelve months to December 2008, the Domestic Companies Index lost 16.5%. The shedding of value by local equities was perceived more as a correction of market pricing to valuations which then came more in line with company fundamentals.

Margin pressures on fixed income instruments, coupled with ascending inflation, meant that other traditional asset classes offered no respite to the investment management business.

In view of these pressures, Bifm's assets under management fell by 9% from P15.1 billion at 31 December 2007 to P13.8 billion at 31 December 2008. However, the diversification strategy that Bifm embarked upon has served the company well to deliver operational profits that are not only in line with the budget but also exceeded last year.

Capital management and solvency

The effective management of capital is a key and ongoing focus area of the Group. After making adequate provision for the required statutory capital and substantial provisions for future growth opportunities that will be pursued, the Board has resolved to declare a special dividend from readily realisable excess assets. The remaining excess assets are less easily realisable and efforts will be undertaken to change their composition such that further special dividends can be considered in the future.

Dividend

The Directors have resolved to award a final dividend for the period, net of tax, of 26.35 thebe per share and a special dividend of 38.25 thebe per share. The dividend payment for the year, net of tax is as follows;

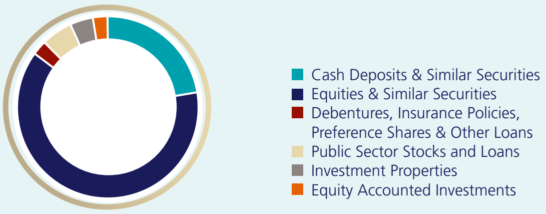
	Interim, already paid	Final	Year to 31 Dec 2008	Year to 31 Dec 2007
			(interim and final)	(interim and final)
Normal dividend	14.45	26.35	40.80	37.40
Special dividend	—	38.25	38.25	10.20
	14.45	64.60	79.05	47.60

Ordinary shareholders' assets

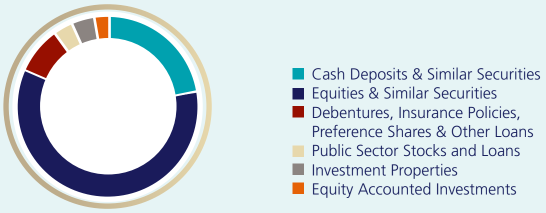
Equity attributable to equity holders of parent company was represented by:

	2008 P '000	2007 P '000
ASSETS		
Property, equipment and computer software	19,466	17,164
Goodwill	77,244	13,135
Investments in associates	34,971	34,091
Investment property	107,220	45,648
Financial Assets at fair value through profit or loss	1,127,565	1,452,035
Equities investments	630,618	671,992
Bonds (Govt, Public authority, Listed & unlisted corporates)	64,940	46,236
Policy loans and other loan advances	35,521	190,512
Money market instruments	396,487	543,295
Net trade and other payables, deferred tax	29,343	(216,051)
Cash, deposits and similar securities	20,654	26,043
Minority interest	(31,094)	(55,006)
Equity	1,385,369	1,317,059

Composition of 2008 Investments



Composition of 2007 Investments



Botswana Life Report

"A good year indeed – but also a tough year. We were not immune to the economic turmoil that surrounds us."

Regina Sikalesele-Vaka
Chief Executive Officer, Botswana Life

Botswana Life in Brief

2008 marked the end of a highly successful five year strategy underpinned by a restructure or Tsoselotso. Botswana Life had one of its best years ever in terms of solid operational performance in 2008. Net insurance premium income increased by 21% to P959 million; embedded value increased by 12% to P2 billion; retention levels were incresed. In addition, administration expenses were well controlled.

However, the poor performance of the investment markets negatively affected operating profits leading to a reduction in surplus after tax. We nevertheless did well in those areas of our performance which were within our control and will continue to focus our attention on those areas in the year ahead.

A robust five year strategy for 2009 to 2013 is well underway to ensure even greater success. We have robust initiatives in place that will enable us to deal with the effects of the economic downturn as effectively as possible. These initiatives touch every aspect of our business and are focused on enabling us to achieve our goal of being a fully customer-centric organisation.

We have enhanced our partnerships with distribution channels and expanded these channels into new areas. Major training initiatives during the year translated into improved and stronger partnerships with our distribution channel; increased sales of our products greater policy retention; and customers benefiting from higher levels of service and advice from better trained intermediaries.

On the product front, benefits were increased, and products enhanced, to meet client needs. In addition, initiatives are in place to expand our offerings to include innovative investment and policy loan products.

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. This will increase the levels of automation; create new electronic channels for customer interaction; faster turnaround times on customer applications, queries and claims; and more effective, informative and timeous customer communications.

Recognising that 2009 is going to be an extremely difficult year and that our ability to attract and to retain new business will be significantly affected, our strategy for the next three years will focus on consolidation, expansion and diversification in order to have meaningful organic growth.

Our Mission

We offer quality client centric financial solutions and services to grow and protect the wealth of all our stakeholders.

Our Vision

To be the personalised financial service provider of choice.

Our Values

- Integrity
- Botho
- Teamwork
- Creativity

Key Data

	Year to 31 Dec 2008 P million	Year to 31 Dec 2007 P million	% Change
Premium income (net of reinsurance)	959	791	21
Value of new business	99	81	21
Operating profit	151	168	(10)
Core earnings	219	409	(191)
Embedded value	1,257	1,178	7

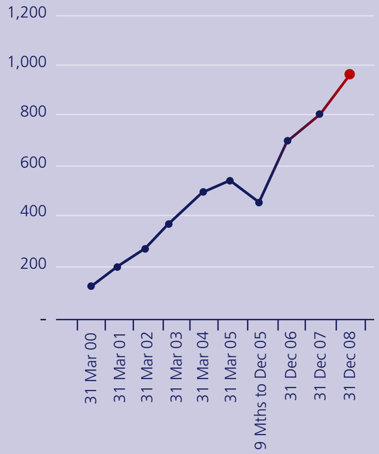
Executive Management

1. **Regina Dumilano Sikalesele-Vaka**
   (Chief Executive Officer) LLB
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
6. **Linah Sekwababe**
   (Business Support)
   MSC in Business Systems Analysis & Design, BA: Social Sciences
7. **Phillip van Rooijen**
   (Actuary) BSc (Actuarial Science), FIA
8. **Kathiresan Subburaj**
   (Information)
   MBA: Technology Management, COP, PGDCA
9. **Lorato Mosetlhanyane**
   (Head of Finance)
   B.Com (UB), FCCA, A.C.P.A

Botswana Life Highlights

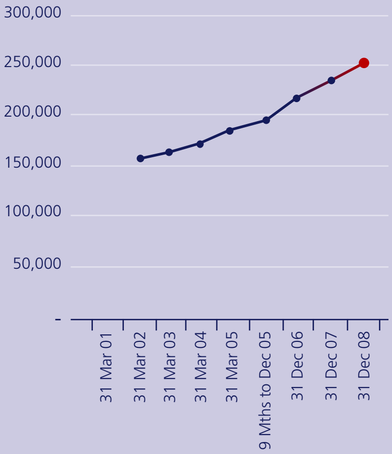
Premium Income

P million



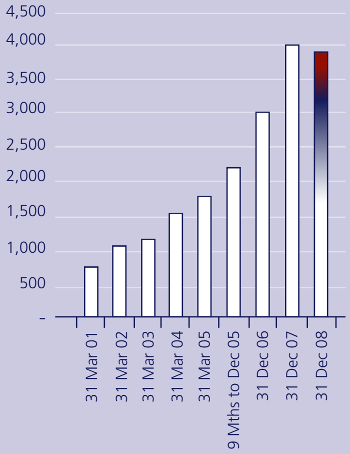
Number of Recurring Premium Policies

P million



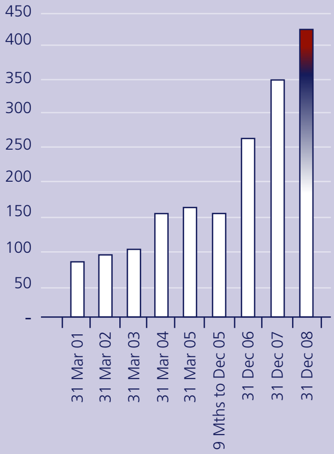
Total Assets

P million



Net Insurance Benefits and Claims

P million



Chief Executive Officer's Report

Introduction

The year 2008 marked the end of a strategy that ran from 2004 to 2008 and was another good year for Botswana Life. We recorded outstanding growth despite the economic conditions and an increasingly tightening regulatory environment, exceeding all our expectations.

Net insurance premium income increased by 21% to P959 million with excellent value of new business on both individual life and group life schemes. Our embedded value – the net worth of the company – increased by 12% to P2 billion and retention levels were reduced as a result of the strategic direction of client-centricity.

Administration expenses were well controlled despite inflationary pressures experienced throughout the year on account of rising fuel and food prices during the greater part of the year. Botswana Life has had one of its best years ever in terms of solid operational performance.

A good year indeed – but also a tough year. We were not immune to the economic turmoil that surrounds us. The global downturn has not spared us and our operating profit was negatively affected by the poor performance of the investment markets, leading to a reduction in our surplus after tax. We anticipate this trend to continue with more difficulties in the year ahead, and possibly beyond.

However, we did well in those areas of our performance which were within our control and will continue to focus our attention on those areas in the year ahead.

Prior to the global economic meltdown, we started laying the foundation to support our 2009-2011 business strategy. So as we move into 2009, we have robust initiatives in place that will enable us to deal with the effects of the economic downturn as effectively as possible.

These initiatives touch every aspect of our business extending from product innovation and customer support to back-office enhancements and human resource development. All initiatives are focused on enabling us to achieve our goal of being a fully customer-centric organisation.

Over the past two years we have enhanced our governance by improving the risk management capabilities and this has helped us to identify and manage the risks we face systematically. As a result, our investments locally and offshore are monitored on an ongoing basis to mitigate against losses.

Customer Centricity

In good economic times, our main challenge is to make convert customers to the business of life insurance. In difficult economic times such as these, it is even more challenging as customers juggle shrinking resources. We recognise the responsibility that comes with being Botswana's largest Life company and endeavour at all times to do what we can to help our customers to cope with the financial difficulties they face.

Customer education plays a key role in this, and we have devoted considerable effort ensuring that our sales force as well as our frontline staff are trained to provide customers with appropriate financial advice.

During the review period we focused on enhancing our partnerships with distribution channels with focus on developing their practices. A major challenge facing the distribution channels was the enforcement of the Non-Banking Financial Institutions Regulatory Authority (NBFIRA) Act which imposed minimum qualifications of Certificate of Proficiency (COP) on agents.

This resulted in a loss in manpower of 40% on the brokers' distribution channel, necessitating an intensive training programme, which resulted in our ending the year with a larger, fully qualified broker and agent sales force. The training efforts extended beyond COP compliance to include empowering our brokers with the skills they require to run their own businesses more effectively thereby cementing the distribution partnerships that we have with them.

Their increased proficiency has translated into increased sales of our products and greater policy retention despite the economic downturn; and our customers are benefiting from higher levels of service and advice from better trained intermediaries.

Product Innovation

The increase in net insurance premium income was also due to the introduction and enhancement of products. Each of our products is designed to meet a specific need within the entire economic spectrum.

The risk product continues to dominate sales and benefits have been enhanced on products to meet client needs. Initiatives are now in place to expand our offerings beyond life cover to include innovative investment and policy loan products. A product aligned to the national strategy Thobo 2016, has also made an impact on sales. To cater for the more sophisticated client, our Offshore Gold and Educator products were enhanced and relaunched during the review period with improved take up.

In addition to the existing extensive branch network which spans the entire country, the distribution channels have expanded to include Unions, Post Office and Bancassurance. All these efforts have increased the Botswana Life footprint. We've revitalised our sales strategy for our Group funeral policy to make it more accessible to its target market. This is proving most successful and we anticipate significantly growing premium income from this product in the year ahead.

Support infrastructure and services

Improving client service and client efficiency demands an improvement in our processes. Most of 2008 was spent on laying 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. We thus focused on improving our internal controls to improve efficiencies and safeguard against the risk of fraud.

A platform has been created for increased levels of automation; new electronic channels for customer interaction – including the Internet and cellular phones; a self-service option for customers who prefer it; faster turnaround times on customer applications, queries and claims; and more effective, informative and timeous customer communications in an IT project dubbed Project Thito (the stem of a tree) - the new computer system for administering Individual Life policies.

The benefits of the project include improving data and workflow processes; more effective document management; improved operations management; and enhanced risk management to create a new client experience.

Chief Executive Officer's Report *(Continued)*

Project Thito is being undertaken in four phases. The first phase – which took up most of the review period – focused on understanding the requirements for the system development and implementation.

This is a critical phase of the project because its success or failure will determine the success or failure of the remaining three phases of the project and its ultimate contribution to Botswana Life's operations. The implementation will commence in the year 2009.

The Group Life administration system was successfully commissioned during 2007.

Looking ahead

There's no question that 2009 is going to be an extremely difficult year. With the mines reducing production by up to 60%, widespread retrenchments across the economy and a general contraction in disposable income, our ability to attract and to retain new business will be significantly affected.

A robust strategy for the next five years will focus on consolidation, expansion and diversification in order to have meaningful organic growth and initiatives are already underway to achieve this additional growth. Our client-centric IT and administration systems will enable us to improve our service levels and to quickly bring different and innovative products to market – products which address the financial circumstances and needs of different sections of the population.

Notwithstanding all these initiatives and more, the state of the global economy is such that the economic landscape will be markedly more difficult to trade and will affect the business negatively. Nevertheless, management is yet again, ever optimistic and committed to produce sterling results befitting of Botswana's largest Life Insurance company.

Regina Sikalesele-Vaka
CEO – Botswana Life


BOTSWANA
LIFE

Bifm Report

> "We are acutely aware of our responsibility to the people of Botswana as well as to our shareholders."

Victor J. Senye
Chief Executive Officer, BIFM

Botswana Insurance Fund Management in Brief

The financial year 2008 was the year in which the underlying value proposition of Bifm's long-held diversification strategy was more than validated. 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.

Businesses initiatives that were undertaken during the year as well as a sharp focus on cost containment enabled Bifm to deliver increased profits despite ending the year with assets under management at just P13.8 billion, a decline of 9%. Despite turmoil on stock markets around the world, Bifm's long-term asset allocation focus will enable the company to ride the storm. Market confidence in our ability as asset managers remains strong.

All subsidiaries did well during the review period, with the exception of Photon Private Equity Management Company. With Photon yet to secure a meaningful investment transaction, we chose to close down the private equity fund. Bifm Capital performed exceptionally well and we anticipate good growth going forward. Khumo Property Asset Management (Pty) Ltd continues to operate profitably, and its value proposition dovetails well with Bifm's future plans.

The Zambian operation, African Life Financial Services (Aflife Zambia) turned in an outstanding performance. A highlight of the review period was the establishment in Zambia of a Khumo-type operation, Sinyuka, in partnership with IRIS (formerly Rand Merchant Bank Properties). Property remains a cornerstone of Bifm's diversification programme, making a valuable contribution to the company and providing an investment option for our clients.

During the review period the building known as Plot 21 was completed and handed over to its tenants, the Office of the Ombudsman and the Lands Tribunal. Work is progressing well on a second PPP project – the seven storey SADC headquarters which is scheduled for completion by mid 2009. Looking ahead, the asset management industry in general will face challenges. But there will also be opportunities to pick value stocks at very good prices.

We will also continue to drive our diversification strategy as this remains the most effective way in which we can serve our clients and shareholders.

Our Mission

To provide best industry practices to the independent management and administration of savings originating from life assurance, pension and provident funds, large corporates and individual savers, through:

- Service excellence at all levels
- Sound and professional advice
- Superior investment performance
- Cost efficient delivery
- Generation of diversified investment portfolios

Our Vision

To be recognised as a vibrant, Pan African, financial services provider offering proactive solutions to rejuvenate the faith in long-term savings and investments.

Our Values

- Entrepreneurial
- Client-Centric
- Trust

Key Data

	Year to 31 Dec 2008 P million	Year to 31 Dec 2007 P million	Year to 31 Dec 2006 P million	Year to 31 Dec 2005 (9 months)	Year to 31 Mar 2005 P million
Assets under management	13,865	15,115	12,462	9,353	7,177
Operating Profit before Tax	76	61	39	23	14

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

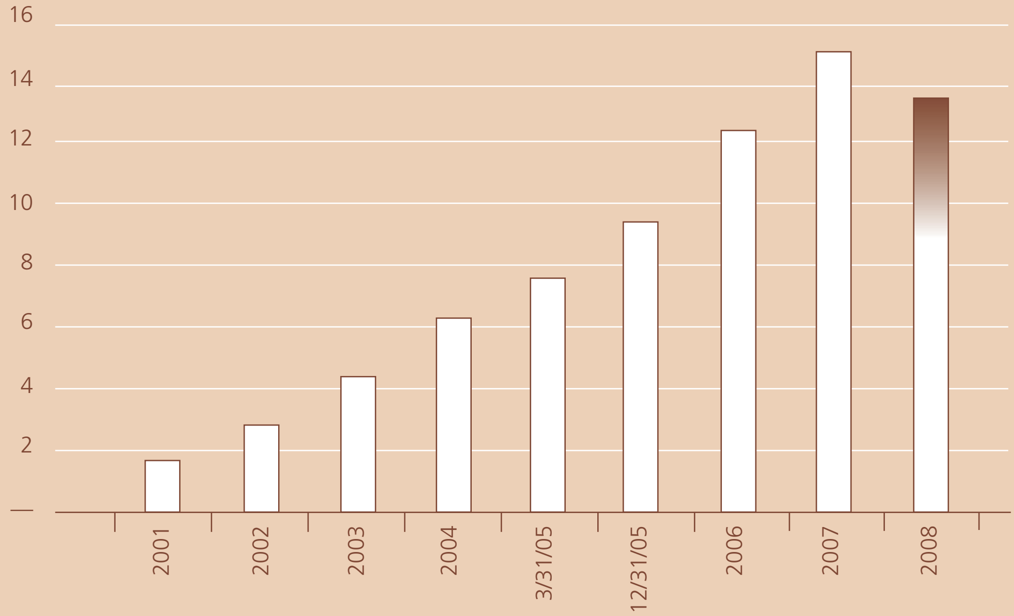
4. **Guy Hubbard**
   (Chief Investment Officer)
   B.Com, University of Cape Town (South Africa); Chartered Financial Analyst (CFA)

5. **Vikas Agarwal**
   (Head of Finance)
   B.Com (Hons), Calcutta University, FCA, (India), ACPA, (Botswana)

Bifm Highlights

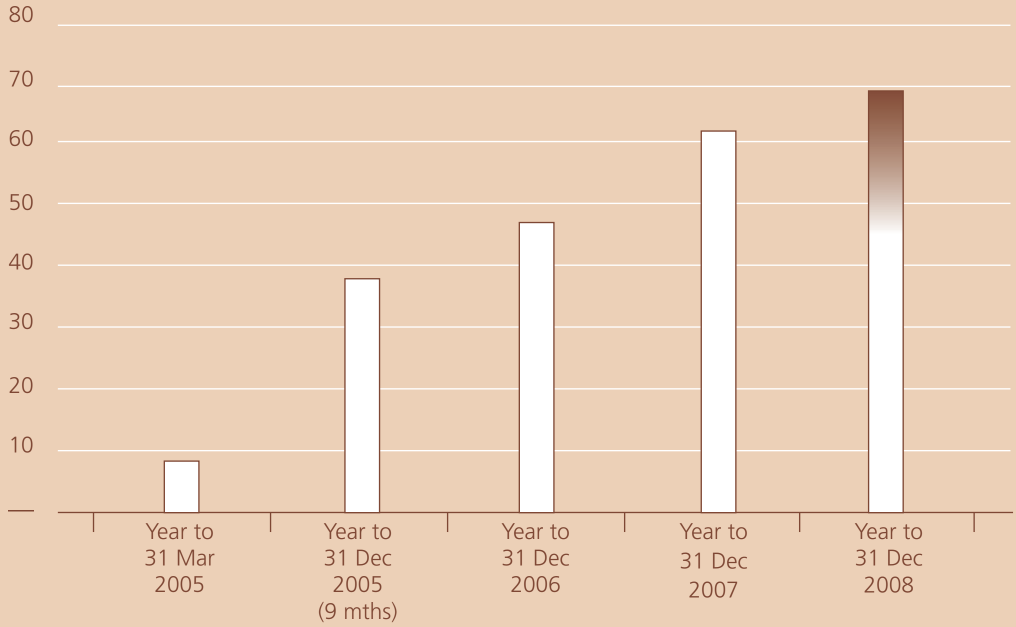
Assets under Management

P billion



Group OPBT

P million



Chief Executive Officer's Report

Introduction

The financial year 2008 was the year in which the underlying value proposition of Bifm's long-held diversification strategy was more than validated. As an asset management company, we are entrusted with the savings of Batswana through our investments of pension funds. If our investments perform poorly, it has a direct negative impact on the individuals' savings.

As such, we are acutely aware of our responsibility to the people of Botswana as well as to our shareholders. For almost 30 years, we have done well for all our stakeholders; but we were concerned that the global credit crisis and its knock-on effect on bourses around the world would negatively impact our ability to deliver on our commitments. The local equity market followed the negative pressure on global capital markets and general global decline. During the review period, the Domestic Companies Index lost 16.5%.

The situation was compounded locally as a result of rising inflation as well as the high petrol price. Certainly, towards the end of the review period, inflation started to decline as did interest rates, with the oil price following soon after. But the "damage" had already been done.

Fortunately, business initiatives that were undertaken during the year enabled us to deliver operational profits that not only exceed budget by 9%, but also resulted in increased profits. Our ability to keep costs down also contributed to our satisfactory results.

In light of ongoing turbulent market conditions both offshore and locally, diversification of our portfolios will continue to be central to Bifm's investment and operational philosophy. It is this diversification, I believe, that will help us to weather the turbulent times that lie ahead.

The impact of the global market turmoil is reflected in the fact that in the six months to June 2008, assets under management actually grew, albeit by a rather modest 3%, to P15.5 billion. However, we ended the year with assets under management at just P13.8 billion, a decline of 9%. The exception to this downturn was our Zambia operation which performed remarkably well.

Asset Management

Although markets were turbulent and there are short term challenges, the asset allocation strategy that Bifm uses is focused on the long term. We are confident that although markets are currently struggling, we will ride the storm.

Market confidence in our ability as asset managers remains strong. While increased competition and other extraneous factors resulted in our losing one prestigious mandate, we actually gained a new and equally prestigious mandate.

After a lengthy and thorough search for the right candidate, I am pleased to announce that we appointed a highly experienced Chief Investment Officer (CIO). Guy Hubbard joined us in September 2008 and will be responsible for guiding Bifm's investment strategy going forward.

We will maintain our multi-manager approach for our offshore investments. In our view, this has served us quite well in achieving diversification as a risk management approach.

Subsidiaries

As part of our diversification philosophy, Bifm has investments in several subsidiaries which operate outside the Asset Management arena. The purpose of diversification is to enhance portfolio performance and to provide investment opportunities for the pension market in an environment with limited opportunities.

All subsidiaries did well during the review period, with the exception of Photon Private Equity Management Company. A decision was taken to close down the private equity fund. However, Bifm will continue to seek and participate in unlisted investment. Bifm's current portfolio of unlisted investments is performing well. We have confidence in this asset class in the long term. Bifm Capital, in contrast, continues to perform well. Their staff compliment has increased and the brand has continued to create market awareness. A number of successful transactions have been concluded. The business is on a solid footing and we anticipate good growth going forward.

The same can be said about Khumo Property Asset Management (Pty) Ltd, which is now a recognised and sought-after force in the property asset management arena in Botswana. The company continues to operate profitably, with its value proposition dovetailing well with Bifm's future plans.

Meanwhile our Zambian operation, Aflife Zambia, continues to grow from strength to strength. Operations there appeared to be relatively immune to the market turmoil that affected the rest of the world, including Botswana. The Employee Benefit business unit also performed well. Indeed, their contribution to our bottom line increases every year.

An exciting development in Zambia during the review period was the establishment of a Khumo-type operation, Sinyuka, in partnership with IRIS (formerly Rand Merchant Bank).

African expansion

The success of our Zambian operations underscores the benefits that would accrue to Bifm from a sustained, and sustainable expansion into Africa. However, Bifm does not have the wherewithal to 'go it alone' and establish grassroots operations in new territories.

Our Zambian operation was the result of our acquiring an interest in an existing, profitable local company. Such opportunities are few and far between.

For that reason, the reversal of the sale of Bifm shares to AFM Holdings, the Sanlam IFSC registered company which was to be used as a vehicle of regional expansion by Sanlam Investment Management (SIM) Ltd, is regrettable. We have failed to take advantage of an excellent window of opportunity as far as participation in a SIM initiative and growth into Africa is concerned.

However, we will continue to investigate other opportunities for regional expansion. One such initiative, currently under investigation, is the establishment of a Regional Property Fund. This will enable us to take advantage of property development and investment opportunities in Botswana and the region. This is in line with our diversification strategy and it will create investment opportunities for the client funds that we manage.

Property and PPP initiatives

Property has always been a cornerstone of Bifm's diversification programme and I am pleased to report that our participation in this arena continues to make a valuable contribution to the company and provides an investment option for our clients. Phase two of the Fairgrounds Office Park is currently under construction and negotiations are underway for the development of Phase three.

We are also looking at a new commercial development on a site adjacent to the Fairgrounds Office Park in association with Stocker Fleetwood-Bird.

Chief Executive Officer's Report *(Continued)*

But that's in the future. A highlight of the review period was the completion – on time and within budget – and hand-over to its tenants, the Office of the Ombudsman and the Lands Tribunal of the building known as Plot 21.

This aesthetically pleasing, face-brick block on the corner of Khama Crescent and Queens Road at the Main Mall is the result of a highly successful Public Private Partnership (PPP) between a private sector consortium led by Bifm – also the sole financier – and the Botswana Government.

Work is progressing well on a second PPP project – the seven storey SADC headquarters. Scheduled for completion by mid 2009, the project is 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.

Looking ahead

The asset management industry in general is still going to face challenges. I don't believe that the markets – globally or locally – will turn the corner very easily or quickly. Indeed, we need to brace ourselves for ongoing volatility which is likely to continue to impact negatively on our Asset Management business.

However, the current environment also opens the way for opportunities, including the opportunity to pick value stocks at very good prices. We continue to engage with our offshore managers to ensure we are able to identify and capitalise on opportunities as they present themselves, without losing sight of the fundamentals.

We will also continue to drive our diversification strategy forward as this remains the most effective way in which we can serve our clients and shareholders. There is no question that this strategy came to the fore when times were tough in 2008, and I am confident it will support us and our stakeholders through the difficult times that lie ahead.

Victor Senye
CEO - Bifm

Bifm

BIHL Corporate Governance

Statement of Commitment

The BIHL Board of directors is committed to the principles of the Code of Corporate Practices and Conduct set out in the King Report on Corporate Governance (King II), and to the highest level of corporate governance and best practice. It sees value in subscribing to a system whereby ethics, personal and corporate integrity and governance practices set the standards for compliance. Adherence to sound principles of corporate governance will remain both a Board and a management priority. The Board is of the opinion that BIHL complies with the prevailing standards in all material respects.

The Board recognises the responsibility of the Group to conduct its affairs with prudence and integrity, transparency, accountability, fairness and social responsibility, and in accordance with generally accepted accounting practices to safeguard the interests of its stakeholders.

The Board also appreciates that corporate governance is a component of equity risk and acknowledges the relationship between managed risk, equity performance and corporate profitability.

The business structures in the Group, Life and Asset Management, are supported by clear approval frameworks and agreed-upon business principles, ensuring a coherent and consistent governance approach throughout the Group.

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 monitor compliance with the principles underlying the code of ethics and investigate 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 - Bifm
- Investment Committee - Botswana Life
- Nominations 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 Mr Maclean Letshwiti, an independent non-executive director. The Board comprises:

- Two executive directors;
- Two 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. He 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 Chief Executive Officers as and when circumstances warrant.

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-Committees 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, the following new directors were appointed to the Board. Messrs Norman Kelly, Uttum Corea and Batsho Dambe-Groth. Their credentials were reviewed by the Board prior to their appointment and each received induction material and information relevant to his obligations as director.

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

- Discussions with the Chairman regarding the Group's expectations of them, their potential contribution to the Group and the areas of their 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. 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:

Director	Board meeting	Audit Committee	BLIL Investment Committee	Bifm Investment Committee	Remuneration Committee	Date of Resignation
MC Letshwiti	6/6	2/2	1/1	—	—	31 Dec 2008
JA Burbidge	2/2	—	—	—	—	15 May 2008
M Dawes	6/6	8/8	4/4	—	5/5	
H Fidzani	2/2	—	—	1/3	1/1	31 Mar 2008
K Jefferis	4/6	3/3	—	12/12	—	
S Gupta	6/6	3/5	—	4/12	6/6	31 Dec 2008
H Werth	6/6	—	—	—	—	
D Lacey	2/2	—	—	—	1/1	31 Mar 2008
F Kellerman	6/6	5/5	3/5	—	—	
U Corea	4/4	2/4	1/3	—	—	
BDambe-Groth	4/4	—	—	—	5/5	
N Kelly	5/6	4/4	3/3	—	—	

BIHL Corporate Governance *(Continued)*

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 and Nominations 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; Mr. Norman Kelly; Mr. Francois Kellerman; Mr Uttum Corea Composition: One independent non-executive member and three non-executive members. This Committee is chaired by Mrs. Margaret Dawes, a chartered accountant.

The Audit and Risk Committee met four 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 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 Committees

Members of the Bifm Investment Committee:
Dr. Keith Jefferis; Mr Sanjeev Gupta; Mr Victor Senye

Members of the Botswana Life Investment Committee:
Mr Norman Kelly; Mrs. Margaret Dawes; Ms. Regina Sikalesele-Vaka; Mr. Uttum Corea; Mr. Francois Kellerman.

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 respectively.

The Investment Committee of Bifm is chaired by Dr Keith Jefferis, an independent non-executive director. Mr Norman Kelly, a non-executive director, chairs the Botswana Life Committee.

The Bifm Investment Committee meets on a monthly basis, while Botswana Life's meets at least once per quarter. 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.

Human Resources Committee

Members: Mrs Batsho Dambe-Groth, Mrs Margaret Dawes; Mr Sanjeev Gupta
Composition: Two non-executive directors and one independent non-executive.

This Committee is chaired by Mrs. Batsho Dambe-Groth, an independent non-executive director, and includes two other 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.

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. Heinie Werth; Mr Uttum Corea; Mr Maclean Letshwiti
Composition: One non-executive director. Two independent non-executives.

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.

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 as it finds necessary, 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;
- 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.

BIHL Corporate Governance *(Continued)*

	Other Services	Annual retainer	Board meeting	Audit and Risk Committee	BLIL Investment Committee	Bifm Investment Committee	Remuneration Committee	Totals
MC Letshwiti	100,000	60,500	67,760	16,940	8,470	—	—	253,670
JA Burbidge**	—	22,688	8,470	—	—	—	—	31,158
M Dawes**	—	54,450	93,170	59,290	33,880	—	42,350	283,140
H Fidzani	—	9,075	8,470	—	—	16,940	8,470	42,955
K Jefferis	—	54,450	33,880	25,410	—	76,230	—	189,970
S Gupta**	—	54,450	76,230	16,940	—	25,410	50,820	223,850
H Werth**	—	54,450	76,230	—	—	—	—	130,680
D Lacey**	—	9,075	8,470	—	—	—	8,470	26,015
F Kellerman**	—	54,450	76,230	8,470	25,410	—	—	164,560
U Corea	—	40,838	67,760	16,940	8,470	—	—	134,008
B Dambe-Groth	—	40,838	42,350	—	—	—	42,350	125,538
N Kelly**	—	40,838	67,760	33,880	25,410	—	—	167,888

** 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 page 136, note 19 of the annual financial statements.

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 above.

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 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 respectively.

The same arrangements apply for closed periods during other price-sensitive transactions (e.g. during a period covered by a cautionary announcement). A pre-approval policy and process for all dealings in 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 136, note 19 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.

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 78.

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 are made to financial analysts at least twice annually. In addition, personal meetings with analysts and fund managers/trustees are arranged when appropriate.

The Group publishes its annual and interim 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.

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

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.

BIHL Corporate Governance *(Continued)*

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 is 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.

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.

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 co-operation 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

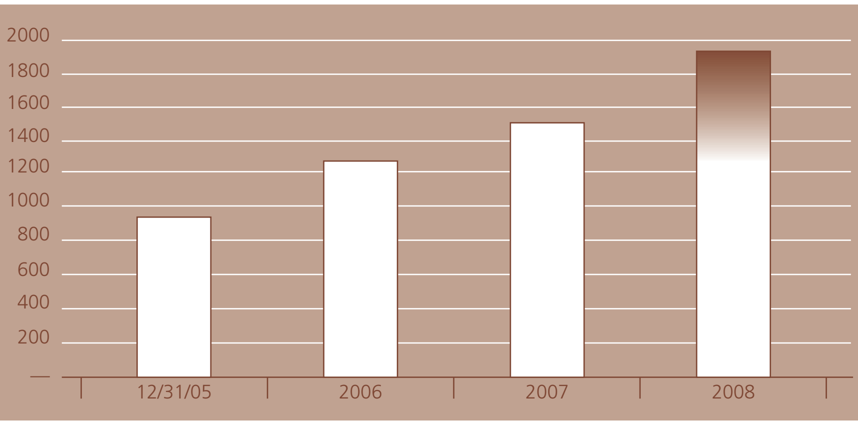
The Board has considered and recorded the relevant facts and assumptions and has concluded that BIHL will continue as a going concern during the 2009 financial year. Their statement in this regard is also contained in the statement of directors' responsibility for annual financial statements.

BIHL Trust and Corporate Social Investment

Growth in Expenditure on CSI activities by BIHL (Pmillion)

+20%

2008 P1,803,881.27



In line with the Group's ongoing commitment to corporate social investment in disadvantaged communities, it was decided to establish a Trust through which such activities could be channelled.To this end, the BIHL Trust was formalised in March 2008. Its charter states that it was set up for the purpose of promoting worthy causes such as community projects that alleviate poverty and suffering in local communities. In so doing, 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
- Require necessary working capital, for a particular purpose to achieve a specific purpose
- Involve partnerships with non-governmental organisations on 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

The Trust is managed by a Board of Trustees of five members, two of whom are the CEOs of the two BIHL operating companies, Ms Regina Sikalesele-Vaka (Botswana Life) and Mr Victor Senye (Bifm). Three independent non-executive Trustees are appointed from members of the public. The first of these directors to be appointed are Dr Happy Fidzani as Trust Chairman; Mr Kingsley Sebele; and Major-General Bakwena Oitsile. Ms Tebogo Hirschfeldt and Mr Thabo Majola assist the Trust in an administrative capacity.

The Trust is funded with an amount equivalent to 1% of BIHL's profit after tax annually payable upon the publication of the Group's year end results. In 2008, an amount of P1.7 million was paid into the Trust.

The trustees have agreed that 60% of the fund will go to as yet-to-be identified long-term flagship projects with 30% held for once-off donations to deserving undertakings. The remaining 10% will be used to offset the cost of administration of the Trust.

With most of 2008 devoted to getting the Trust up and running, formalising its charter and setting parameters for future donations, the two operating companies continued with their own initiatives.

Central Association of the Blind and Disabled

BIHL Trust donated P250 000 to the Central Association of the Blind and Disabled which they will use to purchase a motor van to take people from their homes to the Association's centre or to hospitals for rehabilitation. Their objective is to get people who are living with a disability active in the community.

Botswana Life's Staff Social Club hosted a Christmas party at the centre and donated P60,000 to a man who was seriously disabled, and who has no family to support him.

Maitisong

Maitisong has been identified as one of Bifm's flagship sponsorships as a way to nurture arts and culture in Botswana. Bifm co-sponsored the 2008 Festival Concert with the European Union. For the first time ever, the concert featured a composition by a Motswana. Luka Disho, a local composer and conductor of the KTM Choir composed a version of Chiwele, which is a story that is taught in Setswana at primary level. It was orchestrated and played by the full Johannesburg Festival Orchestra.


Capricorn

BIHL Trust and Corporate Social Investment *(Continued)*

Bifm also donated P25 000 to be used toward the refurbishment of the Maitisong Festival Hall.

Botswana's Teachers' Union National Eisteddfod

This is Botswana Life's flagship sponsorship. The company donated P160 000 towards the holding of the Eisteddfod – an annual national musical competition that involves primary, secondary and tertiary schools that unearths local musical talent; it is held in association with the Botswana Teachers Union. The competition also promotes the preservation of cultural music.

Golf Development

Bifm continues to support the development of golf in Botswana, both through its sponsorship of the Bifm Botswana Ladies & Legends Golf Open, as well as through its ongoing financial support of the Botswana Golf Union's Junior Golf Development programme. The company also donated to the Botswana National Golf Team for their Zone IV tournament in Zambia.

Gamodubu Child Care Trust

Bifm and Bifm Capital's management and staff have taken this organisation that cares for children and orphans affected and infected by HIV and Aids under their wing. In addition to hosting a fun-filled Christmas party for the children, Bifm staffers donated pots, clothes and toys. A shade for a vegetable garden was established to serve both as a source of food and to be used for early training in agriculture; and the property has been fenced to enhance security for the children.

African Venture Capital Association (AVCA) Conference

Bifm, in association with Venture Partners Botswana and Botswana IFSC sponsored the annual African Venture Capital Association (AVCA) Conference in Gaborone in March 2008.

Formed in 2000, AVCA is a non-profit organisation whose mandate is to promote, develop and stimulate private equity and venture capital in Africa. The AVCA Conference is held in various African capitals and serves as a networking forum for regional and global fund managers and investors interested in Africa. The 2008 Conference provided a unique opportunity to showcase Botswana as a viable financial hub.

Road racing

For the eighth consecutive year, Botswana Life sponsored one of the most popular events on the local athletics calendar – the Botswana Life Up Kgale Classics Marathon. Run over a distance of 20km in Gaborone, participants range in age from 11 to 60. This year the sponsorship amount was P60 000.

General sponsorships and donations:

- Botswana's Public Officers' Union (Botswana Life)
- MBA students at University of Botswana (Bifm)
- Ad hoc donations to schools and choirs (Botswana Life)
- Pension Fund Trustee Training (Bifm)
- Botswana Pensions Society Conference (Bifm & Botswana Life)
- Inaugural Exchange Traded Funds Conference (Bifm)
- IFSC Career Fair (Bifm)

Human Resources Report

A major and highly sensitive project with long-term sustainable implications for the Group was undertaken during 2008 and will be completed in 2009. It involved a comprehensive review of BIHL's Remuneration Philosophy and associated strategies, policies and practices. This included the development of succession and retention strategies for both Botswana Life and Bifm. It also involved the revision of the general terms and conditions of employment to ensure relevance as well as to accommodate the changes that were to be implemented as a result of the review.

The objective of the remuneration review was to enable the Group to attract and retain quality employees, as well as to follow best practice.

Not only did this entire exercise require a total remuneration review at Group level, it also demanded the formulation of complementary remuneration philosophies specific to each subsidiary. This was necessary because Botswana Life and Bifm operate in two very distinct industries – investment and insurance – and their staff complement incorporates a widely disparate range of individuals with diverse skills, qualifications and competencies.

As a result of the review, and after extensive consultation and communication to ensure full employee understanding and ownership of the process, we introduced a guaranteed package approach to pay management. This allows for effective management of employee cost by the company while simultaneously enabling flexibility in the structuring of employee pay.

In addition, we have adopted a new pay management approach for line management while new sales and investment pay structures have been developed to drive appropriate sales and investment behaviours.

The bonus structure has also changed to ensure it is not only competitive, but consistent with best practice; and the share scheme has been amended to provide a greater incentive for retention of high performers.

Another major change introduced during the review period involved a decision to restructure the pension fund from a defined benefit fund to a defined contribution fund. Once again, this is not only in line with global best practice, but it also ensures that the pension fund is competitive.

All these changes bring BIHL in line with the market at large, enabling the Group to compete more effectively for skilled personnel and enhancing its ability to retain them.

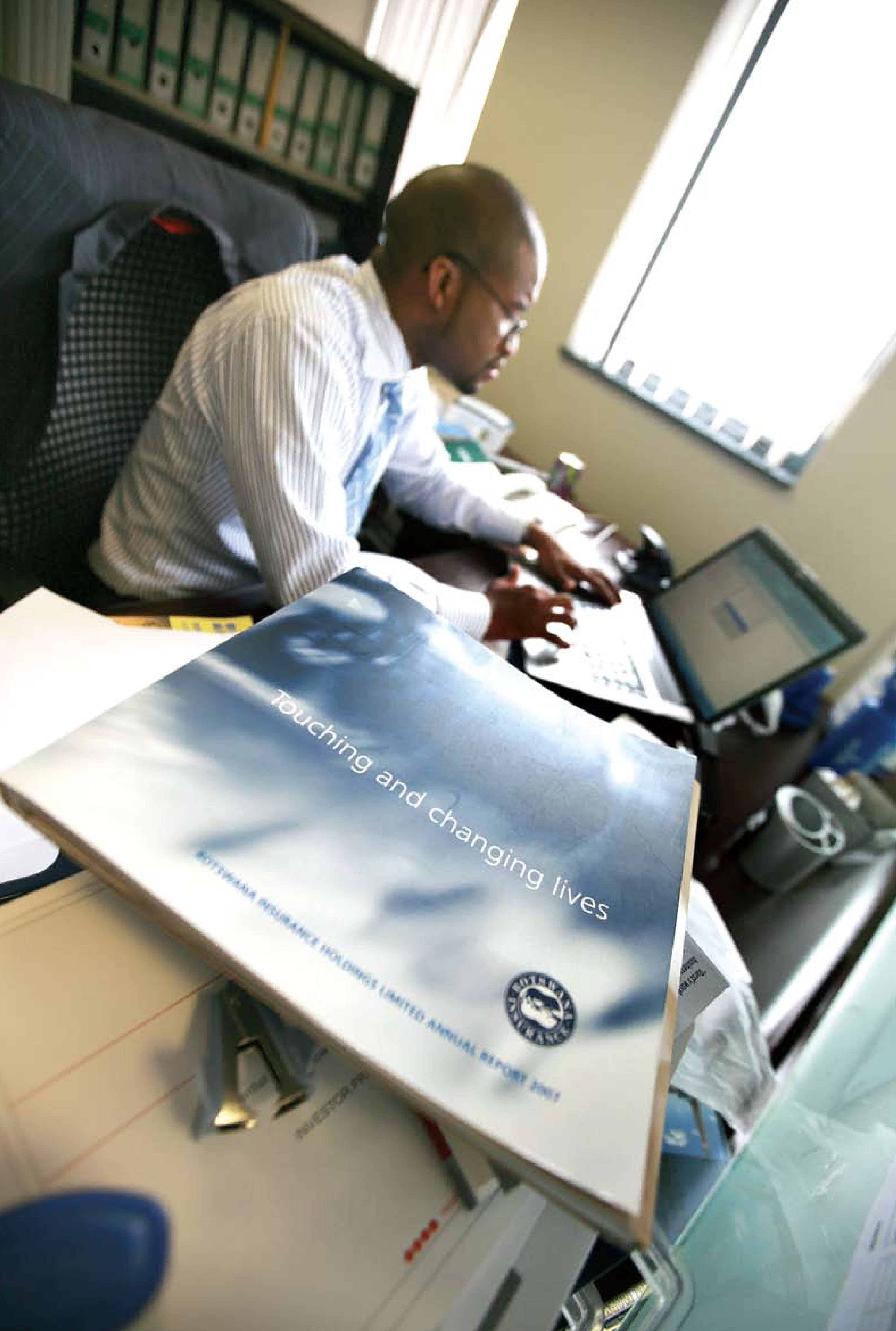
Attraction of key skills continues to be a key imperative for BIHL given the complex and specialised roles of each of the subsidiaries.

At Botswana Life, the appointment of a Risk and Compliance manager has ensured the company manages risks more effectively and puts focus on all critical compliance matters relating to the insurance industry.

Succession planning is a cornerstone in our management of human capital. This is helping to ensure that in addition to key skills being attracted and retained, skills are passed on to lower levels. All key positions for both subsidiaries have identified successors with relevant development plans for each. Our succession strategy also supports our localisation efforts which are in line with the Government's policy on localisation.

In line with this, focused training continues to be a high priority for both subsidiaries. At Botswana Life, the focus has been more on actuarial, financial and sales skills and competencies. Both companies also continue to use attachments with relevant companies including Sanlam. Another new development has been the establishment of employee recognition programmes within the subsidiaries to entrench corporate values as well as encourage and sustain appropriate behaviours. These programmes are also used to recognise high performers.

Finally, both subsidiaries have wellness programmes in place to create better awareness of the general health of employees and their families. In the past year, we have employed the services of health professionals to disseminate information and facilitate wellness activities.


Touching and changing lives
BOTSWANA INSURANCE HOLDINGS LIMITED ANNUAL REPORT 2001

Risk Report

> "Without risk there is no discovery, no new knowledge, no bold adventure. The greatest risk is to take no risk."
>
> - June S. Rodgers, widow of Dick Scobee, Commander of the ill-fated Space Shuttle Challenger that exploded on take-off in 1996.

GROUP BIHL BOARD OF DIRECTORS:

Chairman: Mr M C Letshwiti

Independent Non-Executive: Mr U Corea, Dr K Jefferis, Mrs B Dambe-Groth

Non-Executive: Mrs M Dawes (Sanlam), Mr F Kellermen(Sanlam), Mr H Werth (Sanlam), Mr N Kelly (Sanlam), Mr S Gupta (Sanlam)

Executive: Ms RD Sikalesele-Vaka (BLIL), Mr V Senye (Bifm)

BIHL Audit and Risk Committee

Bifm Investment Committee

BLIL Investment Committee

BIHL Nominations Committee

BIHL Group Executive Committees

Botswana Life Insurance Limited

BIFM

- **Group Governance is managed and monitored by the Board, with sub-committee support.**
- **The Board is chaired by an independent non-executive director and should comprise:**
  - **2 independent non-executive directors,**
  - **5 non-executive directors, and**
  - **2 executive directors.**
- **Term of office for non-executive directors is three years. One third retire by rotation annually with immediate eligibility for re-election.**
- **The Board meets at least four times per year. Specialised Board sub-committees assist the Board in discharging its responsibilities.**

A clear governance structure is applied by the Group BIHL Board to balance the demands for prudence, integrity, transparency, accountability, fairness and social responsibility while delivering sustainable performance in the context of competent risk management practices.

The BIHL Group's Board focuses on the Group's strategy, capital management, accounting policies, financial results, dividend policy, human resource development, corporate governance and BSE requirements. The Board is responsible for statutory matters across the entire business as well as monitoring operational efficiency and risk issues throughout the Group.

The Board sets the Group risk management policies and framework and the individual business take responsibility for all operational and risk related matters on a business level, within limits set by these policies and frameworks.

The BIHL Audit and Risk sub-committee assists the Board in discharging its responsibilities and facilitating strategic risk management practices across the Group with a mandate to deliver sustainable performance in line with Board risk management philosophy.

The BIHL risk management philosophy is represented by the high level over-arching risk approach prescribed by Sanlam Developing Markets Cluster Risk Management Policy, a product of the Sanlam Group Strategic Risk Management Policy.

GROUP BIHL BOARD OF DIRECTORS:

Description	**BIHL Audit and Risk Committee**	**Bifm Investment Committee**	**BLIL Investment Committee**	**BIHL Nominations Committee**	**BIHL Human Resources Committee**	**BIHL Group Executive Committees**
Chairperson:	M Dawes	K Jefferis	N Kelly	U Corea	B Dambe-Groth	R Sikalesele-Vaka / V Senye
Members:	U Corea N Kelly F Kellerman	S Gupta V Senye	R Sikalesele F Kellerman M Dawes U Corea	H Werth M Letshwiti	M Dawes S Gupta	Executive Management per function
Charter Composition:	4 non-executives 2 independents	1 non-executive 1 executive	2 non-executives 1 executive	3 non-executives	2 non-executives	
Main Responsibilities	• Financial management • Regulatory and legal compliance, • Strategic risk management • Audit function, • Statutory actuary	• Formulating investment strategy, • Monitoring performance of asset managers, • Matching assets to liabilities, • Compliance with investment mandates	• Formulating investment strategy, • Monitoring performance of asset managers, • Matching assets to liabilities, • Compliance with investment mandates	• Recommend Director appointments, • Recommend general Board composition • Appointments subject to shareholder confirmation	• Intellectual capital, • Transformation processes, • Executive appointment, • Succession planning, • Remuneration strategy • Incentives	• High Value Corporate & Broker Business, • Individual Life, • Human Resources, • Marketing and Communication, • Business support, • Finance / Risk/BIS / Actuary

BIHL Audit and Risk sub-committee assists the Board in discharging its responsibilities and facilitate strategic risk management practices across the Group with a mandate to deliver sustainable performance in line with Board risk management philosophy.

Risk Report *(Continued)*

Risk Philosophy

BIHL recognises that an effective risk management process is fundamental to achieving its business strategies. The Company is aware that business opportunities can be enhanced through better management of risks. Simply put it aims to manage three elements of risk:

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

The risk management process therefore aims to ensure that a more inter-dependent and more explicit connection exists between managing the business and managing the risks.

Group Strategic Risk Management Policy ensures 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 risk mechanisms
- The organisation's risks are indeed being managed as prescribed

The primary objective of Strategic Risk Management is to optimise the Group's risk adjusted return on Group Equity Value and is achieved by:

Decentralised

- Individual businesses responsible for identification of risks in their business
- Apply appropriate risk management mechanisms
- Significant risks escalated to BIHL Group level per policy1

Maximum Loss Limits

Use measures to limit losses, such as:

- Value at Risk (VaR)
- Long term solvency requirements
- Capital adequacy requirements
- Sensitivities on return on embedded value or value of new business

Risk Appetite

- Clearly defined and documented
- Being degree of uncertainty that a business is willing to accept in pursuit of its goals
- Described both qualitatively and quantitatively

Aim to manage 3 elements of risk

Opportunity: managing risk as an "offensive" function; focusing on actions taken by management to increase probability of success and decrease probability of failure

Hazard: managing risk as a "defensive" function; focusing on the prevention or mitigation of actions that can generate losses

Uncertainty: managing the uncertainty associated with risk, focusing on achieving overall financial performance that falls within a defined acceptable range

The BIHL risk management philosophy is represented by the high level over-arching risk approach prescribed by the Group Strategic Risk Management (SRM) Policy

Key Risk Drivers

Key Risk Drivers (KDR)

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 BLIL's value proposition

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

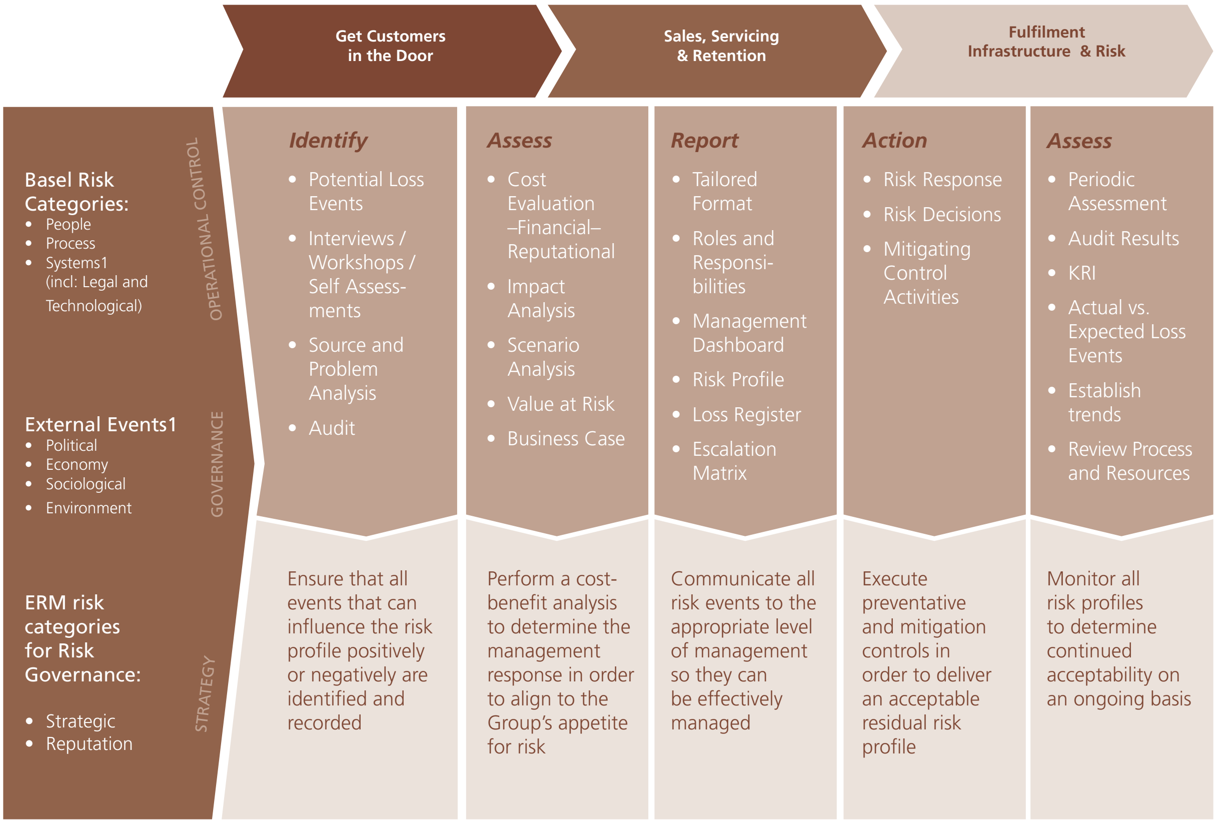
Operational Control

Operational management:

- take a structured value-chain approach
- using internal controls and Standard Operating Procedures at process level
- industry standard quality and audit procedures
- to identify and manage risk profiles in context of approved BLIL risk appetite

Risk Report *(Continued)*

Risk Management Process



Basel Risk Categories:
- People
- Process
- Systems1 (incl: Legal and Technological)

External Events1
- Political
- Economy
- Sociological
- Environment

ERM risk categories for Risk Governance:
- Strategic
- Reputation

Identify	*Assess*	*Report*	*Action*	*Assess*
• Potential Loss Events • Interviews / Workshops / Self Assessments • Source and Problem Analysis • Audit	• Cost Evaluation –Financial– Reputational • Impact Analysis • Scenario Analysis • Value at Risk • Business Case	• Tailored Format • Roles and Responsibilities • Management Dashboard • Risk Profile • Loss Register • Escalation Matrix	• Risk Response • Risk Decisions • Mitigating Control Activities	• Periodic Assessment • Audit Results • KRI • Actual vs. Expected Loss Events • Establish trends • Review Process and Resources
Ensure that all events that can influence the risk profile positively or negatively are identified and recorded	Perform a cost-benefit analysis to determine the management response in order to align to the Group's appetite for risk	Communicate all risk events to the appropriate level of management so they can be effectively managed	Execute preventative and mitigation controls in order to deliver an acceptable residual risk profile	Monitor all risk profiles to determine continued acceptability on an ongoing basis

The BIHL risk framework supports the effective assessment, measurement and management of risk across the value chain components and in the context of the Basel and ERM risk categories:

Botswana Life Risk Management Review

Botswana Life Insurance Limited (BLIL), as a financial services company in the insurance industry in Botswana, faces a multitude of risks. Understanding and managing the risks are an important part of BLIL's strategic planning. BLIL's risk management framework groups the risks that could affect the implementation of its strategies into six broad categories: market, operational, reputational, strategy, insurance and credit risks.

The BIHL Group Strategic Risk Management Policy is implemented by the BLIL Chief Operating Officer working with a full time Risk Manager, through a fully fledged Risk Department, to co-ordinate risk management practices across operational areas with designated departmental heads.

The Risk Manager is therefore responsible for continuous management and enforcement of BLIL's Risk Management Policy. The BLIL Risk Management framework is audited from time to time by both internal and external auditors in the following manner:

- *considers completeness and relevance of identified inherent and residual risks for audited period,*
- *reviews prior assumptions as to likelihood and impact,*
- *updates methodologies and techniques, correlation,*
- *as well as reviewing comprehensive risk reporting to management against approved risk limits to ensure compliance with approved framework.*

BLIL's Risk Management Process

High level Risk Assessment and Evaluation takes place as an integral part of the company's strategic planning cycle. These are followed up by more detailed systematic analysis and identification at business unit or departmental levels during operational planning.

BLIL has adopted an enterprise-wide risk management process which carefully balances the appraisal of financial and non-financial risks. The programme looks at all facets of the business, from smaller business units to strategic business units and from planning to operations. It places an emphasis on the minimum practices that should be adopted by the Company in relation to containment of such risks. The Risk Management Programme at BLIL embodies the following steps:

- Discussion of the Company's vision and strategic goals so that they are well understood by all executive and senior managers;
- Identifying the events (or risks) that could positively or negatively impact on the achievement of the strategies;
- The likelihood of frequency/probability and consequence/impact of the events (or risks) on the Company's operation, profitability and its image; and the likelihood of such events being detected through the existing internal controls and processes;

  - Preparing a list of all risks faced by the Company and grouping them;
  - The headline risks, being the most hierarchical in the risk structure, are tested for the following:
    - *What is the likelihood of occurrence/frequency of such risk?*
    - *What will be the consequence or impact of such occurrence?*
    - *Should the Company accept the risk?*
    - *What control measures could be adopted to avoid or mitigate the risk?*
    - *Who is accountable for managing the risk and maintaining and managing the control measures?*
    - *What is the residual risk, that is the remaining risk after the application of control measures?*
    - *What is the cost of control and does the benefit exceed the cost?*
    - *What are the early warning mechanisms?*

Control strategies that can be considered are:

- *Accepting the risk;*
- *Transferring the risk to a third party;*
- *Elimination of the risk by adopting an exit strategy or avoiding the risk in other ways; and*
- *Building controls into operational process, additional quality control or by involving top staff in managingthe risk.*

Risk Identification and Control

Some of the routine processes that have been implemented at BLIL to early identify, prevent and control risks are:

- Disaster Recovery Plans;
- Fraud Management;
- Compliance Management;
- Regular monitoring of the Market and Financial Indicators;
- Internal Audit reviews; and
- Structured Training.

BLIL recognises that in order to add value to its business, it needs to take business risks. Business risks that carry no compensating gains are therefore avoided or minimised.

Bifm Risk Management Review

The Bifm Group operates within a decentralised business model environment. In terms of this philosophy, the Board sets the Group risk management policies and framework and the individual business take responsibility for all operational and risk related matters on a business level, within limits set by these policies and frameworks.

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

- Group Risk Forum: Aids the co-ordination and transfer of knowledge between businesses and the Group, and assists Group Risk Management in identifying risks requiring escalation to the Board. The forum is made of risk champions from business units and departments. The Chief Operations Officer chairs these meeting on a quarterly basis and coordinates the Group Risk Management function.

Risk Report *(Continued)*

- 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 in the Group for recommendation to the Board and reviews and oversees the management of the Group's capital base.

- Risk Champions (per business): Assists business management in their implementation of the Group risk management process, and monitors the business's entire risk profile.

- Compliance Manager: Facilitates management of compliance through analysis of Client mandate restrictions, statutory / regulatory requirements, and monitoring implementation and execution thereof.

- Internal Audit: The Sanlam Group Internal Audit assists the Board and management by monitoring the adequacy and effectiveness of risk management and internal control in businesses.

- Pooled funds Unit Price Certification: The monthly unit pricing of the unitised pooled funds are independently verified and certified on a quarterly basis by a qualified audit firm.

- Group Risk Policies and guidelines: All risks are managed in terms of the policies and guidelines of the Board and its committees: Some of these are

    - *Bifm Group Risk Management Policy*
    - *Group Risk Escalation Policy*
    - *Disaster Recovery and Business Continuity Plan*
    - *Group Approvals & Authorisation Framework*
    - *Investment Cluster Credit Risk Policy*

These policies are coordinated by the Group Risk Management and implemented across the Group. At quarterly Group Risk Meetings, risk management reports are tabled by each business.

Bifm's Risk Management Process

A comprehensive Risk Assessment takes place along with the corporate strategic planning once every two years, with the same updated on an annual basis. The Risk Management Process at Bifm incorporates the appropriate implementation of the following steps:

- *Discussion of the Group's vision and strategic goals and the same disseminated amongst all senior staff;*
- *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 Group's operations, profitability, and its image / reputation;*
- *Developing a list of all risks faced by the Group and categorising them;*
- *Testing risks for their likelihood and consequence of such occurrence;*
- *Should the risk be accepted;*
- *Identification of control measures be adopted to avoid or mitigate the risk;*
- *Determining who is accountable for managing the risk and the effectiveness of the control measures;*
- *Determining the residual risk after the application of control measures;*
- *Evaluating the cost of the control measure and determining whether the benefit exceeds the cost; and*
- *Determining the early warning mechanisms or key risk monitoring indicators.*

Embedded Value Report

> 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 2008, accumulated to the end of the year at the risk discount rate.

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 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.

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 2008, 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.

2. EMBEDDED VALUE RESULTS

	12 months to 31 Dec 2008 P'000	12 months to 31 Dec 2007 P'000
Shareholders' net assets excluding goodwill	1,299,868	1,303,923
Fair value adjustments	312,057	242,028
	1,611,925	1,545,951
Value of in-force business	379,041	235,212
Value before cost of capital	491,307	373,059
Fair value adjustments	(19,358)	(36,089)
Cost of capital	(92,908)	(101,758)
Embedded value	1,990,966	1,781,163
Group required capital	275,409	287,075
Required capital cover	5.9	5.4

3. EMBEDDED VALUE EARNINGS

	12 months to 31 Dec 2008 P'000	12 months to 31 Dec 2007 P'000
The embedded value earnings are derived as follows:		
Embedded value at the end of the period	1,990,966	1,781,163
Embedded value at beginning of the period	1,781,163	1,324,181
Change in embedded value	209,803	456,982
EEV methodology change	0	51,329
Dividends and new capital	147,703	139,609
Embedded value earnings	357,506	647,920
These earnings can be analysed as follows:		
Expected return on life business in force	52,137	36,034
Value of new business *	98,930	84,385
Value at point of sale	92,663	79,034
Expected return to end of period	6,267	5,351
Operating experience variances	123,193	37,030
Mortality/Morbidity	50,888	32,502
Persistency	27,460	5,368
Expenses	6,313	(4,290)
Other	38,532	3,450
Operating assumption changes	(6,139)	11,921
Mortality/morbidity	3,400	7,929
Persistency	(23,323)	1,930
Expenses	13,784	(1,798)
Other	—	3,860
Embedded value earnings from operations	268,121	169,370
Investment variances	(31,712)	38,512
Economic assumption changes	5,346	(3,339)
Investment return	268	(6,606)
Inflation	—	566
Risk discount rate	—	5,359
Asset mix assumptions	185	(7,172)
Gap changes	4,893	4,514
Growth from life business	241,755	204,543
Return on shareholders assets	18,744	400,294
Investment Returns	(20,057)	383,293
Net profit non-life operations	38,801	17,001
Change in shareholders' fund adjustments	97,007	43,083
Investment (losses)/surpluses on treasury shares	10,247	1,584
Movement in present value of holding company expenses	16,731	(19,583)
Movement in fair value of incentive scheme shares	107,462	(111,809)
Movement in other net worth adjustments	(37,433)	172,891
Embedded value earnings	357,506	647,920

Embedded Value Report *(Continued)*

3. EMBEDDED VALUE EARNINGS *(Continued)*

	12 months to 31 Dec 2008 P'000	12 months to 31 Dec 2007 P'000
Fair value adjustments		
Staff share scheme	(45,077)	(152,539)
Non-life operations write-up to fair value	228,777	178,986
Group holding expenses	(19,358)	(36,089)
Funeral Services Group write-up to fair value	27,984	5,218
Reversal of cross holding adjustment	100,373	210,363
Total	292,699	205,939
Consisting of Net asset value adjustments	312,057	242,028
Value of in-force business adjustments	(19,358)	(36,089)

* The 2007 value of new business is prior to adopting European Embedded Value (EEV) principles.

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 2008, 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.

	12 months to 31 Dec 2008 P'000	12 months to 31 Dec 2007 P'000
Value of new business at end of the period after EEV changes	98,930	81,443
Value at point of sale after cost of capital	92,663	76,019
Value at point of sale before cost of capital	105,203	84,041
Recurring premium	68,554	55,070
Single premium	36,649	28,971
Cost of capital at point of sale	(12,540)	(8,022)
Expected return to end of period	6,267	5,424

5. SENSITIVITY TO THE RISK DISCOUNT RATE

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

Risk Discount Rate	13.0% P'000	14.0% P'000	15.0% P'000
Shareholder's net assets and fair value adjustments, excluding goodwill	1,611,925	1,611,925	1,611,925
Value of in-force business	408,209	379,041	352,360
Value before cost of capital	509,662	491,307	474,521
Fair value adjustments	(19,358)	(19,358)	(19,358)
Cost of capital	(82,095)	(92,908)	(102,803)
Embedded value	2,020,134	1,990,966	1,964,285
Value of one year's new business at valuation date	99,544	92,663	86,494
Value before cost of capital	110,890	105,203	100,163
Cost of capital	(11,346)	(12,540)	(13,669)

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 08 % p.a	31 Dec 07 % p.a
Risk discount rate	14.00	14.00
Overall investment return (before taxation)	11.50	11.60
Expense inflation rate	7.50	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.

6.3 Expenses

The maintenance expense assumption is based on actual expenses incurred in the year to 31 December 2008.

Embedded Value Report *(Continued)*

6. ASSUMPTIONS *(Continued)*

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 2008.

6.5 Persistency / Surrender Basis

The assumptions for lapse and surrender rates are based on the results of experience investigations conducted on 30 November 2008 by the company.

6.6 Tax

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

6.7 Mix of assets backing the Capital Adequacy Requirement Asset Class

	31 Dec 08	31 Dec 07
Equities	15.0%	20.7%
Hedged equities	0.0%	0.0%
Property	10.0%	4.7%
Fixed-interest securities	25.0%	69.5%
Cash	50.0%	5.0%
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 2008				
Base	398,399	92,908	491,307	
Discontinuance rates decrease by 10%	421,427	92,908	514,334	4.7%
Future expenses decrease by 10%	411,208	92,908	504,115	2.6%
Mortality experience decreases by 5%	401,281	92,908	494,188	0.6%
Investment returns decrease by 1%	386,499	104,119	490,619	(0.1%)
Risk discount rate decreases by 1%	427,567	82,095	509,662	3.7%
Risk discount rate increases by 1%	371,718	102,803	474,521	(3.4%)

	Value of new busines	Cost of Capital	Value before Cost of Capital	% Change
Value of one year's new business as at 31 December 2008				
Base	92,663	12,540	105,203	
Discontinuance rates decrease by 10%	94,623	12,540	107,163	1.9%
Future expenses decrease by 10%	95,586	12,540	108,125	2.8%
Maintenance and acquisition costs decrease by 10%	95,957	12,540	108,497	3.1%
Mortality experience decreases by 5%	93,317	12,540	105,857	0.6%
Investment returns decrease by 1%	88,121	14,053	102,174	(2.9%)
Risk discount rate decreases by 1%	99,544	11,346	110,890	5.4%
Risk discount rate increases by 1%	86,494	13,669	100,163	(4.8%)

Assumed management action

No management action has been assumed.

GTWaugh

GT Waugh
STATUTORY ACTUARY
FIA FASSA
14 February 2009

Annual Financial Statements

BOTSWANA INSURANCE HOLDINGS LIMITED
ANNUAL REPORT 2008

Directors' Report

For the year ended 31 December 2008

The Board of Directors of Botswana Insurance Holdings Limited ("the Company") has pleasure in submitting its report and the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2008.

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 through one of its associated companies. The Company is listed on the Botswana Stock Exchange.

Results for the Period

The Group reported a surplus after tax for the year to 31 December 2008 of P221 million (31 December 2007: P554 million). Shareholders' equity at 31 December 2008 was P1, 385 million (31 December 2007: P1,317 million). The results are fully explained in the financial statements.

Stated Capital

The stated capital consists of 281,070,652(31 December 2007: 281,070,652) ordinary shares.

Dividends

An interim dividend of 17.0 thebe per share (gross) was declared during the period. The directors propose a final dividend of 31.0 thebe per share and a special dividend of 45.0 thebe per share; making the total dividend for the year 93.0 thebe per share (31 December 2007: 56.0 thebe per share).

Directors' Shareholdings

The aggregate number of Botswana Insurance Holdings Limited shares held directly or indirectly by directors of the Company is 315,590 (31 December 2007:75,741). Details of the holding of these shares are disclosed in note 19 to the financial statements.

Events Subsequent to the Balance Sheet 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

The composition of the Board is as follows:

MC Letshwiti	Chairman (Resigned effective 31 December 2008)
B Dambe-Groth	Acting Chairperson effective 01 January 2009 (Appointed 25 March 2008)
M Dawes	
H Werth	
K Jefferis	
U Corea	Appointed 18 February 2008
N Kelly	Appointed 15 May 2008
V Senye	Joint Group Managing Director
RD Sikalesele-Vaka	Joint Group Managing Director

The following directors resigned during the year.

JA Burbidge	Resigned 15 May 2008
H Fidzani	Resigned 31 March 2008
S Gupta	Resigned 31 December 2008
D Lacey	Resigned 31 March 2008

Company Secretary and Registered Address

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

Independent Auditors

Ernst and Young

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

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 14 February 2009 and were signed on their behalf by:

B Dambe-Groth
Acting Chairperson

(VJ Senye)
Joint Group Managing Director

(RD Sikalesele - Vaka)
Joint Group Managing Director

Independent Auditor's Report

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 directors' report, balance sheet as at 31 December 2008, the income statement, the statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 82 to 152

Directors' Responsibility for the Financial Statements

The 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). 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 as of 31 December 2008, 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

26 May 2009

Report of the Statutory Actuary

	Group	
	31 Dec 2008 P'000	**31 Dec 2007 P'000**
Statement of actuarial values of assets and liabilities		
Total assets as per balance sheet	9,578,537	10,783,859
Current liabilities, deferred taxation and minorities as per balance sheet	(374,146)	(336,822)
Net assets	9,204,391	10,447,037
Actuarial value of policy liabilities	7,819,021	9,129,979
Excess of assets over liabilities	1,385,369	1,317,058
Capital Adequacy Requirement	137,705	143,537
Capital Adequacy Requirement cover	10.06	9.18
Analysis of change in excess of assets over liabilities		
Excess assets as at beginning of reporting period as previously reported	1,317,058	849,136
Excess assets as at beginning of reporting period as restated	1,317,058	849,136
Excess assets as at end of reporting period	1,385,369	1,317,059
Change in excess assets over the reporting period	68,311	467,923
This change in the excess assets is due to the following factors:		
Investment income	100,234	74,789
Capital gains	(89,075)	292,999
Total investment return on shareholders' funds	11,159	367,788
Changes in valuation methods or assumptions	15,699	10,353
Operating profit	189,435	205,849
Taxation	(14,036)	(49,867)
Surplus for the year after tax	202,256	534,123
Currency translation	9,098	6,787
Realised investment surpluses on sale of treasury shares	—	47,824
Prior year adjustment to consolidation reserve	(5,429)	—
Changes in share based payment and treasury shares	10,089	18,798
Total earnings	216,014	607,532
Capital Raised and dividends paid	(147,703)	(139,609)
Total change in excess assets	68,311	467,923

Certification of financial position

I hereby certify that:

- the valuation of Botswana Insurance Holdings Limited as at 31 December 2008, 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 (Chapter 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 2008 decreased by P15.7 million as a result of changes in valuation assumptions and methodology. The components of this were as follows:

	P million
Mortality	5.6
Lapse and surrender assumptions	(9.1)
Expenses	12.6
Economic	(3.9)
Other	10.5
Total	**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.

Report of the Statutory Actuary *(Continued)*

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 12.05% p.a. A discount rate of 12.05% 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 12.05% per annum be earned. A discount rate of 12.05% 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:

	Dec 2008 %	**Dec 2007 %**
Gilt return	10.5	10.5
Equity return	14.0	14.0
Property return	11.5	11.5
Cash return	9.5	8.5
Average return	11.5	11.6
Expense inflation	7.5	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 October 2008.

Expenses

Provision for expenses (before adding margins) starts at a level consistent with the company's current experience and allows for a 7.5% 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 (OCAR) 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 P137.7 million (December 2007: P143.5 million) is 10.1 times (December 2007: 9.2 times).

GT Waugh

GT WAUGH
Statutory Actuary
14 February 2008

Basis of Presentation and Accounting Policies

1 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 through one of 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, African Life Assurance Company Limited, holds 53% of the Company's share capital. The Ultimate shareholder is Sanlam Limited. Established in 1918, 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.

2 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) and the Botswana Stock Exchange Act. The financial statements have been prepared on the historical cost convention, modified by measurement at fair value for financial assets, policyholder liabilities and investment properties.

All amounts in the notes are shown in thousands of Pula which is the Company'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 102. The Financial Soundness Valuation methodology as outlined in the report of the Statutory Actuary is equivalent to the liability adequacy test.

3 Statement of compliance

The financial statements have been prepared in accordance with IFRS, Botswana Insurance Industry Act (Cap 46:01), the Botswana Companies Act (Companies Act, 2003) and the Botswana Stock Exchange Act.

4 Changes in accounting policies and disclosures

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 IFRSs and IFRIC interpretations during the year. Adoption of these revised standards did not have any effect on the financial statements of the Group. They did however, in certain instances, give rise to additional disclosures.

- IFRIC 11 (IFRS2)Group and treasury share transactions
- IFRIC 12 - Service Concession Arrangements
- IFRIC 14 (IAS 19) – The limit on a defined benefit asset, minimum funding requirements and their interaction

IFRIC 11, *'IFRS 2 Group and treasury share transactions'*

Provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. This interpretation does not have an impact on the company's financial statements as the accounting remains the same.

IFRIC 12 *Service Concession Arrangements*

IFRIC 12 is effective for annual periods beginning on or after 1 January 2008.

Service concessions are arrangements whereby a government or other public sector entity grants contracts for the supply of public services—such as roads, airports, prisons and energy and water supply and distribution facilities—to private sector operators. Control of the assets remains in public hands but the private sector operator is responsible for construction activities, as well as for operating and maintaining the public sector infrastructure. IFRIC 12 addresses how service concession operators should apply existing International Financial Reporting Standards (IFRSs) to account for the obligations they undertake and rights they receive in service concession arrangements.

IFRIC 14 *(IAS 19) – The limit on a defined benefit asset, minimum funding requirements and their interaction*
Provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. This interpretation does not have any impact on the company's financial statements, as the group has a pension deficit and is not subject to any minimum funding requirements. The group has now moved to a Defined Contribution scheme as of January 2009.

In May 2008 the International Accounting Standards Board (IASB) issued its first omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. BIHL has early adopted the following amendments to standards. These amendments did not have any effect on the financial performance or position of the Group. They did however give rise to revisions to accounting policies.

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 balance Sheet. The Group amended its accounting policy accordingly and analysed whether Management's expectation of the period of realization of financial assets and liabilities differed from the classification of the instrument. This did not result in any re-classification of financial instruments between current and non current in the balance sheet.

IAS 16 *Property, Plant and Equipment:* Replace 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 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 accounting policy is not applicable to the Group as the Group did not have borrowing costs at the year end.

IAS 28 *Investment in Associates:* If an Associate is accounted for at fair value in accordance with IAS 39, only the requirement of IAS 28 to disclose the nature and extent of any significant restrictions on the ability of the associate to transfer funds to the entity in the form of cash or repayment of loans applies. This amendment has no impact on the Group as it does not account for its associates at fair value in accordance with IAS 39. An investment in associate is a single asset for the purpose of conducting the impairment test. Therefore, any impairment test is not separately allocated to the goodwill included in the investment balance. This amendment has no impact on the Group because the policy was already applied.

IAS 31 *Interest in Joint ventures:* If a joint venture is accounted for at fair value, in accordance with IAS 39, only the requirements of IAS 31 to disclose the commitments of the venturer and the joint venture, as well as summary financial information about the assets, liabilities income and expense will apply. This amendment has no impact on the Group as it does not account for its joint ventures at fair value in accordance with IAS 30.

IAS 36 *Impairments of Assets:* When discounted cash flows are used to estimate "fair value less costs to sell" additional disclosure is required about the discount rate, consistent with disclosures required when discounted cash flows are used to estimate 'value in use'. This amendment has 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'.

IAS 38 *Intangible Assets:* Expenditure on advertising and promotional activities is recognized as an expense when the Group either has the right to access the goods or has received service. This amendment has no impact on the Group as it does not enter into such promotional activities

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.

Standards issued but not yet effective and not adopted

The Group has not applied the following new and amended IFRSs and IFRIC Interpretations which have been issued but which are not yet effective. The Group will however adopt these statements when they become effective at their relevant dates:

Basis of Presentation and Accounting Policies *(Continued)*

- Amendments to IFRS 1 First-time adoption of International Reporting Standards and IAS 27 Consolidated and Separate Financial Statements
- IAS 1: Presentation of Financial Statements (Revised
- IFRS 2: Share - based payment - Vesting Conditions and Cancellations
- IFRS 3 R Business Combinations and IAS 27R Consolidated and Separate Financial Statements
- IFRS 8 Operating Segments
- IAS 23 Amendment- Borrowing Costs (Revised)
- IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements-Puttable Financial Instruments and Obligations Arising on Liquidation IAS 39 Financial Instruments: Recognition and Measurement-Eligible Hedged Items
- IFRIC 15 Agreement for Construction of Real Estate
- IFRIC 16 Hedges of a Net Investment in Foreign Operation

The principal effects of the changes are as follows:

Amendments to IFRS 1 First-time adoption of International Reporting Standards and IAS 27 Consolidated and Separate Financial Statements

The amendments to IFRS 1 allows an entity to determine the 'cost ' of investments in subsidiaries, jointly controlled entities or associates in its opening IFRS financial statements in accordance with IAS 27 or using a deemed cost. The amendment to IAS 27 requires all dividends from a subsidiary, jointly controlled entity or associate to be recognised in the income statement in the separate financial statement. Both revisions will be effective for financial years beginning on or after 1 January 2009. The revision to IAS 27 will have to be applied prospectively. The new amendments affect the separate financial statement and do not have an impact on the consolidated financial statements.

IAS 1: Presentation of Financial Statements (Revised)

The revised standard will prohibit the presentation of items of income and expense (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Group will apply IAS 1 (Revised) from 1 January 2009, however it is unlikely that there will be change in presentation as currently the Group's financial assets are held at fair value through profit or loss.

IFRS 2: Share - based payment - Vesting Conditions and Cancellations

This amendment of IFRS 2 Share –based payments was published in January 2008 and becomes effective for financial years beginning on or after 1 January 2009. The standard restricts the definition of 'vesting conditions' to a condition that includes explicit or implicit requirements to provide services. Any other vesting conditions are non-vesting conditions, which have to be taken into account to determine the fair value of the equity instruments granted. In the case the award does not vest as the result of a failure to meet a non-vesting condition that is within the control of either the entity or the counter party, this must be accounted for as a cancellation. The Group has not entered into the share- based payment schemes with non vesting conditions attached and, therefore, does not expect significant implications on its accounting for share-based payments.

IFRS 3 R Business Combinations and IAS 27R Consolidated and Separate Financial Statements

The revised standards were issued in January 2008 and become effective for financial years beginning on or after 1 July 2009. IFRS 3R introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and the future reported results. IAS 27R requires that a change in the ownership interest of a subsidiary is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give raise 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 introduced by IFRS 3R and IAS 27R must be applied prospectively and will affect future acquisition and transactions with minority interests. The standards may be early applied. However the Group does not intend to take advantage of this position. The standard will not have any effect on the position and financial performance of the Group.

IFRS 8 Operating Segments

The standard was issued in November 2006 and will be effective for financial years beginning on or after 1

January 2009. IFRS 8 Operating Segments will replace IAS 14 Segment Reporting. The standard has not been early adopted by the Group. The standard will not have any effect on the position and financial performance of the Group.

IAS 23 Amendment- Borrowing Costs (Revised)

This amendment to IAS 23 was issued in April 2007. The revised IAS 23 requires capitalisation of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. The revised IAS 23 will be effective for financial years beginning on or after 1 January 2009. The amendment to the standard will have no impact on the financial position or performance of the Group, as the Group does not have borrowing costs.

IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation.

These amendments to IAS 32 and IAS 1 were issued in February 2008 and become effective for financial years beginning on or after 1 January 2009. The revisions provide a limited scope exception for puttable instruments to be classified as equity if they fulfil a number of specified features. The amendments to the standards will have no impact on the financial position of the Group, as the Group has not issued such instruments.

IAS 39 Financial Instruments: Recognition and Measurement- Eligible Hedged Items

These amendments to IAS 39 were issued in August 2008 and become effective for financial years beginning on or after July 2009. The amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as hedged item. 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 15 Agreement for Construction of Real Estate

IFRIC 15 was issued in July 2008 and becomes effective for financial years beginning on or after 1 January 2009. The interpretation is to be applied retrospectively. It clarifies when and how revenue and related expenses from the sale of real estate unit should be recognised if an agreement between the developer and the buyer is reached before the construction of the real estate is completed. Furthermore the interpretation provides guidance on how to determine whether an agreement is within the scope of IAS 11 or IAS 18. IFRIC 11 will not have an impact on the consolidated financial statements because the Group does not conduct such an activity.

IFRIC 16 Hedges of a Net Investment in Foreign Operation

IFRIC 16 was issued in July 2008 and becomes effective for financial years beginning on or after 1 October 2008. 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 instrument 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 investment and the hedging instrument, to be recycled on disposal of the net investment. The Group is currently assessing which accounting policy to adopt for the recycling on disposal of the net investment.

Improvements to IFRSs

The Group has not yet adopted the following amendments and anticipates that these changes will have no material effect on the financial statements.

IFRS 7 Financial Instruments: Disclosures

Removal of the reference to "total interest income' as a component of finance costs.

IAS 8 Accounting Policies, Change in Accounting Estimates and Errors

Clarification that only implementation guidance that is an integral part of an IFRS is mandatory when selecting accounting policies.

IAS 10 Events after the Reporting period:

Clarification that dividends declared after the end of the reporting period are not obligations.

IAS 16 Property, Plant and Equipment

Items of property, plant and equipment held for rental that are routinely sold in the ordinary course of business after rental, are transferred to inventory when rental ceases and they are held for sale.

Basis of Presentation and Accounting Policies *(Continued)*

IAS 18 Revenue

Replacement of the term 'direct costs' with 'transaction costs' as defined in IAS 39.

IAS 19 Employee Benefits

Revised the definition of 'past service costs' 'return on plan assets' and 'short term' and 'other long-term' employee benefits. Amendments to plans that result in a reduction in benefits related to future services are accounted for as curtailment. Deleted the reference to the recognition of contingent liabilities to ensure consistency with IAS 37.

IAS 20 Accounting for Government Grants and Disclosures of Government Assistance

Loans granted in the future with no or low interest rates will not be exempt from the requirement to impute interest. The difference between the amount received and the discounted amount is accounted for as government grant. Also, revised various terms used to be consistent with other IFRS.

IAS 27 Consolidated and Separate Financial Statements

When a parent entity accounts for a subsidiary at fair value in accordance with IAS 39 in its separate financial statements, this treatment continues when the subsidiary is subsequently classified as held for sale.

IAS 39 Financial Reporting in Hyperinflationary Economies

Revised the reference to the exception to measure assets and liabilities at historical cost, such that it notes property, plant and equipment as being an example, rather than implying that it is a definitive list. Also, revised various terms used to be consistent with other IFRS.

IAS 34 Interim Financial Reporting

Earnings per share is disclosed in interim financial reports if an entity is within the scope of IAS 33.

IAS 39 Financial Instruments: Recognition and Measurement

Changes in circumstances relating to derivatives are not reclassifications and therefore may either be removed from, or included in, the 'fair value through profit or loss' classification after initial recognition. Removed the reference in IAS 39 to a 'segment' when determining whether an instrument qualifies as a hedge. Require the use of the revised effective interest rate when remeasuring a debt instrument on the cessation of fair value hedge accounting.

IAS 40 Investment Property

Revision of the scope of such property under construction or development for future use an investment property is classified as investment property. If fair value cannot be reliably determined, the investment under construction will be measured at cost until such a time as fair value can be determined or construction is complete. Also, revised of the conditions for a voluntary change in accounting policy to be consistent with IAS 8 and clarified that the carrying amount of investment property held under lease is the valuation obtained increased by any recognised liability.

IAS 41 Agriculture

Removed the reference to the use of a pre-tax discount rate to determine fair value. Removed the prohibition to take into account cash flows resulting from any additional transformations when estimating fair value. Also, replacement of the term ' point-of-sale costs with 'costs to sell'.

5 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 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. or example, the term

Basis of Presentation and Accounting Policies *(Continued)*

	encompasses all management personnel, ie 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 and another party (including an employee) to enter into a share-based payment transaction, which thereby entitles the other party to receive cash or other assets of the entity for

	amounts that are based on the price of the entity's shares or other equity instruments of the entity, or to receive equity instruments of the entity, provided the specified vesting conditions, if any, are met.
Share-based payment transaction	A transaction in which the entity receives goods or services 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 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 must be satisfied for the counterparty to become entitled to receive cash, other assets or equity instruments of the entity, under a share-based payment arrangement. Vesting conditions include service conditions, which require the other party to complete a specified period of service, and performance conditions, which require specified performance targets to be met (such as a specified increase in the entity's profit over a specified period of time).
Vesting period	The period during which all the specified vesting conditions of a share-based payment arrangement are to be satisfied.

6 Significant accounting judgements, estimates and assumptions

The Group makes judgements, estimates and assumptions that affect the reported amounts of 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 and other intangible assets

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.

Basis of Presentation and Accounting Policies *(Continued)*

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 at 31 December 2008 was P2, 818 million (31 December 2007: P2, 684 million).

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

The investments in un-quoted equity instruments, debentures, insurance policies 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. Carrying amount at year end P376, 206 million (2007: P366, 516 million).

(iii) 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 rates applicable for items 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 uncertainty. Impairment losses written off in the current year amounted to P12 million. (31 December 2007: NIL).

(iv) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill and other indefinite life intangibles are tested for impairment annually and at other times when 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.

(v) Valuation of pension fund obligation asset

The cost of defined benefit pension plans as well as the present value of the pension fund obligation is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return of assets, future salary increases, mortality rates and future pension increases. All assumptions are 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.

(vi) 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 valuation by independent valuers. 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 valuers have appropriate qualification and extensive experience in property valuation in Botswana.

7 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 balance sheet in terms of IFRS but are disclosed as a note. Refer to note 8.

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 yield on the asset. Interest income is included in investment income in the income statement.

Rental income is recognised on accrual basis, apart from operating leases that contain fixed escalation clauses, where it 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 part of the carrying amount of properties in the balance sheet.

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 consists of share of investment surpluses generated on the Deposit administration fund. These surpluses are recognised in the income statement when realised or upon revaluation to fair value.

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 2008. The reporting dates of the subsidiaries and the Group are within three months of the Group's reporting date and all use consistent accounting policies.

(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 are no longer consolidated 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.

The cost of an acquisition is measured as the aggregate of the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the net identifiable assets of the subsidiary acquired is recorded as goodwill.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated; unrealised losses are also eliminated unless

Basis of Presentation and Accounting Policies *(Continued)*

the transaction provides evidence of an impairment of the asset transferred.

Investment in subsidiaries and associates are recognised at cost less accumulated impairment losses in the Company's books.

(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, but which it does not control. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The Group's investment in associates includes goodwill on acquisition. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless the Group has incurred obligations or made payments on behalf of the associates.

The year ends of some of the associates do not coincide with that of the Group and fall on 30 September. 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.

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 balance sheet, separately from parent shareholders' equity. Acquisitions of minority interests are accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired is recognised in goodwill.

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 balance sheet 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 balance sheet when, and only when, it becomes a party to the contractual provisions of the instrument.

Financial instruments within the scope of IAS 39 Financial Instruments: Recognition and Measurement are classified as either financial assets 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 assets 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. 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 and 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 may be 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 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. As at 31 December 2008, no financial assets have been designated as at fair value through profit and loss.

The fair values of quoted investments are based on the quoted market bid prices at the close of business on the balance sheet 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. Where the fair value cannot be reliably measured the financial instruments are accounted for at cost less accumulated impairment losses.

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 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;

Basis of Presentation and Accounting Policies *(Continued)*

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

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

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis;
- or 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 the financial liability contains an embedded derivative that would need to be separately recorded.

Other financial liabilities

Other liabilities such as trade payables are initially measured at fair value. Subsequent to initial recognition, they are measured at amortised cost using the effective interest rate method.

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 amount is recognised in the income statement.

Impairment of financial assets and non-financial assets

Financial assets

The Group assesses at each balance sheet 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 an objective evidence of 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 about 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, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

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

Basis of Presentation and Accounting Policies *(Continued)*

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 balance sheet 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 Company'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 balance sheet 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 (Zambia) Limited, 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 balance sheet 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 a separate component of equity. 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 is 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 period and 4 years

The leasehold improvements are depreciated over the lower of the lease term and the useful life. 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.

An item of property 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. The estimated useful life of intangible assets is 3 years.

(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 balance sheet 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 balance sheet date.

(ii) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets, liabilities and contingent liabilities recognised in accordance with IFRS 3 Business Combinations. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in the carrying amount of an associate and is not separately recognised.

Subsequent to 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 synergies of 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 balance sheet 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

Basis of Presentation and Accounting Policies *(Continued)*

- 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 balance sheet 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 balance sheet 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 asset 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 balance sheet date.

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

Deferred in come 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 balance sheet date.

iii) 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 balance sheet.

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 share 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 Group operates a defined benefit pension scheme for its post-employment benefits to employees. Under the defined benefit plan, the Group's obligation is to provide the agreed benefits to current and former employees. The actuarial risk (that benefits will cost more than expected) and investment risk fall, in substance, to the Group. The scheme is funded through payments to a trustee administered fund as determined by actuarial calculations that are performed at the end of every financial year.

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

The amount of actuarial gains and losses recognised in the income statement is 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 years' average working life.

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

The defined benefit asset or liability comprises 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 is 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 during the year. The charge is made to expenses in the income statement and trade and other payables in the balance sheet.

(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 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 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.

Basis of Presentation and Accounting Policies *(Continued)*

(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 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

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 balance sheet date. Dividends that are approved after the balance sheet 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.

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 the accrual 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 unless another systematic basis is more representative of the time pattern of the Group's benefit.

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 balance sheet 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 balance sheet 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 share 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. Treasury shares are deducted from stated capital at cost. 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. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

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 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 twofold:

Basis of Presentation and Accounting Policies *(Continued)*

- To ensure that the company have 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 balance sheet, known as deposit accounting.

Fees charged and investment income received is recognised in the income statement when earned.

Fair value adjustments are performed at each reporting date and are recognised in the income statement. For unitised contracts, fair value is calculated as the number of units allocated to the policyholder in each unit-linked fund multiplied by the unit-price of those funds at the balance sheet date. The fund assets and liabilities used to determine the unit-prices at the balance sheet 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 modeling. 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 Company 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 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 sale 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 balance sheet date for Life Insurance contract liabilities are P2,818m (2007: P2,683m)

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

Basis of Presentation and Accounting Policies *(Continued)*

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 is P 18.2m (2007: 37.6m)

Provision for future bonuses

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

A bonus philosophy for the WPA product has been established, which targets a bonus rate of 6% or 80% 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 is P19.6m (Dec 2007: 23m)

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 P46.4m (Dec 2007: P49.6m)

Non-participating annuity business

Non-participating life annuity instalments and future expenses in respect of these instalments are discounted at market interest rates based on the bond yield curve at the valuation date, reduced by the prescribed and additional margin, as well as investment management expenses. All profits or losses accrue to the shareholders when incurred. A discretionary margin is held for this block of business. The carrying amount for non participating annuity business is P1, 327m (Dec 2007: P1, 132m)

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 is P5.7m (Dec 2007: P2.9m)

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

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 is P19.7m (Dec 2007: P29.6m)

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's 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's strategy to maximise return on embedded value. The business's risk exposures can be classified into the following broad categories:

- Financial risks affecting the net asset value of the shareholders' fund; (Note 26)
- 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 strong credit rating and 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 end 31 December 2008 and 31 December 2007.

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 share 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.

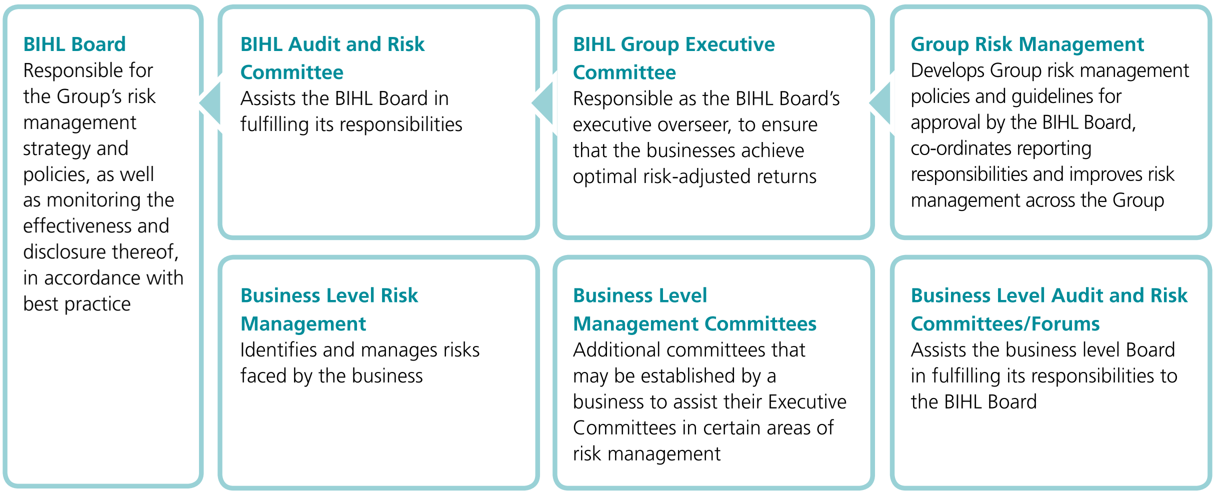
	2008 P'000	2007 P'000
Shareholder's equity	1,416,463	1,372,065
Capital adequacy requirement (CAR)	275,409	287,075
Capital adequacy requirement (CAR) Cover (times)	5.9	5.4

Basis of Presentation and Accounting Policies *(Continued)*

Governance structure

The agenda of the BIHL Board focuses on Group strategy, capital management, accounting policies, financial results, dividend policy, human resource development and corporate governance and BSE requirements. The BIHL Board is responsible for statutory matters across all BIHL businesses as well as monitoring operational efficiency and risk issues throughout the Group. Refer to the Corporate Governance Report on page 46 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

BIHL Audit and Risk Committee
Assists the BIHL Board in fulfilling its responsibilities

BIHL Group Executive Committee
Responsible as the BIHL Board's executive overseer, to ensure that the businesses achieve optimal risk-adjusted returns

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

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 and Risk Committees/Forums
Assists the business level Board in fulfilling its responsibilities to the BIHL 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:

Basis of Presentation and Accounting Policies *(Continued)*

- 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's 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's securities. To ensure validity, all transactions are confirmed with counter-parties independently from the initial executors.

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

The Investment Committees of the Life and Asset Management businesses 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 Inc. The report of the independent auditors for the year under review is contained on page 77 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 (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.

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 timeously identified

Basis of Presentation and Accounting Policies *(Continued)*

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 Group Executive Committee, who ensures that the businesses' strategies are aligned with the overall Group strategy; and

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

The Investment Committee and Actuarial Committee are also 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.

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 (b) 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 below:

Basis of Presentation and Accounting Policies *(Continued)*

	Dec 2008	Dec 2007
The mean duration of non-participating annuity liabilities is:	7.13 years	7.01years
The mean duration for the supporting assets is:	6.32 years	5. 97 years
The loss from a 1% parallel fall in interest rates is approximately P13.8m.		

Assumption Changes

2008

P'000	Base value	Investment returns	Expenses	Expense inflation	Lapse & surrender rates	Mortality & morbidity rates
		+1% or -1%	+10%	+1%	+10% or -10%	+10% or -10%
Non-participating annuities						
Individual business	1,354,401	1,427,982	1,359,311	1,357,206	1,354,401	1,364,221
Non-participating annuities						
policy liability	1,354,401	1,427,98	1,359,311	1,356,482	1,354,401	1,364,221
Non-participating life business						
Individual business	1,399	1,464	1,484	1,412	1,385	1,364
Employee benefits business	83,473	83,473	84,308	83,599	83,473	78,047
Non-participating life business						
policy liability	84,872	84,937	85,792	85,010	84,858	79,411

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.

2007

P'000	Base value	Investment returns	Expenses	Expense inflation	Lapse & surrender rates	Mortality & morbidity rates
		+1% or -1%	+10%	+1%	+10% or -10%	+10% or -10%
Non-participating annuities						
Individual business	1,164,303	1,250,674	1,165,549	1,166,092	1,164,303	1,165,739
Non-participating annuities						
policy liability	1,164,303	1,250,674	1,165,549	1,166,092	1,164,303	1,165,739
Non-participating life business						
Individual business	1,965	2,001	1,985	1,967	1,975	2,074
Employee benefits business	48,411	49,288	48,895	48,459	48,653	51,100
Non-participating life business						
policy liability	50,376	51,289	50,880	50,426	50,628	53,175

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 10.06 times (31 December 2007: 9.18 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, expressed as percentages of the relevant long-term policy liabilities:

Non-participating annuity payable per annum per life insured

		Before Reinsurance		After Reinsurance	
		2008	2007	2008	2007
P'000	No. of lives	Pula	Pula	Pula	Pula
0-500	479,089	5,882,873	4,037,441	5,294,586	9,533
500-1000	254	142,785	119,083	24,000	100,000
1000-5000	154	193,134	122,594	14,400	100,000
5000-8000	4	22,156	15,889	400	100,000
>8000	2	20,263	37,385	200	100,000
	479,503	6,261,211	4,332,393	5,333,586	409,533

Non-participating annuity payable per annum per life insured

		2008	2007
P'000	No. of lives	Pula	Pula
0-20	1,802	17,193	14,107
20-40	821	23,855	20,180
40-60	585	28,827	26,066
60-80	310	21,548	19,419
80-100	201	17,960	14,896
>100	270	40,072	28,263

Annuity business is not reinsured.

Balance sheets

As at 31 December 2008

		Group		Company	
	Notes	2008 P'000	2007 P'000	2008 P'000	2007 P'000
ASSETS					
Property and Equipment	2	16,890	13,962	—	—
Intangible assets	3	79,821	16,337	—	—
Financial assets at fair value through profit or loss		8,933,418	10,527,647	—	—
Bonds (Government, public authority, listed & unlisted corporates)	4.1	1,805,165	1,231,775	—	—
Money market instruments	4.2	1,667,591	1,510,017	—	—
Equity investments	4.3	5,119,290	7,453,430	—	—
Policy loans and other loan advances	4.4	341,372	332,425	—	—
Investment Property	4.5	146,612	100,015	—	—
Interest in subsidiaries	4.6	—	—	63,247	63,247
Investments in associates	4.6	34,971	34,091	—	—
Trade and other receivables	5	216,991	64,774	57,482	3,480
Related party balances	19	—	989	4,461	3,914
Cash,deposits and similar securities	24	149,834	26,043	3,306	3,292
Total assets		9,578,537	10,783,859	128,496	73,933
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	277,180	155,244	9,762	9,762
Retained earnings		1,067,587	1,121,212	2,449	(16,847)
Total equity attributable to equity holders of parent		1,385,368	1,317,057	52,812	33,516
Minority shareholders' interest	9	31,095	55,006	—	—
Total equity		1,416,463	1,372,063	52,812	33,516
Liabilities					
Policyholder liabilities	8	7,819,021	9,129,979	—	—
Insurance contracts		2,817,683	2,683,973	—	—
Investment contracts		5,001,338	6,446,006	—	—
Deferred taxation	10	46,729	70,246	—	—
Trade and other payables	11	281,903	193,301	14,722	11,313
Tax payable		9,168	18,270	—	—
Related party balances	19	5,253	—	60,962	29,104
Total equity and liabilities		9,578,537	10,783,859	128,496	73,933

Income Statements

For the year ended 31 December 2008

		Group		Company	
	Notes	2008 P'000	2007 P'000	2008 P'000	2007 P'000
Revenue					
Net insurance premium revenue	12	958,636	791,281	—	—
Insurance premium revenue		992,635	814,113	—	—
Insurance premium ceded to reinsurers		(33,999)	(22,832)	—	—
Net investment revenue		132,468	632,743	182,071	140,308
Fee income		121,308	110,316	—	—
Investment income	13.1	93,223	215,321	182,071	140,308
Fair value gains on investment properties	4.5	8,768	80,682	—	—
Net (loss)/gain from financial assets at fair value through profit or loss	13.2	(90,831)	226,424	—	—
Total revenue		1,091,104	1,424,024	182,071	140,308
Net policyholder movement		(533,293)	(566,603)	—	—
Policyholders' (loss)/income		(1,545,433)	1,341,240	—	—
Investment income		369,991	388,912	—	—
Net (losses)/gain from financial assets at fair value through profit or loss		(1,915,424)	952,328	—	—
Net insurance and investment contract benefits and claims		1,012,140	(1,907,843)	—	—
Policyholder benefits paid	14	(418,695)	(343,149)	—	—
Change in liabilities under investment contracts		1,534,843	(1,038,206)	—	—
Change in liabilities under insurance contracts	8	(104,008)	(526,488)	—	—
Expenses		(332,115)	(257,736)	(9,473)	(8,539)
Sales remuneration		(165,735)	(118,067)	—	—
Administration expenses	15	(166,380)	(139,670)	(9,473)	(8,539)
Surplus from operations		225,696	599,685	172,598	131,769
Share of after tax results of associates	4.6	9,802	4,001	—	—
Surplus before tax		235,498	603,686	172,598	131,769
Tax	16	(14,037)	(49,867)	(27,283)	(20,993)
Net surplus for the year		221,461	553,819	145,315	110,776
Attributable to:					
Equity holders of the parent		202,256	534,122	145,315	110,776
Minority interests		19,205	19,697	—	—
		221,461	553,819	145,315	110,776
Earnings per share (thebe)					
basic	17	77	206		
diluted	17	76	202		

Statement of Changes in Equity

For the year ended 31 December 2008

	Attributable to Equity holders of parent				
	Share capital P'000	**Share premium P'000**	**Stated capital P'000**	**Treasury shares P'000**	**Share based payment reserve P'000**
Group					
For the year ended 31 December 2007					
Balance at 01 January 2007	13,784	26,817	—	(2,148)	3,444
Foreign currency translation	—	—	—	—	—
Net income and expense for the year recognised directly in equity	—	—	—	—	—
Net surplus for the year	—	—	—	—	—
Total income and expense for the year	—	—	—	—	—
Transfer from share capital to stated capital	(13,784)	—	13 784	—	—
Transfer from share premium to stated capital		(26,817)	26,817	—	—
Share-based payment-reclassification from liabilities	—	—	—	—	10,328
Net realised investment surpluses on other treasury shares	—	—	—	—	—
Share-based payment expense	—	—	—	—	8,470
Cost of treasury shares acquired	—	—	—	(54,713)	—
(Transfer to statutory reserve)/ Transfer from retained income	—	—	—	—	—
(Transfer from consolidation reserve)/ Transfer to retained income	—	—	—	—	—
Dividends paid	—	—	—	—	—
Disposals of minority interests (note 9)	—	—	—	—	—
Balance at 31 December 2007	—	—	40,601	(56,861)	22,242
For the year ended 31 December 2008					
Balance at 01 January 2008	—	—	40,601	(56,861)	22,242
Foreign currency translation	—	—	—	—	—
Net income and expense for the year recognised diectly in equity	—	—	—	—	—
Net surplus for the year	—	—			
Total income and expense for the year	—	—	—	—	—
Share-based payment expense	—	—	—	—	10,089
(Transfer to statutory reserve)/ Transfer from retained income	—	—	—	—	—
(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

Attributable to Equity holders of parent							
Statutory capital reserves P'000	Foreign currency translation reserve P'000	Consolidation reserves P'000	Total non-distributable reserve P'000	Retained income P'000	Total P'000	Minority Interest P'000	Total Equity P'000
222,816	8,554	(129,116)	103,550	704,985	849,136	21,172	870,308
—	4,601	—	4,601	2,186	6,787	—	6,787
—	4,601	—	4,601	2,186	6,787	—	6,787
—	—	—	—	534,122	534,122	19,697	553,818
—	4,601	—	4,601	536,308	540,909	19,697	560,605
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	10,328	—	10,328	—	10,328
—	—	—	—	47,824	47,824	—	47,824
—	—	48,946	57,416	—	57,416	—	57,416
—	—	5,767	(48,946)	—	(48,946)	—	(48,946)
107,732	—	—	107,732	(107,732)	—	—	—
—	—	(79,437)	(79,437)	79,437	—	—	—
—	—	—	—	(139,609)	(139,609)	(13,231)	(152,840)
—	—	—	—	—	—	27,369	27,369
330,548	13,155	(153,840)	155,244	1,121,212	1,317,057	55,006	1,372,063
330,548	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
—	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	14,519	225,874
—	—	—	10,089	—	10,089	—	10,089
24,568	—	—	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)
355,116	22,253	(75,659)	277,180	1,067,587	1,385,368	31,095	1,416,463

Statement of Changes in Equity *(Continued)*

For the year ended 31 December 2008

	Share capital P'000	Share premium P'000	Stated capital P'000	Treasury shares P'000	Share based payment reserve P'000
Company					
(For the year ended 31 December 2007)					
Balance at 01 January 2007	13,784	26,817	—	—	—
Transfer from share capital to stated capital	(13,784)	—	13,784	—	—
Transfer from share premium to stated capital	—	(26,817)	26,817	—	—
Net surplus for the period	—	—	—	—	—
Dividends paid	—	—	—	—	—
Balance at 31 December 2007	—	—	40,601	—	—
For the year ended 31 December 2008					
Balance at 01 January 2008	—	—	40,601	—	—
Net surplus for the year	—	—	—	—	—
Dividends paid	—	—	—	—	—
Balance at 31 December 2008	—	—	40,601	—	—

Statutory capital reserves P'000	Foreign currency translation reserve P'000	Consolidation reserves P'000	Total non-distributable reserve P'000	Retained income P'000	Total P'000	Minority Interest P'000	Total Equity P'000
9,762	—	—	9,762	(8,988)	41,375	—	41,375
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	110,776	110,776	—	110,776
—	—	—	—	(118,635)	(118,635)	—	(118,635)
9,762	—	—	9,762	(16,847)	33,516	—	33,516
9,762	—	—	9,762	(16,847)	(7,085)	—	(7,085)
—	—	—	—	145,315	145,315	—	145,315
—	—	—	—	(126,022)	(126,022)	—	(126,022)
9,762	—	—	9,762	2,446	12,208	—	12,208

Cash Flow Statements

For the year ended 31 December 2008

		Group		Company	
	Notes	2008 P'000	2007 P'000	2008 P'000	2007 P'000
Net cashflow from operating activities		(1,238,840)	1,033,292	14	(6,683)
Cash (utilised)/generated from operations	23	(1,145,394)	1,013,913	(56,035)	(28,356)
Interest received	13(a)	74,364	45,495	618	1,195
Dividends received from investments/subsidiaries	13(a)	24,362	168,945	181,453	139,113
Dividends received from associates	4.6	1,620	2,055	—	—
Loan receivable repaid by associate		10,084	—	—	—
Tax refund receipt		—	14,938	—	—
Tax paid		(46,656)	(59,214)	—	—
Dividends paid		(157,220)	(152,840)	(126,022)	(118,635)
Cash inflows/(outflows) from investing activities		1,951,148	(616,320)	—	—
Purchase of property and equipment		(6,669)	(1,631)	—	—
Purchase of computer software		(714)	(2,198)	—	—
Purchase of Bifm shares from minority interests		(91,759)	—	—	—
Purchase of investment property		(37,829)	—	—	—
Investment in associate		(2,782)	—	—	—
Net movement in investments		2,090,901	(612,491)	—	—
Net increase/(decrease) in cash and cash equivalents		712,308	416,972	14	(6,683)
Cash and cash equivalents at the beginning of the year		672,170	255,198	3,292	9,975
Cash and cash equivalents at the end of the year	24	1,384,478	672,170	3,306	3,292

Notes to the Financial Statements

For the year ended 31 December 2008

1 Segmental analysis

Basis of segmentation

The Group operates in two principal areas of business providing life insurance and asset management services to its customers through its two main subsidiaries, Botswana Life Insurance Limited (BLIL) & Botswana Insurance Fund Management (BIFM).

Segment results, assets and liabilities include items directly attributable to a segment as well as those items that can be allocated on a reasonable basis.

Capital expenditure includes cash incurred on property and equipment, investment properties and intangible assets.

Inter-segment transactions that occurred during 2008 and 2007 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 2008, 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 as they are considered insignificant. The Group therefore only has significant operations in Botswana hence a geographical segment analysis has not been provided.

	LIFE BUSINESS		ASSET MANAGEMENT		INTER GROUP TRANSACTIONS		TOTAL	
	Year to 31 Dec 2008 P'000	Year to 31 Dec 2007 P'000	Year to 31 Dec 2008 P'000	Year to 31 Dec 2007 P'000	Year to 31 Dec 2008 P'000	Year to 31 Dec 2007 P'000	Year to Dec 31 2008 P'000	Year to Dec 31 2007 P'000
1.1 Segment information by products and services								
Premium revenue	958,636	791,281	—	—	—	—	958,636	791,281
Fee revenue	—	—	121,308	110,316	—	—	121,308	110,316
Investment returns on shareholder assets	(108,191)	716,103	21,718	1,449,524	97,633	(301,960)	11,160	(1,863,667)
Total net income	850,445	1,507,384	143,026	1,559,840	97,633	(301,960)	1,091,104	(2,765,264)
Surplus for the period after tax	150,934	409,231	91,265	145,532	(20,738)	(945)	221,461	553,818
Depreciation	3,227	2,928	514	1,116	—	—	3,741	4,044
Amortisation	1,340	1,066	—	—	—	—	1,340	1,066
Total Assets	3,949,319	3,937,326	8,188,476	9,829,771	(2,559,259)	(2,983,238)	9,578,537	10,783,860
Total Liabilities	3,074,243	2,945,548	7,803,487	9,532,222	(2,715,656)	(3,065,974)	8,162,074	9,411,796
Capital expenditure	6,249	3,569	420	259	—	—	6,669	3,828
Associates and joint venture								
share of profit	2,043	1,858	7,759	2,143	—	—	9,802	4,001
investment in associates	7,008	4,255	27,963	29,836	—	—	34,971	34,091

Notes to the Financial Statements *(Continued)*

For the year ended 31 December 2008

2 Property and Equipment

2008	Computer equipment P'000	Furniture and fittings P'000	Motor vehicles P'000	Leasehold improvements P'000	Land and buildings	Total P'000
Cost						
At beginning of year	12,578	16,162	4,597	9,704	—	43,041
Additions	1,346	759	481	453	3,630	6,669
At end of year	13,924	16,921	5,078	10,157	3,630	49,710
Accumulated Depreciation						
At beginning of year	9,855	6,613	4,439	8,172	—	29,079
Current year charge	1,474	1,330	101	836	—	3,741
At end of year	11,329	7,943	4,540	9,008	—	32,820
Net Book Value						
At beginning of year	2,723	9,549	158	1,532	—	13,962
At end of year	2,596	8,979	538	1,149	3,630	16,890
2007						
Cost						
At beginning of year	11,578	20,801	4,597	5,853	—	42,829
Additions	1,000	579	—	4,457	—	6,036
Disposals	—	(5,218)	—	(606)	—	(5,824)
At end of year	12,578	16,162	4,597	9,704	—	43,041
Accumulated depreciation						
At beginning of year	8,477	7,086	4,439	2,161	—	22,163
Current year charge	1,378	1,060	—	6,617	—	9,055
Disposals	—	(1,533)	—	(606)	—	(2,139)
At end of year	9,855	6,613	4,439	8,172	—	29,079
Net Book Value						
At beginning of year	3,101	13,715	158	3,692	—	20,666
At end of year	2,723	9,549	158	1,532	—	13,962

3 Intangible assets

2008	Goodwill P'000	Computer software P'000	Total P'000
Cost			
At beginning of year	13,135	13,650	26,785
Additions	62,844	714	63,558
Foreign currency translation difference	1,265	—	1,265
At end of year	77,244	14,364	91,608
Accumulated Depreciation			
At beginning of year	—	10,448	10,448
Current year amortisation	—	1,340	1,340
At end of year	—	11,788	11,788
Net Book Value			
At beginning of year	13,135	3,202	16,337
At end of year	77,244	2,576	79,821

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

	2008 P'000	2007 P'000
Carrying amount of goodwill	70,638	6,529

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 pretax Group specific risk adjusted discount rate of 19.22%(2007:19.22%) is used. The projected cashflows beyond the 5 years have been extrapolated using a steady average growth rate of 13% (2007:13%) not exceeding the long-term average growth rate for the market in which the business operate. The projected cashflow are determined by budgeted margins based on past performances and management expectations and market developments

The key assumptions used for the impairment calculation 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.

Notes to the Financial Statements *(Continued)*

For the year ended 31 December 2008

4 Investments

Fair values

At 31 December 2008 and 31 December 2007, the carrying value of financial instruments reported in the financial statements approximate their value.

	Group		Company	
	2008 P'000	**2007 P'000**	**2008 P'000**	**2007 P'000**
Investments at fair value through profit or loss				
At the beginning of the year	10,527,648	9,009,220	—	—
Purchase of investments	59,409	435,490	—	—
Revaluations	(1,534,821)	1,082,937	—	—
At the end of the year	8,933,418	10,527,647	—	—
4.1 Bonds (Government, public authority, listed & unlisted corporates)				
Shareholder investments	64,940	46,236	—	—
Policyholder investments	1,740,225	1,185,539	—	—
	1,805,165	1,231,775	—	—
4.2 Money market instruments				
Shareholder investments	77,838	543,295	—	—
Policyholder investments	1,589,752	966,722	—	—
	1,667,591	1,510,017	—	—
The average interest rate for fixed interest securities were 10.04% for 2008 (2007:11.03%)				
4.3 Equity investments				
Listed in Botswana	1,058,894	1,588,305	—	—
Listed foreign markets	4,059,867	5,838,629	—	—
Unlisted	529	26,496	—	—
	5,119,290	7,453,430	—	—
Sectoral analysis for equity investments				
Consumer discretionary	794,167	1,156,267	—	—
Consumer staples	369,324	537,717	—	—
Industrials	467,810	681,108	—	—
Financials	1,139,126	1,658,510	—	—
Health care	571,567	832,173	—	—
Information technology	521,807	759,725	—	—
Energy	311,452	453,459	—	—
Materials	291,733	424,748	—	—
Telecommunication services	428,693	624,156	—	—
Utilities	223,611	325,567	—	—
	5,119,290	7,453,430	—	—
Shareholder investments	630,618	671,992	—	—
Policyholder investments	4,488,672	6,781,438	—	—
	5,119,290	7,453,430	—	—

4.3 Equity investments *(Continued)*

Listed financial assets:

The last traded prices 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 assets have been calculated by discounting expected future cash flows at the risk adjusted interest rates applicable to each financial asset.

	Group		Company	
	2008 P'000	2007 P'000	2008 P'000	2007 P'000
4.4 Policy loans and other loan advances				
Opening balance	332,425	251,559	—	—
New loans	92,594	165,847	—	—
Interest charges	20,590	42,921	—	—
Repayments	(103,291)	(127,902)	—	—
Fair value movement	(946)	—	—	—
	341,372	332,425	—	—
Loans secured against the company's insurance policies	293,624	300,528	—	—
Other loans	47,748	31,897	—	—
Shareholder investments	35,520	190,512	—	—
Policyholder investments	305,852	141,913	—	—
	341,372	332,425	—	—

The loans secured against the company's insurance policies have no fixed repayment term; interest rate is variable depending on market conditions. The effective interest rate at 31 December 2008 was 18% (2007: 18%).

The fair value movement arose as a result of reduction in policy values, policy values being the security of the loans, due to market conditions.

As at year end there were no receivables that were overdue (2007: Nil).

The carrying amounts disclosed above reasonably approximate fair values at year end.

	Group		Company	
	2008 P'000	2007 P'000	2008 P'000	2007 P'000
4.5 Property investments				
At beginning of the year	100,015	81,686	—	—
Disposals in exchange of shares	—	(62,353)	—	—
Purchases of investments	37,829	—		
Revaluations	8,768	80,682	—	—
	146,612	100,015	—	—
Shareholder investments	107,220	45,648	—	—
Policyholder investments	39,392	54,367	—	—
	146,612	100,015	—	—

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 2008 and 31 December 2007 for the current and previous years respectively. Knight Frank is an industry specialist in valuing these types of investment properties.

Notes to the Financial Statements *(Continued)*

For the year ended 31 December 2008

4.5 Property investments *(Continued)*

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.

	Group		**Company**	
	2008 **P'000**	**2007** **P'000**	**2008** **P'000**	**2007** **P'000**
4.6 Interest in associates / joint ventures and subsidiaries.				
Carrying amounts at beginning of the period	34,091	21,731	63,247	63,247
Share of after tax results	9,802	4,001	—	—
Dividend received	(1,620)	(2,055)	—	—
Loan repayment from associate	(10,084)	—	—	—
Acquisition of interest in an associate	2,782	10,414	—	—
Closing balance	34,971	34,091	63,247	63,247

Investment in associates at 31 December 2008 and 31 December 2007 includes goodwill of P901 (2007:P901). There was no impairment loss during the period.

The Group through its 100% owned subsidiary Bifm has invested in various associates being Plot 21, Bongwe, Re mmogo. All these three are Public Private Partnerships management companies. The Group disposed the investment in AFM, a dormant investment company. The table below shows the Groups percentage shareholding and total summarised financial.

4.7 Interest in associates and joint ventures

	Khumo Property Asset management	Gaborone Sun	Funeral Services Group	Plot 21 Investments	Bongwe	Re mmogo	AFM Holdings	Total
As at 31 December 2008								
Carrying amount (P'000)	155	19,145	7,019	2,475	5,857	322	—	34,971
Interest in issued share capital								
Shareholders' fund	50%	12%	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
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)	—	—	(20,577)
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

4.7 Interest in associates and joint ventures *(Continued)*

	Khumo Property Asset management	Gaborone Sun	Funeral Services Group	Plot 21 Investments	Bongwe	Re mmogo	AFM Holdings	Total
As at 31 December 2007								
Carrying amount (P'000)	277	19,145	4,255	1,184	2,184	322	6,724	34,091
Interest in issued share capital								
Shareholders' fund (P'000)	50%	12%	21%	33%	33%	33%	10%	
Share of earnings after tax for current year								
Shareholders' fund (P'000)	470	2,137	1,177	—	—	—	—	3,784
Distributions received								
Shareholders' fund (P'000)	—	1,600	—	—	—	—	—	1,600
Assets and liabilities of associated company:								
Non-current assets (P'000)	268	62,690	33,445	25,279	—	—	—	121,682
Current assets (P'000)	2,164	14,528	19,266	3,307	6,552	967	67,241	114,025
Current liabilities (P'000)	(945)	(12,388)	10,545	(25,004)	—	—	—	(27,792)
Non current liabilities (P'000)	(47)	—	—	—	—	—	—	(47)
Revenue (P'000)	6,501	92,029	35,159	—	—	—	—	133,689
Earnings attributable to shareholders (P'000)	928	14,087	9,493	—	—	—	—	24,508

	Group		Company	
	2008 P'000	**2007 P'000**	**2008 P'000**	**2007 P'000**
5 Trade and other receivables				
Outstanding premiums	29,098	17,235	—	—
Other amounts receivable	175,006	25,933	57,482	3,480
Due from reinsurers	12,887	21,606	—	—
- opening balance	21,606	19,378	—	—
- premiums paid	(13,567)	(12,190)	—	—
- claim recoveries	4,849	14,418	—	—
	216,991	64,774	57,482	3,480

Trade receivables are non-interest bearing and are generally on 30 days terms.

The ageing analysis of these receivables is as analysed below:

	Group 2008 P'000	Group 2007 P'000	Company 2008 P'000	Company 2007 P'000
Neither past due nor impaired	187,893	47,539	57,482	3,480
Past due but not impaired:	29,098	17,235	—	—
Less than 30 days	15,366	9,373	—	—
30 - 60 days	8,462	6,310	—	—
60 - 90 days	5,270	1,552	—	—
	216,991	64,774	57,482	3,480

Impairment movement

As at 31 December 2008 outstanding premiums with a nominal value of P450,000 (2007:P815,000) were impaired and fully provided for. Movements in the provision for impairment of outstanding premiums were as follows:

	Group 2008 P'000	Group 2007 P'000	Company 2008 P'000	Company 2007 P'000
At 01 January	2,650	3,464	—	—
Charge/(Utilised) for the year	451	(814)	—	—
At 31 December	3,101	2,650	—	—

Notes to the Financial Statements *(Continued)*

For the year ended 31 December 2008

		Group		Company	
		2008 P'000	2007 P'000	2008 P'000	2007 P'000
6	**Stated Capital**				
	Issued and fully paid				
	281,070,652 ordinary shares	40,601	40,601	40,601	40,601

The Companies Act (Chapter 42:01) was revised and replaced with the Companies Act, 2003 Act No. 32 of 2004.The new Act came into effect from the 3rd of July 2007. Under the revised Act all shares to be issued after the 3rd of July 2007 will be of no par value (Section 47.1) and all shares already issued are deemed to have been converted to no par value shares (Section 47.2) as of the same date. The conversion of the shares from par value shares to no par value shares will however not affect the rights of all shareholders. This change will not affect the operations of the Group but will however affect the disclosure and presentation of share capital and share premium. Issued share capital and share premium and any new shares that may be issued by the company will be presented in a single reporting line item.

		Group		Company	
		2008 P'000	2007 P'000	2008 P'000	2007 P'000
7	**Non-distributable reserves**				
	Foreign currency translation reserve				
	Opening balance	13,155	8,554	—	—
	Movement for the year	9,098	4,601	—	—
	Balance at end of year	22,253	13,155	—	—
	Consolidation reserve				
	Opening balance	(153,840)	(129,116)	—	—
	Transfer from retained earnings	78,181	(79,437)	—	—
	Treasury shares	—	54,713	—	—
	Balance at end of year	(75,659)	(153,840)	—	—
	Number of shares held at 31 December:				
	Shareholders' fund 000s	2,841	3,345	—	—
	Policyholders' fund 000s	8,696	9,103	—	—
		11,537	12,447	—	—
	Shareholders' fund				
	Cost of shares held				
	Cost of shares held at beginning and end of year	629	629	—	—
	Market value of shares held				
	Market value of shares held at beginning of year	41,337	35,520	—	—
	Unrealised market value adjustment on shares held	(31,809)	5,817	—	—
	Market value of shares held at end of year	9,528	41,337	—	—
	Policyholders' fund				
	Cost of shares held				
	Cost of shares held at beginning and end of year	1,565	1,565	—	—
	Market value of shares held				
	Market value of shares held at beginning of year	112,503	93,596	—	—
	Unrealised market value adjustment on shares held	(46,372)	18,907	—	—
	Market value of shares held at end of year	66,131	112,503	—	—
	Total in consolidation reserve	75,659	153,840	—	—

		Group		Company	
		2008 **P'000**	**2007** **P'000**	**2008** **P'000**	**2007** **P'000**
7	**Non-distributable reserves *(Continued)***				
	Treasury shares				
	Opening balance	(56,861)	(2,148)	—	—
	Cost of treasury shares acquired	—	(54,713)	—	—
		(56,861)	(56,861)	—	—
	Share based payment reserve				
	Opening balance	22,242	3,444	—	—
	Current year expense	10,089	18,798	—	—
		32,331	22,242	—	—
	Statutory capital reserve				
	Opening balance	330,548	222,816	9,762	9,762
	Transfer from surplus for the year	24,567	107,732	—	—
		355,115	330,548	9,762	9,762
	Total non-distributable reserves	277,179	155,244	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

	2008			2007		
	Insurance contracts P'000	**Investment contracts P'000**	**Total P'000**	**Insurance contracts P'000**	**Investment contracts P'000**	**Total P'000**
Analysis of movement in policyholders liabilities						
Income	909,373	(1,341,693)	(432,320)	1,230,249	953,807	2,184,056
Premium income	953,238	122,507	1,075,745	791,281	234,465	1,025,746
Investment return after tax	(43,865)	(1,464,200)	(1,508,065)	438,969	719,342	1,158,310
Outflow	(805,365)	(102,975)	(908,340)	(703,735)	(522,982)	(1,226,716)
Policy benefits	(186,317)	(461,664)	(647,981)	(156,977)	(448,292)	(605,270)
Retirement fund terminations	—	—	—	—	—	—
Transfer to segregated assets	—	481,196	481,196	—	38,664	38,664
Free risk premiums and other payments to shareholders's fund	(619,048)	(122,507)	741,555	(546,758)	(113,353)	(660,111)
Transfer to income statement	104,008	(1,444,668)	(1,340,660)	526,515	430,825	957,340
Movement in policy loans	29,702	—	29,702	26	—	—
Net movement for the year	133,710	(1,444,668)	(1,310,958)	526,541	430,825	957,340
Balance at beginning of the year	9,129,979	2,683,973	6,446,006	2,157,459	6,015,181	8,172,639
Balance at end of the year	7,819,021	2,817,683	5,001,338	9,129,979	2,683,999	6,446,006

Notes to the Financial Statements *(Continued)*

For the year ended 31 December 2008

	Group		Company	
	2008 P'000	2007 P'000	2008 P'000	2007 P'000
8 Policyholder liabilities *(Continued)*				
Insurance contracts				
Opening balance	2,683,973	2,157,459	—	—
Transfer to income statement	104,008	526,488	—	—
Other transfers	29,702	26	—	—
Closing balance	2,817,683	2,683,973	—	—
Financial Soundness Valuation (FSV)	2,704,961	2,603,970	—	—
Unearned premium reserve (UPR)	89,654	41,038	—	—
Annuity mismatch and re-investment reserve	19,727	32,262	—	—
Claims incurred but not yet reported (IBNR) reserve	3,341	6,703	—	—
Investment contracts				
Balance at the beginning of the year	6,446,006	5,982,548	—	—
Pension and investment contributions	122,507	234,465	—	—
Net investment return	(1,464,200)	751,975	—	—
Benefits paid and withdrawals	(102,975)	(522,982)	—	—
Balance at end of the period	5,001,338	6,446,006	—	—
Total policyholder liabilities	7,819,021	9,129,979	—	—
Off balance sheet segregated funds	3,576,303	3,749,550	—	—
Segregated funds are excluded from investments and liabilities under investment management contracts on the balance sheet.				
9 Minority shareholders interest				
Balance at beginning of the year	55,006	21,172	—	—
Share of net surplus	19,205	19,697	—	—
Dividend payment	(9,517)	(13,231)	—	—
Currency translation difference	(4,685)	—	—	—
Sale of minority stake in Bifm	—	27,368	—	—
Repurchase of minority stake in Bifm	(28,914)	—	—	—
Balance at end of the year	31,095	55,006	—	—
10 Deferred income tax				
Balance at the beginning of the year	70,246	50,664	—	—
Charge to the income statement	(23,517)	19,582	—	—
Balance at end of the year	46,729	70,246	—	—
Representing:				
Accelerated depreciation for tax purposes:	(1,705)	2,499	—	—
Unrealised gains on shareholders' investments	48,434	67,747	—	—

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		Company	
		2008 P'000	2007 P'000	2008 P'000	2007 P'000
11	**Trade and other payables**				
	Insurance claims payable	60,518	69,501	—	—
	Premiums received in advance	50,425	47,549	—	—
	Intermediary retention balance	24,292	19,763	—	—
	Other accounts payable	132,126	35,191	9,987	11,313
	Reassurance payable	14,542	21,297	—	—
	- opening balance	21,297	14,604	—	—
	- premiums due	76,768	18,330	—	—
	- claim recoveries	(83,523)	(11,637)	—	—
		281,903	193,301	9,987	11,313

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.

		Group 2008 P'000	Group 2007 P'000	Company 2008 P'000	Company 2007 P'000
12	**Premium revenue**				
	Individual life	797,504	693,417	—	—
	Gross premium	801,364	696,586	—	—
	- Recurring premium	512,933	408,190	—	—
	- Single	288,431	288,397	—	—
	Premium ceded to reinsurers	(3,860)	(3,169)	—	—
	Group and employee benefits	161,132	97,864	—	—
	Gross premium	191,271	117,526	—	—
	- Recurring premium	91,777	62,527	—	—
	- Single	99,494	54,999	—	—
	Premium ceded to reinsurers	(30,139)	(19,662)	—	—
		958,636	791,281	—	—
13.1	**Investment income**				
	(i) shareholder				
	Interest	74,364	45,495	618	1,195
	Rental income on investment properties	1,508	881	—	—
	Dividends	24,362	168,945	181,453	139,113
	Investment management fees	(7,011)	—	—	—
		93,223	215,321	182,071	140,308
	(ii) policyholder insurance contracts				
	Interest	172,385	167,193	—	—
	Rental income on investment properties	8,366	5,635	—	—
	Dividends	27,263	23,606	—	—
	Investment management fees	(17,907)	—	—	—
		190,107	196,433	—	—

Notes to the Financial Statements *(Continued)*

For the year ended 31 December 2008

	Group		Company	
	2008 P'000	2007 P'000	2008 P'000	2007 P'000
13.1 Investment income *(Continued)*				
(iii) policyholder investment contracts				
Interest	116,188	83,034	—	—
Rental income on investment properties	22,626	10,871	—	—
Dividends	41,070	98,575	—	—
	179,884	192,479	—	—
Total policyholder investment income	369,991	388,913	182,071	140,308
13.2 Net (losses)/gain from financial assets at fair value through profit or loss				
(i) shareholder				
Realised fair value surpluses on investments	—	328,782	—	—
Foreign exchange gains	70,500	(9,324)	—	—
Unrealised fair value surpluses on investments	(273,562)	124,862	—	—
Other income	2,241	4,187	—	—
Investment management fees	—	(6,616)		
Less treasury share adjustment	109,990	(134,784)	—	—
	(90,831)	307,106	—	—
(ii) policyholder insurance contracts				
Unrealised fair value surpluses on investments	(350,363)	269,809	—	—
Foreign exchange gains	145,889	(10,197)	—	—
Investment management fees	—	(17,103)		
	(204,474)	242,509	—	—
(iii) policyholder investment contracts				
Fair value adjustments on consolidation	(71,687)	(441,659)	—	—
Unrealised fair value surpluses on investments	(1,639,264)	1,070,796	—	—
	(1,710,950)	629,137	—	—
Total Policyholder net gain from financial assets at fair value through profit or loss	(1,915,424)	871,646	—	—
Total	(1,545,433)	1,782,985	182,071	140,308
Shareholders	—	522,427	182,071	140,308
Policyholders	(1,545,433)	1,260,556	—	—

All financial investments are designated at fair value through profit or loss on initial recognition

	Group		Company	
	2008 P'000	2007 P'000	2008 P'000	2007 P'000
14 Net insurance claims and benefits				
Individual life				
Death and disability claims	64,166	53,740	—	—
Maturity claims	71,388	65,564	—	—
Policy surrenders	109,109	90,367	—	—
Annuities	144,428	115,377	—	—
Reinsurance share on death and disability claims	951	(1,695)	—	—
Total individual life	390,042	323,353	—	—

14 Net insurance claims and benefits *(Continued)*

	Group 2008 P'000	Group 2007 P'000	Company 2008 P'000	Company 2007 P'000
Group and employee benefits				
Death and disability claims	40,907	37,589	—	—
Reinsurance share on death and disability claims	(12,254)	(17,793)	—	—
Total group and employee benefits	28,653	19,796	—	—
Total	418,695	343,149	—	—

15 Administration expenses include:

	Group 2008 P'000	Group 2007 P'000	Company 2008 P'000	Company 2007 P'000
Auditors' remuneration				
- audit fee current period	3,297	2,301	284	464
- audit fee previous period	—	860	—	169
- other services	329	184	—	—
Depreciation on property and equipment (note 2)	3,741	4,044	—	—
Amortisation of computer software (note 3)	1,340	1,066	—	—
Directors' fees	—	—	—	—
- for services as directors	2,052	900	2,052	900
- for managerial services	3,567	3,077	—	—
- pension contribution	212	204	—	—
Operating lease rentals	4,055	1,391	—	—
Staff costs				
Salaries and wages for administration staff	50,460	49,782	524	409
Salaries and wages included in selling expenses	2,159	2,301	—	—
Termination benefits	—	—	—	—
Pension costs	2,479	4,120	—	51
Medical aid	923	927	—	—
Share based payment	10,089	8,470	—	—
- for managers	3,592	5,328	—	—
- for staff	6,497	3,142	—	—
Total staff costs	66,110	65,600	524	460
Average number of employees	592	560	2	2

16 Tax

	Group 2008 P'000	Group 2007 P'000	Company 2008 P'000	Company 2007 P'000
Corporate tax	74,871	56,211	—	—
Deferred tax	(23,517)	19,582	—	—
Withholding tax on dividends	(37,317)	(25,926)	27,283	20,993
Tax charge	14,037	49,867	27,283	20,993
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	235,498	603,685	172,598	131,769
Tax calculated at a tax rate of 25%	58,876	150,922	43,150	32,942
Effect of tax rate differential with other countries	—	—	—	—
Income not subject to tax	(7,522)	(75,129)	(15,867)	(11,949)
Withholding tax on dividends	(37,317)	(25,926)	—	—
Tax charge	14,037	49,867	27,283	20,993

Notes to the Financial Statements *(Continued)*

For the year ended 31 December 2008

16 Tax *(Continued)*

Additional company tax

The Group had additional Company Tax (ACT) available for set off against withholding tax on dividends as at 31 December 2008 of P 57 million (31 December 2007: P67 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.

	Group		Company	
	2008 P'000	2007 P'000	2008 P'000	2007 P'000
Net profit attributable to ordinary equity holders of the parent for basic earnings and diluted earnings	202,256	534,122	—	—
Number of shares in issue	281,071	277,031	—	—
Staff share scheme and treasury shares	(18,504)	(17,512)	—	—
Weighted average number of shares used for calculating basic earnings per share	262,567	259,519	—	—
Weighted average number of dilutive options	3,267	4,906	—	—
Weighted average number of shares used for calculating diluted earnings per share	265,834	264,425	—	—
Earnings per share (thebe)				
- basic	77	206	—	—
- diluted	76	202	—	—

18 Dividends declared and proposed (net)

	Record Date	P'000
Declared and paid during the year:		
Final dividend for the year to 31 December 2007: 35 thebe (2006:29.5 thebe)	4-Apr-2008	98,375
Interim dividend for six months to 30 June 2008: 14.45 thebe (2007: 21 thebe)	3-Oct-2008	47,782
		146,157
Dividends proposed after year end not recognised in the financial statements.		
Final dividend for the year to 31 December 2008: 31 thebe (2007:29 thebe)	6-Apr-2009	87,132
Special dividend for the year to 31 December 2008: 45 thebe (2007:6 thebe)	6-Apr-2009	126,482
		213,614
Withholding tax on dividends		(32,042)
Dividend proposed for approval at AGM (not recognised as a liability as at 31 December)		181,571

	Group		Company	
	2008 P'000	2007 P'000	2008 P'000	2007 P'000
19 Related party transactions				
(a) Transactions on insurance contracts				
Sanlam Limited (53% shareholder of BIHL)				
- Premium ceded to reinsurer	13,566	8,942	—	—
- Claim recoveries from reinsurer	951	(1,695)	—	—
(b) Year end balances arising from transactions on insurance contracts.				
Net due from/(to)				
- Sanlam Limited	—	(8,347)	—	—
(c) Year end balances arising from transactions on other services other than insurance contracts				
- BLIL (100% owned by BIHL)	—	—	(60,962)	—
- BIFM(100% owned by BIHL)	—	—	4,461	—
- Sanlam Limited (53% shareholder of BIHL)	(4,505)	989	—	—
- SIM RSA (Subsidiary of Sanlam Limited)	(748)	—	—	—
	(5,253)	989	(56,501)	—

The above transactions were carried out on commercial terms and conditions and at market prices.

	Group 2008 P'000	Group 2007 P'000	Company 2008 P'000	Company 2007 P'000
(d) Loans to associates				
At beginning of the period	1,941	2,427	—	—
Less repayments received	(1,941)	(486)	—	—
Balance at end of the period	—	1,941	—	—

The loan is due from Funeral Services Group, bears interest at bank's prime rate and is unsecured.

(e) Loans to directors

There were no loans to directors.

	Group 2008 P'000	Group 2007 P'000
(f) Transactions with key management		
(i) Compensation		
- Short-term employee benefits	18,190	9,846
- Pension costs - defined benefit plan	555	682
- Other long-term benefits	791	2,125
	19,536	12,653
(ii) Holding in Company's policies	841	681

Notes to the Financial Statements *(Continued)*

For the year ended 31 December 2008

19 Related party transactions *(Continued)*

(g) Directors' shareholding (number of options)	Opening balance	Purchases / appointments	Sales / resignations	Closing Balance
K R Jefferis	10,175	—	—	10,175
VJ Senye	—	200,000	—	200,000
MC Letshwiti (indirect holding)	6,003	—	—	6,003
RD Sikalesele-Vaka	43,695	13,924	—	57,619
BP Dambe-Groth	22,943	—	—	22,943
U Corea	15,000	—	—	15,000
N Phillips	3,850	—	—	3,850
Total	101,666	213,924	—	315,590

(h) Executive directors emoluments

The remuneration of excecutive directors comprises salaries and other short-term incentives as well as participartion in long-term incentive plans.

(i) Short-term emoluments

Name	Months in service	Salary P'000	Bonus P'000	Company contributions P'000	Total P'000
RD Sikalesele-Vaka	12	919	902	110	1,931
VJ Senye	12	845	900	101	1,846
Total excecutive directors		1,764	1,802	211	3,777

(ii) Long-term emoluments

Share purchase plans

Name	No of options	Strike price (Pula)	Exercised	Outstanding	Expiry date
RD Sikalesele-Vaka					
Granted 2004	750,000	2.80	500,000	250,000	2010
VJ Senye					
Granted 2004	600,000	2.80	400,000	200,000	2009
Granted 2005	150,000	2.63	50,000	100,000	2010
Total	1,500,000		950,000	550,000	

20 Principal subsidiaries

Principal subsidiaries	Country of incorporation	% of interest held		Nature of business
Directly held		Dec 2008	Dec 2007	
Botswana Life Insurance Limited	Botswana	100	100	Life insurance
Bifm Holdings Company Limited	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 Limited	Botswana	100	72.5	Asset management
Botswana Life Properties (Pty) Limited	Botswana	100	100	Property investment
Bifm Holdings and Financial Services Limited	Isle of Man	100	100	Holding company

20 Principal subsidiaries *(Continued)*

	Country of incorporation	% of interest held		Nature of business
Indirectly held		**Dec 2008**	**Dec 2007**	
Bifm Capital (Pty) Limited	Botswana	51	51	Corporate finance
Bifm Capital 1	Botswana	100	100	Corporate finance
Bifm Capital 2	Botswana	100	100	Corporate finance
Bifm Projects (Pty) Limited	Botswana	100	100	Building projects
African Life Financial Services (Zambia) Limited	Zambia	70	70	Asset management and pension administration
KYS Investments (Pty) Limited	Botswana	63	63	Holding company
Photon Private Equity Fund Managers (Pty) Limited:	Botswana	100	100	Private equity

	Group		Company	
	2008 P'000	**2007 P'000**	**2008 P'000**	**2007 P'000**
21 Commitments				
Capital expenditure contracted for at the balance sheet date but not recognised in the financial statements				
Property, plant and equipment	7,736	60,000	—	—
Operating lease commitments				
The future minimum lease payments under non-cancellable operating leases				
Within one year	4,827	4,235	—	—
Within two to five years	4,753	10,323	—	—

22 Employee benefits

(a) Retirement benefits

The group provides retirement benefits of employees by means of defined benefit pension fund. The pension plan is registered under the Pension and Provident Funds Act (Chapter 27:03). Expatriate employees are provided with gratuity in terms of their conditions of employment.The Group is in the process of converting the defined benefit pension fund to a defined contribution pension plan.

Valuation is performed annually on 30 November, and the last valuation was performed on 30 November 2008. The fund is financially sound according to the latest valuation based on reasonable actuarial assumptions about future experience. The employer's contribution as a fairly constant percentage of the remuneration of the members of the funds is sufficient to meet the promised benefits of the fund.

		At 30 Nov 2008	At 30 Nov 2007
Number of employees covered by the fund		199	186
Contributions to defined pension fund during the year (P 000)		1,355	1,158
Principal actuarial assumptions at latest valuation date:			
Pre-retirement discount rate	per annum	10%	11%
Post-retirement discount rate	per annum	10%	11%
Future salary increases	per annum	9%	9%
Expected return on plan assets at beginning of the year	per annum	11%	12%

Notes to the Financial Statements *(Continued)*

For the year ended 31 December 2008

22 Employee benefits *(Continued)*

Changes in the present value of the defined benefit obligation and in the fair value of the plan assets

	At 30 Nov 2008 P'000	At 30 Nov 2007 P'000
Opening present value of defined benefit obligation	23,490	21,490
Interest cost	2,467	2,174
Current service cost	3,611	2,377
Past service cost-vested benefits	—	41
Benefits paid	(310)	(1,863)
Actuarial losses/(gains) on obligation	5,424	(729)
Closing present value of defined benefit obligation	34,682	23,490
The defined benefit obligation is wholly funded		
Opening fair value of plan assets	38,788	32,124
Expected return on plan assets	4,833	3,750
Member contributions	—	—
Employer contributions	1,355	1,158
Benefits paid	(310)	(1,863)
Actuarial (losses)/gain on plan assets	(12,056)	3,619
Closing fair value of plan assets	32,610	38,788
Asset allocation by major categories		
Local equity	23%	26%
Offshore equity	40%	46%
Local bonds and fixed interest	23%	12%
Offshore money market	3%	10%
Property	5%	5%
Cash	6%	1%
Total	100%	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	1,453
Actual return on plan assets		
Expected return on plan assets	4,833	3,750
Actuarial (loss)/gain on plan assets	(12,056)	3,619
Actual return on plan assets	(7,223)	7,369
Amounts recognised in the balance sheet		
Present value of the obligation	34,682	23,490
Fair value of plan assets	(32,610)	(38,788)
	2,072	(15,298)
Unrecognised actuarial(losses)/gains	(5,442)	12,558
Asset recognisable in the balance sheet per IAS 19	(3,370)	(2,740)
Amounts recognised in the income statement		
Current service cost	3,611	2,377
Interest cost	2,467	2,174
Expected return on plan assets	(4,833)	(3,750)
Net actuarial gain recognised in year	(518)	(357)

22 Employee benefits *(Continued)*

	At 30 Nov 2008 P'000	At 30 Nov 2007 P'000
Past service cost—vested benefits	—	41
Net expense included in staff costs	727	485

Plan surplus for the current and previous four financial periods is as follows;

	Dec 2008 P'000	Dec 2007 P'000	Dec 2006 P'000	Dec 2005 P'000	Mar 2004 P'000
Plan surplus trend analysis					
Present value of funded obligations	34,682	23,490	21,490	18,990	14,240
Fair value of plan assets	(32,610)	(38,788)	(32,124)	(25,949)	(16,190)
Surplus of plan assets over defined benefit obligation	2,072	(15,298)	(10,634)	(6,959)	(1,950)

The Group expects to contribute P6 million to its defined benefit pension plans in 2009.

(b) Share-based payment

The group has a share based payment scheme. The scheme is dividend for (a) Management Staff (b) Other Staff.

(i) Management Staff scheme

The objective of the scheme is to retain staff. Management staff are granted shares after a period of 2 continuous service to the Group. The shares vest after a period of 6 years, of continuous service, from the grant date; 1/3 vesting after every 2 years. The shares are issued at the ruling market price on the date of issuing. On vesting, the manager has the option of purchasing the shares for cash or opting that a portion or all of the shares be sold.

After the shares 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 2008 is P7,359 million (31 December 2007: P18,000 million). The expense recognised in the income statement is P 3,592 million (2007: P5,328million).

	2008		2007	
Movement during the year	Number of share options '000	Weighted average exercise price Pula	Number of share options '000	Weighted average exercise price Pula
Outstanding at the beginning of year	3,677	6.00	4,312	3.00
Granted	5,507	16.34	750	8.50
Forfeited	(573)	6.93	(452)	3.00
Exercised	(1,467)	3.20	(933)	3.00
Outstanding at the end of year	7,144	13.59	3,677	6.50
Exercisable at 31 December			290	3.00

The weighted average remaining contractual life for the shares outstanding as at 31 December 2008 is 8 years (2007: 8 years)

The weighted average fair value of options granted during the year was P16.50 (2007: P2.70).
The range of exercise prices for options outstanding at the end of the year was P16.90 - P2.80 (2007: P2.80-P 2.80).

Notes to the Financial Statements *(Continued)*

For the year ended 31 December 2008

22 Employee benefits *(Continued)*

(ii) Other Staff

The objective of the scheme is to retain staff. Staff are granted shares after a period of 2 continuous years service to the Group. The shares vest after a period of 3 years of continuous service from the grant date; therefore the employee has to be continuously employed with the Group for 5 years. Staff do not pay for the shares. As the settlement is by way of shares, the scheme is classified as equity settled for accounting purposes. The carrying amount of the share based payment reserve was P13,525million (2007: P22,242million). The expense recognised in the income statement was P6,497 million (2007: P3,142million).

	2008		2007	
Movement during the year	**Number of share options '000**	**Weighted average exercise price Pula**	**Number of share options '000**	**Weighted average exercise price Pula**
Outstanding at the beginning of year	2,577	3.00	2,891	2.53
Granted	821	7.62	1,646	3.65
Forfeited	(50)	3.96	(644)	2.53
Exercised	(282)	2.54	(825)	2.53
Outstanding at the end of year	3,066	3.94	3,068	3.00

The weighted average remaining contractual life for the shares outstanding as at 31 December 2008 is 8 years (2007: 8 years)

The weighted average fair value of shares granted during the year was P7.62 (2007: P8.50).

The following assumptions have been used in the valuations model of the scheme.

	2008	**2007**
Dividend yield	5.52%	6.00%
Volatility	23.59%	23.36%
Risk free interest rate	10.27%	12.70%
Spot price (thebe)	8.70	8.50
% of remaining employees	80.00%	80.00%

(iii) 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:

- The life of the option is divided into a large number of small time periods.

- 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.

- 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)*

- 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.

- 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.

(iv) 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.

(v) Volatility

The volatility input to the pricing model is a measure of the expected price fluctuations of the underlying security over a given period of time. Volatility is measured as the annualised standard deviation of the daily price changes in the underlying share under the assumption that the share price is log-normally distributed. This is in line with market practice. All else being equal, the more volatile the underlying share, the greater the price of the option.

There are two common approaches to calculating volatility. The first method uses historical price data of the underlying share, while the second technique employs data from the options market itself (provided that an active market exists for the options under consideration). Because there are no options trading in the market that are similar to the BIHL share options, historical data from a period prior to each grant date, which is commensurate with the options' contractual term to maturity, was used to calculate the expected volatility of the BIHL shares over the options' lifetimes.

Notes to the Financial Statements *(Continued)*

For the year ended 31 December 2008

		Group		Company	
		2008 P'000	2007 P'000	2008 P'000	2007 P'000
23	**Cash generated from operations**				
	Surplus before tax as per income statement	235,498	603,685	145,315	84,255
	Non cash flow items	86,167	(374,947)	—	1,201
	Depreciation	3,741	4,044	—	—
	Loss on sale of fixed assets	—	4,286	—	—
	Amortisation	1,340	1,066	—	—
	Goodwill translation differences	(1,265)	(556)	—	—
	Unrealised fair value gains/(losses) on shareholder assets	90,831	(307,106)	—	—
	Unrealised fair value gains on investment properties	(8,768)	(80,682)	—	—
	Impairment of investments	—	—	—	1,201
	Equity accounted earnings	(9,802)	4,001	—	—
	Share - based payments	10,089	—	—	—
	Items disclosed separately	(98,726)	(214,440)	(182,071)	(109,445)
	Interest received	(74,364)	(45,495)	(618)	(1,092)
	Dividends received	(24,362)	(168,945)	(181,453)	(108,353)
	Working capital changes:	(1,368,332)	999,615	(19,279)	15,219
	Net (increase)/decrease in trade and other receivables	(151,228)	(18,698)	(54,549)	(1,301)
	Change in policyholder liabilities	(1,310,958)	989,972	-	-
	Net increase in trade and other payables	93,855	28,341	35,270	16,520
	Cash generated from/(utilised) in operations	(1,145,394)	1,013,913	(56,035)	(8,770)
24	**Cash and bank**	149,834	26,043	3,306	9,975
	Short-term deposits (included in money market investments)	1,234,644	646,127	—	—
	Cash and cash equivalents	1,384,478	672,170	3,306	9,975

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 10.5% (2007: 10%). Funds on deposit which have a maturity of three months or less have been reclassified from investments in line with IAS 7.

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 value of a financial instrument will fluctuate as a result of changes in the market. Market risk includes:
Equity risk:	the risk that the value of a financial instrument will fluctuate as a result of changes in equity prices.
Interest rate risk:	the risk that the fair value or future cash flows of a financial instrument will flactuate because of changes in market interest rates.
Currency risk:	the risk that the fair value or future cashflows of a financial instrument or liability will fluctuate owing to changes in foreign exchange rates.
Credit risk:	Credit risk arises from the inability or unwillingness of counterparty to a financial instrument to discharge its contractual obligations. 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 raising cash to meet commitments associated with financial liabilities. Liquidity risk arises when there is a mismatch between the maturities of liabilities and assets.
Insurance risk	Insurance risk includes:
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.

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-bearings 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's investment return targets. Limits are applied in respect of the exposure to asset classes and individual counters.

Notes to the Financial Statements *(Continued)*

For the year ended 31 December 2008

25 Risk management *(Continued)*

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.

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

December 31, 2008

	Change in variables	Value (P'000)	Increase/(decrease) in profit before tax (P'000)
BWP	0.5%	3,603,318	18,017
BWP	-0.5%	(3,603,318)	(18,017)
USD	0.5%	990,960	4,955
USD	-0.5%	(990,960)	(4,955)

December 31, 2007

	Change in variables	Value (P'000)	Increase/(decrease) in profit before tax (P'000)
BWP	0.5%	3,329,310	16,648
BWP	-0.5%	(3,329,310)	(16,648)
USD	0.5%	776,477	3,882
USD	-0.5%	(776,477)	(3,882)

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.

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)*

The following assets and liabilities included in the shareholders' funds are denominated in foreign currencies and are therefore subject to currency risk:

December 31, 2008

	United States Dollar (P'000)	Other Currencies (P'000)	Total (P'000)
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	—	—

December 31, 2007

	United States Dollar (P'000)	Other Currencies (P'000)	Total (P'000)
Equity investments	524,463	—	524,463
Bonds (Government, public authority, listed & unlisted corporates)	—	21,166	21,166
Money market instruments	776,477	—	776,477
Foreign currency exposure	1,300,940	21,166	1,322,106
Average rate	7.04	685	—
Closing rate	6.83	577	—

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.

December 31, 2008

	Change in variables	Value (P'000)	Increase/(decrease) in profit before tax (P'000)
USD	5%	5,069,714	253,486
USD	-5%	(5,069,714)	(253,486)

December 31, 2007

	Change in variables	Value (P'000)	Increase/(decrease) in profit before tax (P'000)
USD	5%	1,300,940	65,047
USD	-5%	(1,300,940)	(65,047)

Notes to the Financial Statements *(Continued)*

For the year ended 31 December 2008

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), 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.

December 31, 2008

	Change in variables	Value (P'000)	Increase/(decrease) in profit before tax (P'000)
DCI	15%	130,440	19,566
DCI	-15%	(130,440)	(19,566)
MSCI	10%	500,113	50,011
MSCI	-10%	(500,113)	(50,011)

December 31, 2007

	Change in variables	Value (P'000)	Increase/(decrease) in profit before tax (P'000)
DCI	15%	143,200	21,480
DCI	-15%	(143,200)	(21,480)
MSCI	10%	526,404	52,640
MSCI	-10%	(526,404)	(52,640)

Credit risk

Credit risk in the Group arises from the possibility of investments in 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.

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.

25 Risk management *(Continued)*

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.

	2008 Total (P'000)	2007 Total (P'000)
Bonds (Government, public authority, listed & unlisted corporates)	1,805,165	1,231,775
Money market instruments	1,667,591	1,510,017
Policy loans and other loan advances	341,372	332,425
Trade and other receivables	216,991	64,774
Related party balances	—	989
Cash, deposits and similar securities	149,834	26,043
Maximum credit risk exposure	4,180,953	3,166,022

Financial assets pledged as collateral

There are no financial assets that have been pledged as collateral for financial liabilities or contingent liabilities.

Notes to the Financial Statements *(Continued)*

For the year ended 31 December 2008

25 Risk management *(Continued)*

Credit exposure by rating

The table below provides information regarding the credit risk exposure of the Group at 31 December 2008 by classifying assets according to Standard and Poor credit ratings of the counterparties. AAA is the highest possible rating.

31 December 2008			**Total**
	AAA	**Not rated**	**P'000**
Assets backing policy liabilities			
Bonds (Government, public authority, listed & unlisted corporates)	377,483	1,362,742	1,740,225
Money market instruments	—	1,589,752	1,589,752
Policy loans and other loan advances	—	305,852	305,852
Cash, deposits and similar securities	—	149,834	149,834
	377,483	3,408,180	3,785,663
Capital portfolio			
Bonds (Government, public authority, listed & 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

31 December 2007			**Total**
	AAA	**Not rated**	**P'000**
Assets backing policy liabilities			
Bonds (Government, public authority, listed & unlisted corporates)	262,364	923,175	1,185,539
Money market instruments	—	966,722	966,722
Policy loans and other loan advances	—	141,913	141,913
Cash, deposits and similar securities	—	966,722	966,722
	262,364	2,998,532	3,260,896
Capital portfolio			
Bonds (Government, public authority, listed & unlisted corporates)	10,631	35,605	46,236
Money market instruments	—	543,295	543,295
Policy loans and other loan advances	—	190,512	190,512
Cash, deposits and similar securities	—	569,338	569,338
Net working capital assets	—	(217,042)	(217,042)
10,631		1,121,708	1,132,339

Collateral held as security for financial assets

Generally the Group holds shareholder guarantees for the financial assets advanced. These assets are given first preference to any other cessions that the issuer may grant. All the fixed assets of the entity which has been advanced must have full insurance cover for all risks.

25 Risk management

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 that meets monthly to review the matching of assets and liabilities; the Group is continually looking for investments that match its liabilities.

25 Risk management *(Continued)*

Liquidity risk

Maturity analysis of Financial Liabilities:

	31 December 2008				
	< 1 year	1-5 years	> 5 years	Open ended	Total (P'000)
Policy holders liabilities	155,241	356,918	982,027	6,324,835	7,819,021
Trade and other payables	281,903	—	—	—	281,903
	437,144	356,918	982,027	6,324,835	8,100,924

	31 December 2007				
	< 1 year	1-5 years	> 5 years	Open ended	Total (P'000)
Policy holders liabilities	107,304	368,850	1,048,407	7,605,418	9,129,979
Trade and other payables	193,301	—	—	—	193,301
	300,605	368,850	1,048,407	7,605,418	9,323,280

Maturity analysis of Financial assets and Financial Liabilities:

	31 December 2008				
	< 1 year	1-5 years	> 5 years	Open ended	Total (P'000)
Financial Assets:					
Bonds (Government, public authority, listed & unlisted corporates)	—	1,805,165	—	—	1,805,165
Money market instruments	1,667,591	—	—	—	1,667,591
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	149,834	—	—	—	149,834
	2,034,416	7,265,827	—	—	9,300,243
Financial Liabilities:					
Policy holders liabilities	155,241	356,918	982,027	6,324,835	7,819,021
Trade and other payables	281,903	—	—	—	281,903
	437,144	356,918	982,027	6,324,835	8,100,924

	31 December 2007				
	< 1 year	1-5 years	> 5 years	Open ended	Total (P'000)
Financial Assets:					
Bonds (Government, public authority, listed & unlisted corporates)	—	1,231,776	—	—	1,231,776
Money market instruments	1,510,017	—	—	—	1,510,017
Equity investments	—	7,453,431	—	—	7,453,431
Policy loans and other loan advances	—	332,425	—	—	332,425
Trade and other receivables	65,764	—	—	—	65,764
Cash, deposits and similar securities	26,043	—	—	—	26,043
	1,601,824	9,017,632	—	—	10,619,456
Financial Liabilities:					
Policy holders liabilities	107,304	368,850	1,048,407	7,605,418	9,129,979
Trade and other payables	193,301	—	—	—	193,301
	300,605	368,850	1,048,407	7,605,418	9,323,280

Notes to the Financial Statements *(Continued)*

For the year ended 31 December 2008

25 Risk management *(Continued)*

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.

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 144.

Years	December 31, 2008 Assets P million	December 31, 2008 Policy liabilities P million	December 31, 2007 Assets P million	December 31, 2007 Policy liabilities P million
Non participating annuities and supporting assets	1,354	1,354	1,164	1,164

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 realise these relative value anomalies over the long term and avoid short term fluctuations or market noise.

Bifm combines investment strategies with the aim of delivering superior investment returns given a level of risk over the long term (3 years and more). For local equity security selection, Bifm uses a bottom-up approach. The bottom-up approach is research intensive and focuses on individual companies as a starting point. Companies, sectors and geographic regions not covered by a portfolio manager's universe may be neglected. To compensate, Bifm also applies a top-down decision-making process to implement tactical positions. The top-down approach utilises macro-economic data, relative asset class valuations, market sector valuations and the prospects of geographical regions.

Bifm adopts fundamental analysis to place a fair value on individual securities and to identify mispriced securities with upside potential. Fundamental analysis is a primary function and of high importance as it guides us on security-selection.

When selecting offshore managers, Bifm appoints managers with differing styles and approaches. The rationale for using the different styles reflects our appreciation of the fact that style diversification is a risk-management tool as well as a way of taking advantage of the anomalies that could be identified by each style.

25 Risk management *(Continued)*

Equity

Bifm invests for the long-term, 3 to 5 year period, to maximise returns at the lowest possible risk. Bottom up stock-picking and fundamental stock analysis coupled with a value-style bias, are used for portfolio construction.

Fixed Income

The approach used for long dated bonds and short-dated money-market instruments differs:

(a) Long-dated Bonds - Bifm believes that value can be created through active duration management, taking into account macro-economic factors such as inflation and interest rates. This reflects a top-down approach for the management of bonds, which is applied both locally and offshore. Bifm utilises fixed and floating instruments as different assets to match different liabilities, to benefit from the shape of the yield curve, and as a tool to manage duration.

(b) Cash and money market: Bifm manages cash and short-dated money-market instruments primarily for liquidity purposes. Bifm minimises credit risk by investing with reputable banks. Bifm negotiates to get high interest rates on behalf of its clients.

Property

Property is a unique asset class, with bond-like and equity-like features, that matches the liability profiles of a large number of pension funds. Enhanced yields and rental escalations are received over time. The philosophy is to invest in A-grade properties that we believe are more likely to attract and retain corporate tenants. Property investments constitute a significant area of Bifm's drive to develop the local economy and capital markets. Bifm's subsidiary, Khumo Property Asset Management, is a fully-fledged property development and management company.

Alternative investments

The alternative assets that Bifm invests in are private equity, private debt, and hedge funds. Alternatives are utilised where the risk-reward trade-off is believed to be superior. Examples are:

(a) Private equity is becoming a more important asset class globally. In the Botswana context, private equity is a progressive approach to investment management because it is a catalyst for economic development. Bifm invests in local, regional and global private equity funds.

(b) Specialised portfolios and insurance portfolios utilise private debt instruments for matching purposes. In Botswana, private debt is a substitute for listed debt instruments. Listed debt instruments are in short supply in Botswana.

(c) Offshore hedge funds are currently used as an alternative to offshore bonds given our bearish view on the prospects for offshore bonds.

Notes to the Financial Statements *(Continued)*

For the year ended 31 December 2008

26 Categories of financial assets and financial liabilities

The table below summarises categories of financial assets and financial liabilities held by the Group

December 31, 2008	**Financial assets at fair value through profit or loss**	**Loans and receivables**	**Financial liabilities at fair value through profit or loss**	**Financial liabilities measured at amortised cost**	**Total (P'000)**
Financial assets					
Bonds (Government, public authority, listed & unlisted corporates)	1,805,165	—	—	—	1,805,165
Money markey instruments	1,667,591	—	—	—	1,667,591
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	—	149,834	—	—	149,834
Total financial assets	8,933,418	366,825	—	—	9,300,243
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
Trade and other payables	—	—	—	281,903	281,903
Related party balances				5,253	5,253
Total financial liabilities	—	—	7,819,021	281,903	8,100,924
December 31, 2007					
Financial assets					
Bonds (Government, public authority, listed & unlisted corporates)	1,231,775	—	—	—	1,231,775
Money market instruments	1,510,017	—	—	—	1,510,017
Equity investments	7,453,430	—	—	—	7,453,430
Policy loans and other loan advances	332,425	—	—	—	332,425
Trade and other receivables	—	64,774	—	—	64,774
Related party balances	—	989	—	—	989
Cash, deposits and similar securities	—	26,043	—	—	26,043
Total financial assets	10,527,647	91,807	—	—	10,619,454
Financial liabilities					
Long term policyholder liability - insurance contracts	—	—	2,683,973	—	2,683,973
Long term policyholder liability - investment contracts	—	—	6,446,006	—	6,446,006
Trade and other payables	—	—	—	193,301	193,301
Total financial liabilities	—	—	9,129,979	193,301	9,323,280

BIHL Administration and Management

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
Ernest & Young
2nd Floor UN Place
Khama Crescent
P O 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
Bank of Baroda (Botswana) Ltd.
Bank Gaborone Ltd.

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LOBATSE BRANCH OFFICE
Botswana Life Insurance House
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Tel: 5331 422; Fax: 5331 423

Botswana Life Insurance Limited

MANAGEMENT

Corporate Business

Florence Matome	Service Manager Individual Life
Martha Seipato	Operations Manager - High Value

High Value Brokers

Moletlanyi Tshosa	Relationship Manager - High Value Broker Business

Business Support

Daphne Smuts	Relationship Manager - Paypoints Individual Life Liaison
Irene Mangope	Operations Manager - Individual Life

Individual Life

Beauty Buka	Branch Manager (Maun)
Benjamin Mokobela	Branch Manager (Palapye)
Evelyn Modise	Branch Manager (Lobatse)
Gillian Rakwela	Branch Manager (Selebi Phikwe)
Keba Moshe	Branch Manager (Francistown)
Thomas Masifhi	Branch Manager (Gaborone)

Information Technology

Vacant	IT Manager

Finance

Kenneth Thabo Bogatsu	Finance Manager

Human Resources

Gaeyo Moshodi	Services Delivery
Mooketsi Maphane	Business Partner

Botswana Insurance Fund Management Limited

MANAGEMENT

Investment Management

Seagiso Ramatshaba	Portfolio Manager
Zoumana Kone	Portfolio Manager
Moipone Lopang	Head of Research

Operations

Ruth Tidi	Investment Accounting Manager
Keedo Segakise	Financial Manager

Corporate Communications, Marketing & Client Liaison

Glen Lekoma	Head: Corporate Communications, Marketing & Client Liaison
Tebogo Hirschfeldt	Corporate Communications & Marketing Manager

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Notes

BIHL Annual Financial Statement

For the year ended 31 December 2008

BOTSWANA INSURANCE HOLDINGS LIMITED ANNUAL REPORT 2008

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