

Touching and changing lives



BOTSWANA INSURANCE HOLDINGS LIMITED ANNUAL REPORT 2007

Purpose of this report

Botswana Insurance Holdings Limited's reporting aims to provide a balanced, understandable, complete and easily comparable view of the business, performance and prospects over the course of a financial year. Alongside the interactions and communications expected of a listed company committed to accountability, the report provides a complete view of the Group's business, strategy, performance against objectives, and prospects.

Touching and



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changing lives

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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.

1979

First Insurance Act of Botswana promulgated.

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% increase on 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.

1997

Group refocuses on the long-term life assurance, pension administration and asset management and sells the short-term subsidiary to St Paul, a US-based insurer. African Life acquires St Paul's interest in BIHL, raising its share of the company to 57.5%.

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 Botswana. 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.

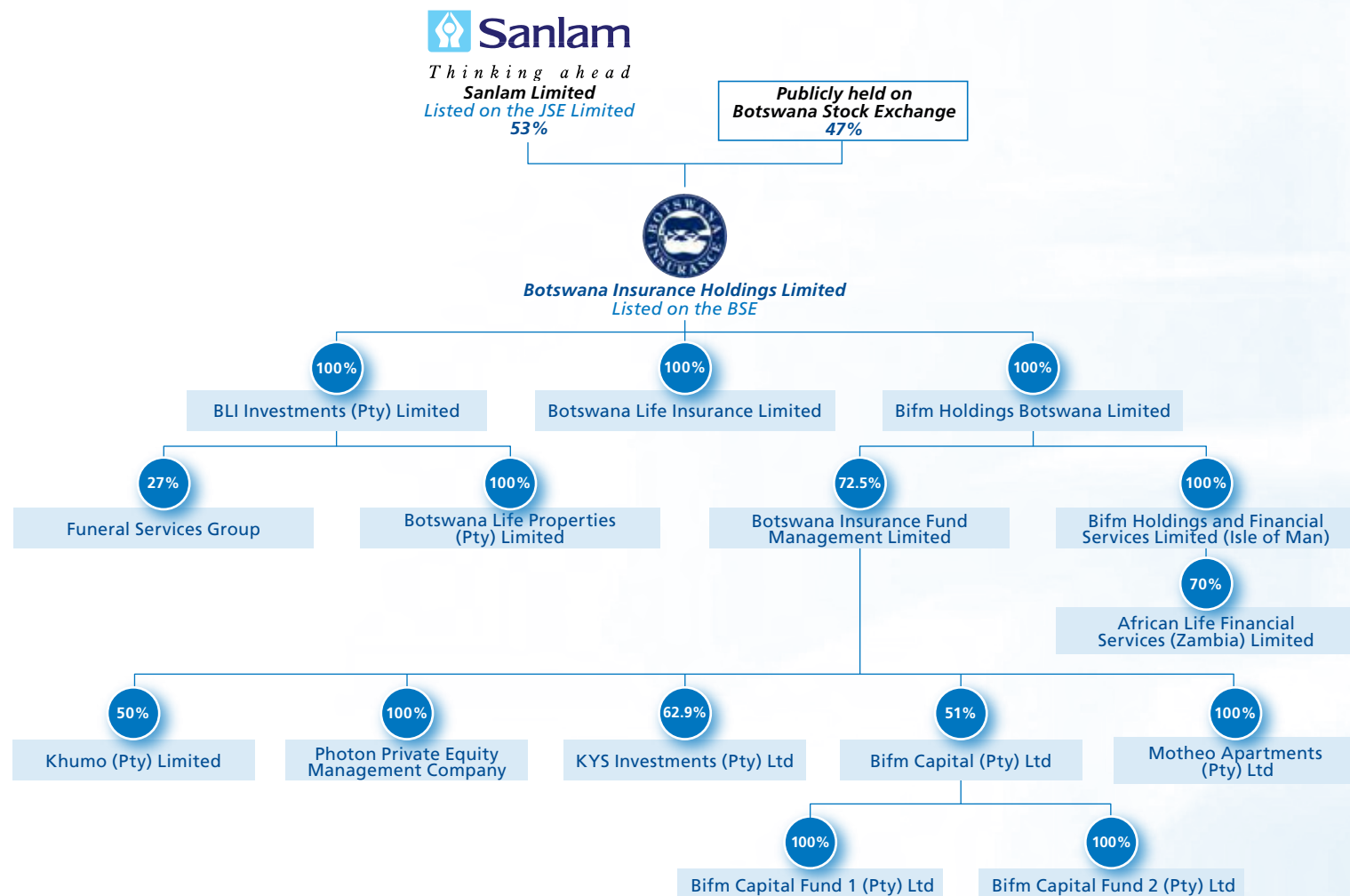
2007

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



Group Profile and Structure

Botswana Insurance Holdings Limited (BIHL) is one of the top companies listed on the Botswana Stock Exchange 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. Sanlam Limited, one of the largest financial service groups in Africa, is the majority shareholder in the BIHL Group, 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.



The lifeblood of our Nation

As the oldest and largest insurance and investments company in Botswana, Botswana Insurance Holdings Limited (BIHL) is proud of its contribution to the wealth of the nation and the services it has rendered to its policyholders and clients over the past thirty-two years.

It can justifiably claim to be an integral element of the lifeblood of the Nation alongside the mining and non-mining, industrial, commercial and the agricultural sectors.

The Minister of Finance and Development Planning succinctly summarised the position of the insurance and pension in his 2008 budget speech:

"The insurance industry reported at the end of December 2006... an asset increase of 32% since 2005. Meanwhile, the pension industry continued to show significant growth... reflecting an increase of 17.9% from December 2006. This growth was mainly driven by healthy investment returns earned on assets of pension funds. The Botswana Public Officers Pension Fund continues to be the largest fund with assets in excess of P26.6 billion... constituting about 78% of total pension funds." (Quote from the budget speech)

BIHL touches the daily lives of all men, women and children in one way or another. It assists in the creation of real wealth for our people, no matter what their age, gender, where they live or the level of their income. Everyone benefits from the wealth that life insurance and investment creates.

In the short term, policyholders may regard insurance as only providing for old age, or the means of educating children or saving for a specific event in their lives, such as purchasing a house. This is correct, but it also provides for much more than this in the longer term. To provide the funds required to generate the benefits policyholders and clients are entitled to, large investments are made by BIHL into large-scale, long-term projects that develop the nation's infrastructure, improve the standard of living and stimulate the creation of further wealth in areas such as water supply, telecommunications, transport services, mining and agriculture, and the development of commercial and industrial properties.

These investments generate financial returns that accrue to policyholders and clients by way of benefits.

When new buildings appear on the skylines of our cities, or new factories are constructed to produce more products and to provide additional employment, they represent the contribution made by individual policyholders to the prosperity of Botswana. When the individual policies have served their purpose; when children have completed their education, or loved ones laid to rest, that investment can still be seen as a memorial on the skyline or in the dams and water pipelines that serve the nation and future generations.

BIHL REALLY DOES CONTRIBUTE TO THE LIFEBLOOD OF OUR NATION.



Group Highlights

The highlights achieved by BIHL in 2007 attest to the Group's strong overall results.

■ Retained business

The Group retained considerable proportions of its existing business with Bifm successfully tendering to retain its share of the Botswana Public Officers Pension Fund and being awarded a higher share than previously administered.

■ Information technology (IT)

Good progress was made with the development of the Integrated Insurance Management System which will take the Group's Corporate Division into a new IT generation and facilitate greatly improved management systems, internal and external communication.

■ Human resources (HR)

HR was a major focus during 2007 with the Board updating its HR mandate. Emphasis is being placed on employee skills development and the commensurate revision of the performance management and recognition policy.

■ Sale of minority stake

On 31 March 2007, Bifm Holdings, a 100% subsidiary of BIHL which in turn held 100% of BIFM Botswana Limited sold 10% of BIFM Botswana to a local company called Kelsoft Pty Ltd. The shareholders in Kelsoft are citizens of Botswana and made up of the 2 executive directors of the BIHL group along with 2 non-executive directors of the BIHL group. These citizen directors are the members of the Business Retention Committee and are responsible for all business development and retention issues in the local market. Kelsoft was also given a further option to acquire an additional 2.5% of BIFM Botswana from BIFM Holdings which option period expired on 31 March 2008. The transaction formally empowered the key citizens within the group; whose efforts and counsel has helped the BIFM group enormously over the years. This therefore now ensures the sustainability of the BIFM business targets through the continued long-term commitment of its now empowered citizen shareholders.

BIFM Holdings, as an integral part of the same transaction, also sold 17.5% of BIFM Botswana to AFM Holdings, a holding company set up under the IFSC regulations and currently awaiting an IFSC licence. Once the licence is obtained, AFM Holdings will be the preferred vehicle through which Sanlam Investment Management Ltd is expected to expand in the region. 10% of AFM Holdings has been acquired by BIFM Botswana thereby ensuring their participation in the regional expansion as applicable for the benefit to then flow back into the BIHL group from such expansion. The setting up of AFM Holdings has also secured a much needed direct involvement of Sanlam Investments and its expertise into the operations of BIFM group specifically and also at the same time facilitating the participation of BIFM in the region.

Finally, as part of the same transaction, an option to acquire an additional 2.5% in Bifm has been given to Kelsoft or any other citizen or citizen-owned company if agreed upon by the three parties i.e. Bifm Holdings, AFM Holdings and Kelsoft out of the 17.5% acquired by AFM Holdings on or before 31 March 2010. This leaves scope for the group to invite other suitable shareholders into the company. If such an option is not exercised by that time, the 2.5% will resort back to BIFM Holdings Limited.

All of the above represents the ongoing commitment of the group to ensuring appropriate local participation at the appropriate levels for the ultimate benefit of all the stakeholders of the BIHL group.

■ BIHL Trust that is tasked with CSI

The Group's ongoing commitment to corporate social investment in disadvantaged communities was formalised with the establishment of a BIHL Corporate Social Investment Trust during 2007. It will be funded by an annual grant amounting to 1% of post-tax profit.

■ Future prospects

The international economic uncertainty will remain a feature during 2008 compounded by escalating fossil fuel prices, electric energy shortfalls and indications of rising domestic inflation. Nonetheless, the Group anticipates another year of good operating results.



Financial Highlights

Operating surplus **increased 21% to P216.2m**

Embedded value **increased by 35% to P1.78 billion**

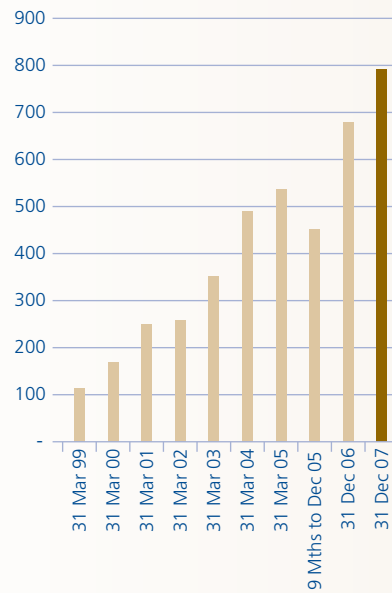
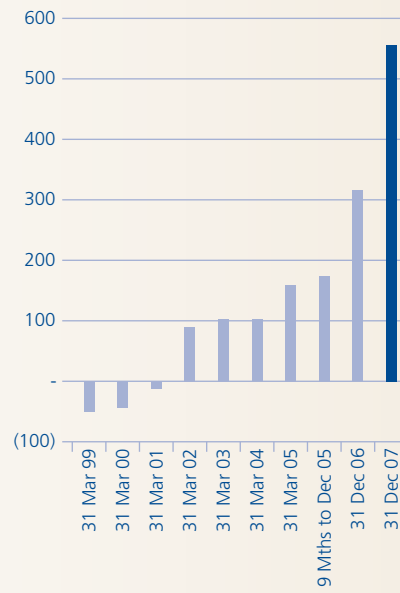
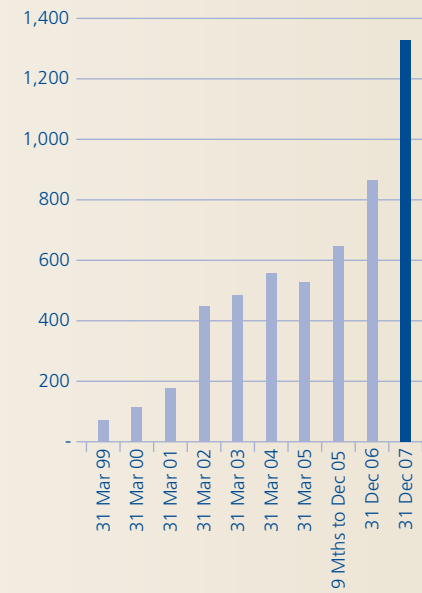
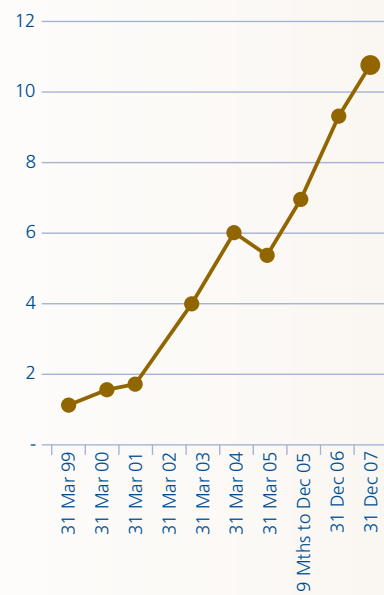
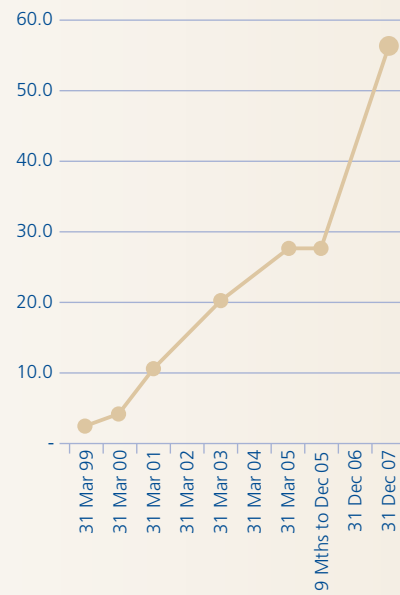
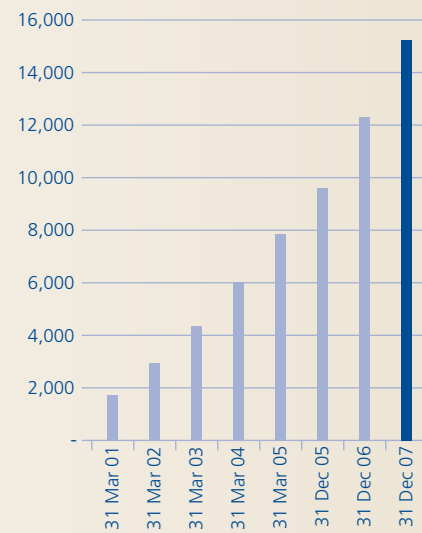
Assets under management **increased 20% to P15.1 billion**

Value of new business **increased by 32% to P84.4 million**

	Year to December 2007 P million	Year to December 2006 P million	% change
Group summary			
Premium income (net of reinsurance)	791	679	16%
Value of new business	84	64	32%
Operating surplus	216	179	21%
Total surplus	554	316	75%
Assets under management	15,115	12,462	20%
Ordinary shareholders' equity	1,317	849	55%
Total assets	10,784	9,262	16%
Embedded value	1,781	1,324	35%
Productivity			
Operating expenses to premium income and asset management fees	16%	15%	
Return on embedded value	49%	46%	
Selling expenses to premium income	15%	11%	
Shareholder investment returns to average shareholder equity	34%	14%	
Solvency and liquidity			
Capital required (times)	5.40	7.50	
Dividend cover on core earnings** (times)	1.85	1.97	
Ordinary share performance			
Basic earnings thebe per share	205.81	119.16	73%
Diluted earnings thebe per share	201.99	117.77	72%
Dividend thebe per share	56.00	42.00	33%
Embedded value thebe per share	634.00	480.00	32%
Trading prices (thebe per share)			
closing price	1,690.00	850.00	99%
high	1,825.00	850.00	115%
low	850.00	350.00	143%
Price: earnings ratio	9.00	7.13	26%
Domestic Companies Index (DCI)	8,426.72	6,195.45	36%
Number of shares in issue ('000)	281,071	275,684	2%
Number of shares traded	9,224	6,995	32%
Market capitalisation (P million)	4,750	2,343	103%
Number of shareowners	2,900	2,290	27%
Earnings yield (%)	11.00	14.02	-22%
Dividend yield (%)	2.82	4.20	-33%

** Core earnings include operating surplus and shareholder investment income, excluding investment surpluses.



PREMIUM INCOME
P million**SURPLUS AFTER TAXATION**
P million**SHAREHOLDERS' EQUITY**
P million**INVESTMENTS**
P billion**DIVIDEND PER SHARE**
thebe**ASSETS UNDER MANAGEMENT**
P million

Ten-year Review

	Year to 31-Dec-07 P'000	Year to 31-Dec-06 P'000	9 months to 31-Dec-05 P'000	Year to 31-Mar-05 P'000
Group income statement				
Net insurance	791,281	678,984	450,647	527,492
— Recurring	447,885	371,751	255,517	297,406
— Single	343,396	307,233	195,130	230,086
Pension and investment contribution				
Net gains from financial assets held at fair value through profit or loss and fee revenue	1,973,983	2,418,434	1,666,697	697,659
Total income	2,765,264	3,097,418	2,117,344	1,225,151
Selling expenses	(118,067)	(73,241)	(51,124)	(67,837)
Administrative expenses	(139,670)	(117,363)	(81,275)	(77,364)
Goodwill impaired and amortised	—	—	—	—
Net insurance claims and benefits	(343,149)	(257,557)	(149,194)	(158,008)
Change in liabilities under investment contracts	(1,038,206)	(1,700,829)	(1,299,982)	(438,329)
Change in liabilities under insurance contracts	(526,488)	(557,652)	(328,113)	(289,338)
	(2,165,580)	(2,706,642)	(1,909,688)	(1,030,876)
Surplus from operations	599,684	390,776	207,656	194,275
Share of results of associates	4,001	2,304	3,083	(3,853)
Surplus before tax	603,685	393,080	210,739	190,422
Tax	(49,867)	(77,021)	(38,150)	(33,664)
Surplus after tax	553,818	316,059	172,589	156,758
Earnings per share (thebe)				
— basic	205.81	119.2	64.9	62.1
Gross dividends per share (thebe)	56.0	42.0	27.5	27.5
Weighted average shares in issue ('000)	259,519	259,833	259,291	252,616



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	Year to 31-Mar-99 P'000
488,892	354,299	249,558	244,935	171,746	112,675
289,468	261,063	217,828	162,685	148,786	101,638
199,424	93,236	31,730	82,250	22,960	11,037
			69,304	63,884	57,656
1,100,923	(484,819)	292,371	146,372	268,115	87,941
1,589,815	(130,520)	541,929	391,307	439,861	200,616
(54,015)	(45,374)	(39,504)	(43,122)	(28,301)	(21,551)
(71,733)	(67,620)	(59,437)	(35,737)	(28,518)	(23,773)
(3,705)	(3,705)	(2,482)	—	(812)	(812)
(151,555)	(81,947)	(66,538)	(107,088)	(90,442)	(59,744)
(830,867)	482,416				
(358,943)	(32,261)	(240,126)	(200,778)	(327,060)	(125,421)
(1,470,818)	251,509	(408,087)	(386,725)	(475,133)	(231,301)
118,997	120,989	133,842	4,582	(35,272)	(30,685)
(1,537)	2,427	9,709	8,544	4,552	—
117,460	123,416	143,551	13,126	(30,720)	(30,685)
(13,620)	(21,576)	(54,266)	(22,685)	(44)	(7,317)
103,840	101,840	89,285	(9,559)	(30,764)	(38,002)
38.3	37.0	52.6	22.7	132.4	82.2
23.5	20.0	15.0	10.0	40.0	24.0
269,369	267,257	275,684	261,481	24,844	23,920



Ten-year Review *(continued)*

	At 31-Dec-07 P'000	At 31-Dec-06 P'000	At 31-Dec-05 P'000	At 31-Mar-05 P'000
Group balance sheet				
Property, plant and equipment	13,962	20,666	43,873	47,527
Intangible assets	16,337	14,649	15,610	16,632
Investments	10,661,753	9,112,637	6,767,586	5,390,907
Trade and other payables	91,807	81,042	98,568	86,096
Total assets	10,783,859	9,228,994	6,925,637	5,541,162
Ordinary shareholders' equity	1,317,057	849,136	644,588	506,506
Minority interest	55,006	21,172	17,723	13,051
Policyholder liabilities	9,129,979	8,140,007	6,114,114	4,882,945
— insurance contracts	2,683,973	2,157,459	1,599,913	1,287,454
— investment contracts	6,446,006	5,982,548	4,514,201	3,595,491
Deferred tax	70,246	50,664	17,494	13,785
Trade and other payables	211,571	168,015	131,718	124,875
Total equity and liabilities	10,783,859	9,228,994	6,925,637	5,541,162
Group cash flow				
Cash generated from operating activities	1,203,245	260,844	73,619	15,157
Interest received	212,345	148,523	85,280	164,903
Tax paid	(134)	(50,044)	(10,850)	(21,838)
Cash flow from operations	1,415,457	359,323	148,049	158,222
Dividends (paid)/received	39,710	(46,095)	(48,438)	(68,922)
Net cash retained	1,455,167	313,228	99,611	89,300
Net cash invested	(1,038,196)	(1,267,948)	319,082	(89,455)
Net financing raised	416,971	(954,720)	418,693	(155)
Increase in shareholder funding	—	—	—	1,124
Net cash flow from financing activities	—	—	—	1,124
Increase/(decrease) in cash and cash equivalents	416,971	(954,720)	418,693	969



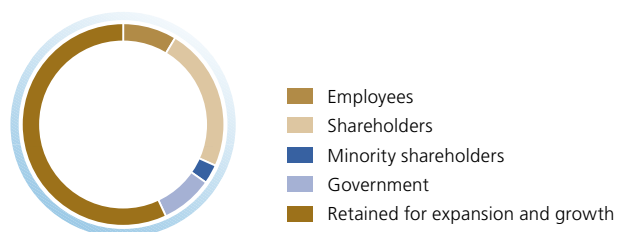
At 31-Mar-04 P'000	At 31-Mar-03 P'000	At 31-Mar-02 P'000	At 31-Mar-01 P'000	At 31-Mar-00 P'000	At 31-Mar-99 P'000
16,497	18,091	17,296	7,582	7,903	7,375
16,121	18,649	22,020	24,648	11,137	11,849
6,007,611	4,423,241	2,970,647	1,727,043	1,491,613	1,114,366
214,203	189,301	158,881	99,138	70,738	64,469
6,254,432	4,649,282	3,168,844	1,858,411	1,581,391	1,198,059
549,852	483,167	450,864	171,001	107,530	73,468
17,207	7,396	7,441	5,642	314	—
5,567,539	3,989,152	2,497,034	1,564,096	1,386,281	1,059,221
1,020,160	661,002	628,741			
4,547,379	3,328,150	1,868,293			
7,434	305	1,152	—	—	—
112,400	169,262	212,353	117,672	87,266	65,370
6,254,432	4,649,282	3,168,844	1,858,411	1,581,391	1,198,059
611,092	2,270,601	1,279,560	223,882	157,553	126,148
57,550	60,932	19,419	33,456	25,639	18,850
(74,871)	(54,750)	(32,056)	(7,124)	(1,088)	(296)
593,771	2,276,783	1,266,923	250,214	182,104	144,702
(60,650)	(45,761)	(12,766)	(449)	(27)	(7)
533,121	2,231,022	1,254,157	249,765	182,077	144,695
(534,013)	(2,232,460)	(1,254,937)	(248,427)	(183,498)	(145,504)
(892)	(1,438)	(780)	1,338	(1,421)	(809)
1,489	—	2,585	2,543	1,983	—
1,489	—	2,585	2,543	1,983	—
597	(1,438)	1,805	3,881	562	(809)



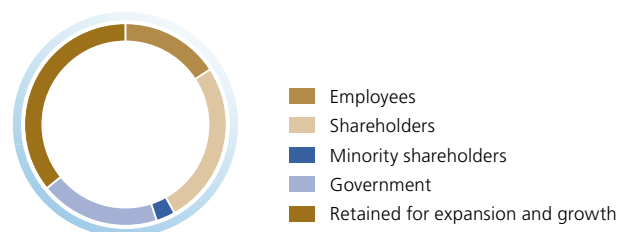
Value Added Statement

	Year to 31 December 2007 P'000	Year to 31 December 2006 P'000
Value Added		
Income from operations	1,204,572	841,241
Operating expenditure	(254,079)	(183,980)
Policyholder benefits paid	(343,149)	(257,557)
	607,343	399,704
Value Distributed		
<i>To employees</i>		
Salaries, wages and other benefits	51,990	65,520
<i>To ordinary shareholders</i>		
Dividends	139,609	105,486
<i>To minority shareholders</i>		
	19,697	6,450
<i>To Government</i>		
Taxation	49,867	77,021
<i>To expansion and growth</i>		
Reinvested in the business for future growth	322,942	106,153
Amortisation	1,066	2,823
Depreciation	2,591	3,801
Deferred taxation	19,582	32,450
	346,181	145,227
	607,343	399,704
Summary		
Employees	9%	16%
Shareholders	23%	26%
Minority shareholders	3%	3%
Government	8%	19%
Retained for expansion and growth	57%	36%
	100%	100%

Value Added Distribution 2007



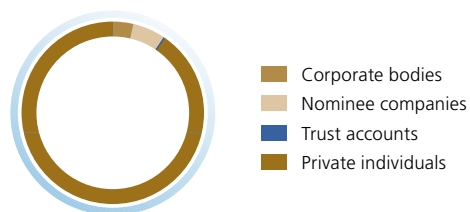
Value Added Distribution 2006



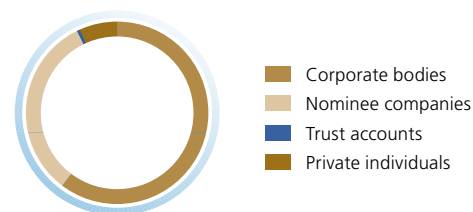
Share Analysis - Ordinary Shareholders

	Shareholders		Shares held	
	Number of holders	% of holders	Shares held	% of shares
Range of Shareholding				
1 — 5,000	2,127	73	2,136,838	1
5,001 — 10,000	295	10	2,117,130	1
10,001 — 50,000	333	11	7,315,166	3
50,001 — 100,000	54	2	3,579,959	1
100,001 — 500,000	59	2	11,256,983	4
500,001 — 1,000,000	13	0	9,669,293	3
OVER 1,000,000	19	1	244,995,283	87
	2,900	100	281,070,652	100
Top ten shareholders				
Sanlam Limited			149,519,224	53
Stanbic Nominees Botswana (Pty) Ltd [Re: BIFM BPOPF]			17,252,732	6
Barclays Bank of Botswana Limited Nominees [Re: IAM 030/14]			12,571,370	4
Stanbic Nominees Botswana (Pty) Ltd [Re: BIFM]			12,447,490	4
Botswana Motor Vehicle Accident Fund			10,735,164	4
Barclays Bank of Botswana Limited Nominees [Re: FAM BPOPF]			10,259,135	4
BIHL Employee Share Scheme Trust			5,076,615	2
Barclays Bank of Botswana Limited Nominees [Re: SSB 001/1]			4,949,768	2
Barclays Bank of Botswana Limited Nominees [Re: AG 211/002]			3,849,992	1
Stanbic Nominees Botswana (Pty) Ltd [Re: AG 13001100]			3,185,251	1
Other			51,223,911	18
			281,070,652	100
Category	Shareholders		Shares held	
	Number	%	Number	%
Corporate bodies	106	3.75	165,410,288	60.27
Nominee companies	169	2.36	91,354,959	32.46
Trust accounts	4	0.13	5,457,788	0.54
Private individuals	2,621	93.76	18,847,617	6.73
	2,900	100.00	281,070,652	100.00

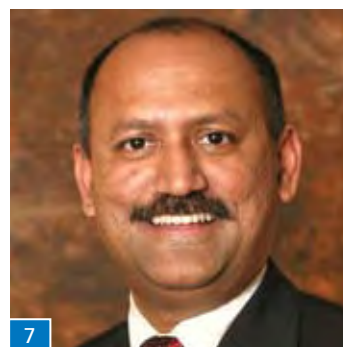
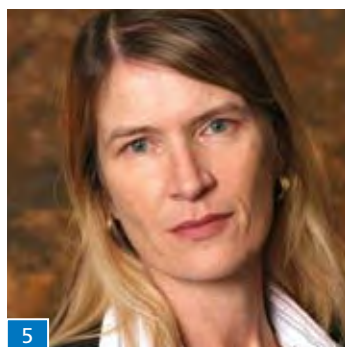
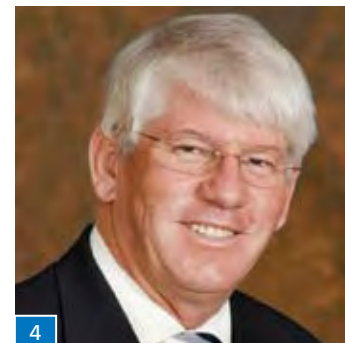
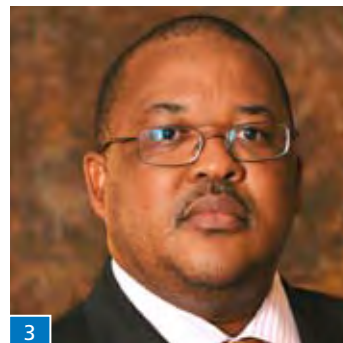
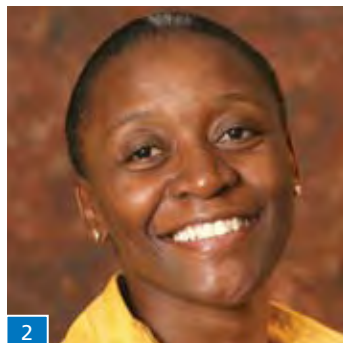
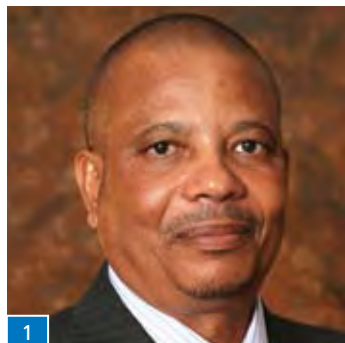
Breakdown of Shareholders 2007



Breakdown of Shares held 2007



Board of Directors



1. Maclean C. Letshwiti*BA (UB); PMD (UCT)*

Chairperson: BIHL

Independent Non-executive director

Other Directorships: Avis (Pty) Ltd;

Fedics Food Services (Pty) Limited;

Micro Provident Botswana Ltd.

Appointed Chairman on 25

November 2003.

2. Regina D. Sikalesele - Vaka*LLB (UB)*

Joint MD BIHL; CEO Botswana Life Insurance Limited, Executive director.

Other Directorships: Trustee: FNBB Foundation, Member: University of Botswana Council. Member: BOCCIM. Appointed to the board on 1 July 2003.**3. Victor J. Senye***BCom (Accounting) (UB); MSc (Management), (Arthur D Little School of Management, Boston, USA)*

Joint MD BIHL; CEO Bifm Limited Executive director.

Other Directorships: Healthcare Holdings Ltd, Healthcare Management Services, KYS Investments, Turnstar Holdings. Appointed to the board on 1 January 2005.**4. John A. Burbidge***FCA; CA (SA)*

Non-executive director

Other Directorships: Micro Provident Botswana Limited, Funeral Services Group. Appointed to the board on 22 November 1995.**5. Margaret M. Dawes***BSc (Hons) (University of London), ACA (UK); CA (SA); HDip Tax Law (Wits)*

Non-executive director

Executive director: Finance - African Life Assurance Co Limited. Appointed to the board on 2 February 2005.

6. Happy N. Fidzani*BA (Econ) (UB); Dip Population Studies (University of Ghana); MEcon (Williams College, USA); MPolitical Economy (Boston); PhD (Boston)*

Independent Non-executive director

Executive Director: Botswana Institute for Development Policy Analysis (BIDPA)

Other Directorships: International Financial Service Centre (IFSC) Board member: Botswana Meat Commission. Appointed to the board on 22 November 2004.**7. Sanjeev Gupta***BCom Hons FCA (India);*

Non-executive director

Managing director: Emerging Markets, SIM director:

Other Directorships: Healthcare Holdings Ltd. KYS Investments Appointed to the board: 1 July 2003.**8. Keith R. Jefferis***BSc (Economics) (University of Bristol); MSc (Economics) (University of London); PhD (Economics) (Open University UK)*

Independent Non-executive director

Managing director: Consult (Pty) Ltd Member: Committee of Botswana Stock Exchange. Appointed to the board on 1 April 2005.

9. Francois J. Kellerman*B. Acc (Hons); CA(SA) CFA*

Non-executive director

Head of Finance: Sanlam Investment Management

Other Directorships: BIHL Satrix Managers. Appointed to the board on 15 August 2007.**10. Douglas N. Lacey***B.Com (Hons) MBL FCII*

Non-executive director

Divisional Chief Executive - Rest of Africa.

Other Directorships: Pan African Insurance Holdings, African Life Botswana. Appointed to the board on 15 August 2007.**11. Heinie C. Werth***BACC, CA (SA), MBA, EDP*

Non-executive director

Chief Executive Officer: Sanlam Developing Markets. Appointed to the board on 15 May 2006.

BIHL Audit Committee

Margaret M. Dawes (Chairperson)

Maclean C. Letshwiti

Regina D. Sikalesele - Vaka

Victor Senye

Sanjeev Gupta

Francois J. Kellerman

BLIL Investment Committee

Margaret M. Dawes (Chairperson)

Francois J. Kellerman

Maclean C. Letshwiti

Regina D. Sikalesele - Vaka

BIFM Investment Committee

Keith R. Jefferis (Chairperson)

Victor Senye

Sanjeev Gupta

Happy N. Fidzani

Human Resources Committee

Happy N. Fidzani (Chairperson)

Sanjeev Gupta

Douglas N. Lacey

Nomination Committee

Heinie C. Werth (Chairperson)

Sanjeev Gupta

Douglas N. Lacey

Maclean C. Letshwiti

Ad Hoc Committee for Review of Excess Capital

Heinie C. Werth

Maclean C. Letshwiti

Douglas N. Lacey

Regina D. Sikalesele - Vaka

Victor Senye



Chairman's Letter



Lekwalo la Modulasetilo

"BIHL is a truly Botswana company, efficiently run and managed by Botswana for the benefit of Botswana. As chairman of the Group, that makes me very proud."

"BIHL ke kompone ya Botswana tota. E tsamaisiwa ka manontlhotlho ke Botswana, go sologela Botswana molemo. Se se ntira motlotlo jaaka modulasetilo wa lekgotla la botsamaisi la kompone."

DEAR STAKEHOLDER,

It is once again my privilege to report to you on the creditable financial performance recorded by BIHL during 2007.

By most accounts, the economic conditions in Botswana during 2007 saw a significant improvement on 2006. Real GDP grew by 6.2%; the mining sector recorded growth of 5.2% and the non-mining sector 6.8% growth. The financial services sector's growth, including insurance, grew by an average of 6.6%. 2007 was also a year of achievement for the Group; the most important being the realisation of benefits flowing from the restructuring process of the last two years. They have produced results confirming the Group's leading position in the insurance and fund management industries in Botswana.

The Group's operating surplus increased by 21% during 2007 to P216.2 million. Assets under management increased by 20% to P15.1 billion, and embedded value grew by 35% to P1.78 billion. The total net dividend declared for 2007 increased by 33% to 47.60 thebe per share.

These significantly improved results for 2007 attest to the inherent strength and sustainability of the Group and to the excellent performance of its management team.

ECONOMIC ENVIRONMENT

Historically, Botswana's GDP has grown between 8% and 9% per annum, but following the devaluations of the pula in 2004 and 2005, the growth slowed to between 4% and 5% during 2006. The real GDP grew by 6.2% by the end of 2007. The recovery is indicated by the significant increase in the export to import ratio, illustrating the benefits of the earlier devaluations.

The 2007 national budget set the scene for renewed growth. It was followed by a marked improvement in business optimism with increased activity in the mining sector. Markets were vibrant, consumer confidence and demand grew, although inflation became a cause for concern towards year-end.

Until the second half of 2007, Botswana was relatively immune from the turmoil in the international financial markets following the mortgage

GO BANA LE SEABE,

Ke boitumelo mo gona go bona sebaka se sengwe gape sa go le rolela pego e e supang ka fa kompone ya rona BIHL e dirileng ka teng mo go tsa madi mo ngwageng wa 2007.

Ka kakaretso seemo sa itsholelo se ne se le botoka fela thata mo ngwageng wa 2007 fa o tshwantshanngwa le wa 2006. Seemo sa ntsho dikungo se godile ka 6.2 %, mhama wa meepo o nnile le kgolo ya 5.2% mme mehama e e seng ya meepo e bone kgolo ya 6.8%. Mhama wa tsa madi o o akaretsang di inshoreense o godile ka 6.6%. 2007 e nnile ngwaga wa kgolo mo dikomponeng tsotlhe tsa rona, mme kgolo e tona thata ele maduo a kago sesha ya kompone mo dingwageng tse pedi tse di fetileng. Maduo a kago sesha a netefaditse fa re santse re le kompone e e kwa go dimo mo mererong ya inshoreense le dipeeletso tsa madi.

Madi a a setseng mo go aa dirisiwang go tsamaisa dikompone tsa rona a godile ka 21%, eleng P216.2 million mo ngwageng wa 2007. Dithoto tsa babeetsi tse di mo tlhokomelong ya rona di godile ka 20%, eleng P15.1 billion, mme kgolo ya dithoto tse re nang le tsone(EMBEDDED VALUE) e nnile 35%, e leng P1.78 billion. Madi a a neelwang bana le seabeng mo ngwageng wa 2007 a godile ka 33% go nna dithebe dile 47.60 mo seabeng sengwe le sengwe.

Kgolo e e kanakana e e supagalang mo maduong a rona ke sekao sa botsamaisi bo bo nonofileng, go itsetlela ga mmogo le go dira sentle ga dikompne tsa rona.

SEEMO SA ITSHOLELO

Mo dingwageng tse di fetileng selekanyo sa ntsho dikungo mo Botswana se ntse se le magareng ga 8% le 9% ka ngwaga, mme e rile morago ga go fokotsa bokete jwa ledi la Pula ka 2004 le 2005 selekanyo se sa boela tlase go magareng ga 4% le 5%. Selekanyo sa ntsho dikungo se godile ka 6.2% fa ngwaga wa 2007 o ya bokhutlong. Itsetsepelo gape ya itsholelo e supilwe ke kgolo e e kwa godimo ya dithoto tse di romelwang kwa ntle fa e bapisiwa le ya tse di tlang mono gae mme se se supa maduo a phokotso ya bokete jwa ledi la Pula.

Tekanyetso kabo madi ya 2007 ene ya tsisa seemo se se siametseng kgolo ya itsholelo. Maemo ane a supa fa gona le mowa wa tsholofelo mo dikgwebong, se se supilwe ke kgolo mo ditirong tsa meepo. Meberaka ene e phophoma, baji bareki bane ba tiile moko mme ebile keletso ya bone ya go reka e ile godimo le ntsa seemo sa kgolo ya ditlhwatlhwa se ile sa tsenya tlhobaelo fa ngwaga o ya phelelong.



Chairman's Letter *(continued)*

subprime crisis. However, the resultant general economic slowdown and rising domestic inflation towards the end of 2007 could impact adversely on Botswana during 2008.

The rise in business confidence in 2007 is attributable to a number of factors. Domestically, government spending increased with expenditure in the first nine months rising 22% compared with 2006. Most of this increase was in development spending that stimulates the domestic economy through employment and expenditure on locally supplied goods and services. The increased mineral prospecting activity, new mining and processing projects and the likelihood of further large mining-related developments in the medium term revealed a new dynamism in this sector of the economy.

The regional and international economic environments were supportive most of the year with buoyant global economic growth also in the Southern African region prior to the emergence of the mortgage subprime crisis. The increase in inflationary pressure was driven primarily by developments in the global food and energy markets.

PERFORMANCE

The key financial statistics that traditionally reflect the measure of BIHL's success are, in the case of Botswana Life, return on embedded value and, in the case of Botswana Insurance Fund Management, the value of assets under management. The Group's embedded value at the end of 2007 was P1.78 billion, 35% higher than the P1.3 billion of the previous year. The value of assets under Bifm's management increased by 20% from P12.1 billion in 2006, to P15.1 billion during 2007.

These results once again attest to BIHL's remarkable performance. At the same time, we cannot rely on this historic trend and expect to achieve the consistent high levels of growth our shareholders justifiably expect of us.

Our biggest future challenge is to seek new and innovative business opportunities while maximising our existing markets.

Advantages in the short term will flow from the government's privatisation programme and we will partner with government and other industry players to this end. Meanwhile, your board has evolved a strategy to address long-term sustainable growth.

Pele ga sephatlo sa bobedi sa 2007, Botswana o ne ale sego ka jaana ane a sa amiwe ke tlhakatlhakano e e nnileng teng mo mebarakeng e megolo ya madi go latela mathata a (SUB PRIME). Kwelo tlase mo kgolong ya itsholelo ga mmogo le kgolo ya ditlhwatlhwa (inflation) tse di nnileng teng fa ngwaga wa 2007 o ya fifing di ka nna le ditlamorago tse di sa siamang mo ngwageng wa 2008.

Go mabaka ale mantsi a a bakileng tsholofelo e e kwa godimo mo dikgwebong ka ngwaga wa 2007. Mono gae, madi a a diriswang ke goromente go reka le go dira ditiro mo dikgweding tsa ntsha dile robongwe e nnile 22% fa e tshwantshanngwa le ka 2006. Bontsi jwa kgolo e ene ele mo mading a ditlhabololo tseo di rotloetsang kgolo ya itsholelo ka go tlhama ditiro ga mmogo le go rekwa ga dithoto tse di tswang mono gae.

Kgolo mo go dupeng ditswa mmung ga mmogo le kgonagalo ya koketsego ya ditiro tsa meepo mo nakong e e gaufi e supile phetogo mo mhameng o wa itsholelo.

Seemo se se phophomang sa itsholelo mo mahatsheng a re bapileng nao ga mmogo le lefatshe ka kakaretso se re thusitse fela thata. Kgolo ya ditlhwatlhwa e tlhotlheleditswe ke dilo tse di neng di diragala mo mebarakeng ya dijo ga mmogo le ya maatla/kgotetso.

RE DIRILE JANG

Dipalo tse di botlhokwa tse di supang ka fa BIHL e dirileng sentle ka teng di eme jaana: kgolo ya dithoto (EMBEDDED VALUE) tse Botswana Life e nang le tsone, ga mmogo le kgolo ya dithoto tsa babeeletsi tse o di tsamaisiwang ke Botswana Insurance Fund Management. Kgolo ya dithoto tsotlhe tsa kompone (EMBEDDED VALUE) fa ngwaga wa 2007 o wela ene ele P1.78 billion, e eleng kgolo ya 35% fa a bapisiwa le P1.4 billion mo ngwageng o o fetileng. Tlhwatlhwa ya dithoto tsa babeeletsi tse di tlhokometsweng ke BIFM e godile ka 20% gotswa go P12.1 billion ka 2006 go ya go P15.1 billion ka 2007.

Maduo a ke sekao sa tiro e e manontlhotlho e e dirwang ke BIHL. Le fa gontse jalo re ka se ikaege ka tse re di direleng mme ra solofela fa re tlaa tswelela re dira bontle jaaka babeeletsi mo komponeng ya rona ba solofela.

Kgwetlho ya rona e kgolo ke go batla metlhala e mesha ya go dira madi ga mmogo le go lwela go nna le seabe se segolo me mebarakeng ya jaanong.



On a domestic level, the greatest challenge for BIHL is to develop more efficient processes in the way we do business, particularly by improving our IT capability and human resources development. Business becomes more complex as it grows and we must position ourselves in the forefront of technological development. We need to examine everything we do, every process we employ, because there is bound to be a better way of doing it. This is the challenge of innovation. The board took the initiative with BIHL's recently completed restructuring phase. BIHL management will continue to pay close attention to the imperatives of modernisation and localisation. We are bringing about a paradigm shift - we must meet the challenges of change and we need to manage that change energetically.

We are seriously evaluating our attitude towards business on an ongoing basis. Notwithstanding the technological revolution taking place, we are also looking at the basics of doing business. We are examining and asking ourselves how relevant we are to our customers in this modern day, and how we can add value to their investments. We will maintain and expand BIHL's relevance to the society as a whole.

To achieve all this, we will retain and develop our innovative management teams. Thus, the recruitment, training and development of our human capital resources constitute an even more essential component than before.

To expand business growth, we intend diversifying into other income generating activities within the financial services industry, and there is a great deal of opportunity within Botswana without having to look elsewhere in the region. In this process of expansion and diversification, we will contain the rising costs of delivering service to retain profitability. This also emphasises the importance of state-of-the-art information technology. We are developing strategic relationships with other organisations that have a nationwide reach to existing and potential customers.

We are also developing a good working relationship with Sanlam and are gaining an understanding of each others' capabilities and needs. We are exploring positive synergies to our mutual advantage and have seconded a senior management team to the Sanlam head office to access experience in the field of human resource development and other business areas.

Mo nakong e khuthswane re ka solofela sengwe mo lenaneong la itholo ditiro la mmuso. Re tlaa ikopanya le puso ga mmogo le dikgwebo tse dingwe go bona gore re ka ungwa eng mo lenaneong le. Le fa go ntse jalo, lekgotla la batsamaisi le tlike ka lenaneo le le tlaa godisang kompone mo sebakeng se se leele.

Kgwetlho e nngwe e re nang nayo ke go tla ka ditsela tse di botoka tsa go dira kgwebo, bogolo jang mo go tsa maranyane ga mmogo le tlhabolola ya bodiredi. Kgwebo e nna marara ga e ntse e gola mme re tshwanelwa ke go ipaa mo seemong se se kwa pele mo mererong ya tsa boranyane. Re tshwanelwa ke go sekaseka tsotlhe tse re di dirang, sengwe le sengwe se re se dirisang ka jaana go seka go tlhokafala tsela e e botoka ya go dira sepe fela. Lekgotla la botsamaisi le ile la tsaya kgato, eleng ntshafatso ya kompone e e sa tswang go wela. Botsamaisi jwa kompone bo tlaa tswelela bo tlhomile leitho tlhokego ya go baa kompone mo dinakong le diphetogo ga mmogo le go naya beng gae ditiro. Re fetola mokgwa wa go dira dilo, re tshwanelwa ke go itebaganya le dikgwetlho tse di re lebaneng.

Re tsweletse ka go sekaseka mokgwa wa rona wa go dira tiro. Re etse tlhoko ditsetla tsa konokono tsa go tsamaisa kgwebo mme fela ga re itlhokomolose tiriso ya maranyane e e goelang pele. Re a ltshekatsheka mme re lpotsa gore aa re santse re na le mosola ga mmogo le go tliša boleng mo go bao re ba direlang mo dinakong tsa segompieno. Re tlaa tswelela re dira gore BIHL enne botlhokwa mo setshabeng ka kakaretso. Go kgona se, re tlaa tlhabolola le go tlhomamisa gore batsamaisi ba rona ba ba botlhokwa ga ba re tlogele. Ka jalo go ngoka, go rutuntsha le go tlhabolola bodiredi e tlaa nna kang ya konokono go gaisa jaaka pele. Go gidisa kgwebo, re ikaelela go kabakanya mme re beeletse mo dilong tse dingwe mo mhameng wa tsa madi ka jaana gona le le ditshono dile dintsi hela thata mono gae moo ebile go sa tlhokegeng gore re lebe ko ntle. Mo thulaganyong e ya go godisa kgwebo le kabakanyo re tlaa tlhomamisa gore ditshenyegelo di nna kwa tlase gore re tle re kgone go bona dipelo. Se se gatelela botlhokwa jwa go nna le didirisiwa tsa maranyane tsa maemo a a kwa godimo. Re tsweletse gape ka go ikgolaganya le ditheo tse dingwe tse di kgonang go fitlhella batho lefatšhe ka bophara go re kgontsha go fitlhella bao re dirang le bone ga mmogo le bao re ka dirang le bone mo isagong.

Re tsweletse sentle ka go betla tirisanyo le Sanlam, mme ebile re simolotse go tlhaloganyana. Re sekaseka dilo tse re ka di kopanelang mme tsa re ungwela rotlhe. Ka go rialo re rometse bangwe ba batsamaisi ba rona ba bagolwane kwa Sanlam goya go tsaya botsipa mo mererong ya bodiredi ga mmogo le e megwe ya kgwebo.



Chairman's Letter *(continued)*

Over the years, we have become the custodians of the people's savings. I think we have done that remarkably well and I believe the significant acceptance of our latest range of products confirms this. By expanding our infrastructure and reach into all areas of Botswana, we are continuing to meet the needs of our society, thereby securing the future of our policyholders and their families. The major challenge facing BIHL is to sustain the high standards we set ourselves, and we rededicate ourselves to our pledge to serve all our stakeholders to the best of our ability as a Group.

BIHL is one of the largest listed companies in Botswana, serving the life insurance and investment needs of its society, and we accept our responsibility for contributing to the development of communities in which we do business. In the past, we have done this on a relatively informal basis as needs presented themselves.

Our approach became more structured during 2007, when the Board established a Corporate Social Investment Trust into which BIHL will invest 1% of its post-tax profit annually to fund community activities as set out in the Deed of Trust. The broad purpose is to contribute to self-sufficiency and self-sustainability in disadvantaged communities in Botswana. As opposed to donations, investments in these self-sufficiency projects will instil a sense of pride and achievement into these communities.

During the year, the sale of a minority stake of 27.5% in Bifm Botswana was successfully concluded to a local consortium and Sanlam Investment Management. We anticipate this will facilitate a closer linkage to the Group's asset management business and will also result in increased and more direct citizen empowerment. This will better position the Group to manage its staff retention and technical expertise.

OUTLOOK

We entered 2008 witnessing disturbing levels of uncertainty in the global economy for a variety of reasons. Fears of recession in the US are intensifying. This could have a widespread impact on the world economy and Botswana is unlikely to be left unscathed.

Domestically, the main economic problem is likely to be inflation, especially during the first half of 2008, which could lead to higher interest rates. During the latter part of 2007, inflation showed an upward trend resulting mainly from higher international crude oil prices and some higher food prices. Energy resources are under pressure and costs are likely to increase

Ke dingwaga di le dintinyana re ntse re le batlhokomedi ba dipoloko tsa batho. Ke dumela gore go bo babeeletsi ba tsweletse ka go amogela ditsela tsa rona tse disha tsa go beeletsa madi a bone e le sesupo sa gore re dirile go tlaa diatla. Go tsharololela diphuka tsa rona lefatshe ka bophara ke sesupo sa gore re tsweletse ka go batla go fitlhelela dikeletso tsa Batswana mme ka go rialo re sireletsa isago ya bao ba beeditseng mo go rona (POLICY HOLDERS) ga mmogo le ba malwapa a bone.

Kgwetlho e kgolo e e lebaneng BIHL ke go tshegetsa seemo se se kwa godimo se re se ipeetseng, mme ka jalo re boa re itlama gape go direla bao re dirang le bone ka manontlhotlho.

BIHL ke nngwe ya dikompone tse ditona tse di kwadisitsweng kwa mmarakeng wa diabe wa Botswana, e direla di inshore tsa matshelo ga mmogo le dikeletso tsa dipeeletso tsa setshaba. Re amogela boikarabelo jwa rona jwa go nna le seabe mo go tlhabololeng setshaba seo re direlang mo go sone. Mo nakong e e fetileng re ne re dira se fela fa gone go na le kopo e e dirlweng ese gore ke boikarabelo jwa rona. Ene yare ka 2007, ra fetola se mme lekgotla la botsamaisi la tlhama letlole la dithuso tsa setshaba. BIHL e abela letlole le peresente ele nngwe ya dipolelo tsa yone morago ga legetho ngwaga le ngwaga go thusa setshaba. Maikaelelo magolo a thulaganyo e ke go rotloetsa boipelego mo bathong bao ba tlhangelang. Re dumela gore ditiro tse re thusang batho ba ka tsone di mosola fela thata ka jaana di ba thusa go ikemela ka nosi gona le go ba fa madi gangwe le gape.

Theko ya seabe se sebotlana sa 27.5% mo BIFM Botswana ke dikompone tsa mono gae tseo di neng di ikopantse le Sanlam Investments Management e tsamaile sentle. Re solofela gore se se tlaa tiisa kgolagano le BIFM le go nonotsha go neela beng gae ditiro/dikgwebo. Se mme se tlaa boa se thusa kompone go tlhomamisa gore bodiredi ga bo re tlogele.

TBELOPELE

Tshimologo 2008 e nnile le mabaka ale mantsi a a neng a tsisa ketsaetsego mabapi le seemo sa itsholelo lefatshe ka bophara. Letshogo mabapi le kwelo tlase ya seemo sa itsholelo kwa Amerika e golela pele. Seemo se se ka nna le ditla morago tse dintsi mo itsholelong ya lefatshe mme le rona mo Botswana ga gona jaaka re ka tlhoka go amega.

Mono gae mathata a magolo mo itsholelong e ka nna kgolo ya ditlhwatlhwa bogolo thata mo dikgweding tse thataro tsa ntlha tsa ngwaga. Seemo se se ka baka kgolo ya merokotso ya kadimo madi. Kgolo ya ditlhwatlhwa e ile ya gakala mo befelong jwa ngwaga wa 2007 ntateng ya ditlhwatlhwa tse di kwa godimo tsa ole e e sa tlhotlhiwang ga mmogo le tlhwatlhwa tsa dijo.



because Botswana is exposed to both tariff increases and supply disruptions from South Africa. This constitutes not only a price threat, but could also hinder investment and growth.

Although disturbing, these threats have been identified early and can be factored into future planning.

Notwithstanding these negative indicators, there are strong indications of continued growth in most sectors of the Botswana economy and BIHL expects the strong growth experienced in recent years to be maintained.

THE BOARD AND APPRECIATION

During the year under review, the board reluctantly took leave of Mr Johan van der Merwe, a Sanlam representative, who was appointed in August 2006. I thank him for his valued contribution. Mr Heinie Werth continues to represent Sanlam on the board. I have pleasure in welcoming Messrs Douglas Lacey and Francios Kellerman, experienced insurance and asset management practitioners respectively who were appointed to the board in August 2007. We look forward to benefitting from their expertise and experience in the years ahead.

I especially thank the Joint Group Managing Directors, the Group's Executive Management teams and all BIHL members of staff for their hard work and dedication to the Group during 2007. Their enthusiasm, expertise and skills played a major role in achieving the successes recorded in this annual report.

Finally, but most important, I thank the hundreds of thousands of BIHL customers, agents, brokers and business associates for their continued loyal support and without whom BIHL would have no purpose.

We at BIHL look forward to contributing to an even greater Botswana during 2008.

Maclean C Letshwiti



Chairman
Botswana Insurance Holdings Limited
14 February 2008

Metswedi ya kgotetso/maatla e mo kgatelelong ka jaana Botswana o lebanwe ke kgolo ya ditlhwatlhwa ga mmogo le mathata a tlhalelo ya motlakase kwa Aforika Borwa. Se gase tlise matshosetsi mo ditlhwatlhweng fela mme se tshosetsa le yone peeletso mo lefatsheng leno ga mmogo le kgolo ya itsholelo.

Se se nametsang ke gore matshosetsi a a lemogilwe go sale gale mme ka jalo ka elwa tlhoko fa go dirwa mananeo a ditogamaano. Ere le ntswa gona le dilo tse di tshwenyang fela gone gona le tsholelo ya kgolo mo mehameng e le mentsi ya itsholelo mme ka jalo BIHL e solofela gore kgolo e e ltemogetsweng mo dingwageng tse di sa tswang go feta e tlaa tswelela e nna teng.

MALEBO GO TSWA LEKGOTLENG LA BOTSAMAI SI

Mo ngwageng o re o sekasekang o, lekgotla la botsamaisi le ile la amogela ka meno a maleele go rola tiro ga ga Rre Johan van de Merwe, moemedi wa Sanlam yo o neng a tlhomiwa mo lekgotleng la botsamaisi ka kgwedi ya Phatwe, ngwaga wa 2006. Ke mo lebogela gobo a nnile le seabe se segolo mo go rona. Rre Heinie Werth o tswelela ka go emela Sanlam mo lekgotleng la botsamaisi. Ke boitumelo jo bogolo go amogela Borre Douglas Lancey mo go tsa inshoreense le Francios Kellerman mogo tsa tlhokomelo ya dipeeletso tsa setshaba. Bobedi jo bo tlhomilwe mo lekgotleng la botsamaisi ka Phatwe ka 2007 mme re solofela fa re tlaa anya sengwe mo mo botsipeng jwa bone.

Ke leboga thata Baokamedi Bagolo ba rona ba babedi, bogogi ga mmogo le bodiredi jotlhe jwa BIHL ka manontlhotlho a ba dirileng tiro ka one ga mmogo le boineelo mo tirong mo ngwageng wa 2007. Maikaelelo a bone, botsipa ga mmogo le bokgoni di nnile le seabe se segolo mo katlegong ya rona e e nankotsweng mo pegong e ya ngwaga le ngwaga.

Sa bofelo, mme ebile se le botlhokwa thata ke leboga makgolokgolo a badirisi ba rona ga mmogo le botlhe ba re dirang le bone ka thotloetso e e kanakana eo ntleng le yone BIHL e ka se nneng teng.

Ke maikaelelo a rona go nna le seabe mo go ageng Botswana mo ngwageng wa 2008.

Maclean C Letshwiti



Modulasetilo wa Botswana Insurance Holdings Limited
14 February 2008



Financial Review

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 67.

Key features

Earnings

- Operating surplus profit before tax, excluding investment returns, increased 21% to P216.2 million
- Total surplus after tax increased by 73% to P534.1 million

Assets Under Management (AUM)

- AUM increased by 20% to P15.1 billion

Embedded Value

- Embedded value increased by 35% to P1.78 billion
- Value of new business increased by 32% to P84.4 million
- European Embedded Value (EEV) adopted principles

Dividends

- Dividend payment net of tax. Final 24.65 thebe per share and a special dividend of 5.1 thebe per share. Interim dividends already paid were 17.85 thebe per share; making the total dividend payments for the year 47.6 thebe per share

Solvency

- Capital adequacy requirement covered 5.4 times

Economic Environment

By most accounts, the economic conditions in 2007 represented a significant improvement on 2006. The inflation rate declined sharply from 8.5% at the end of 2006; however, it increased thereafter and ended the year at 8.1%. This was driven primarily by developments in global food and energy markets. The Bank of Botswana reduced the interest rate by 0.5% in June 2007 leading to a reduction in the bank rate to 14.5%.

The Botswana Stock Exchange experienced a "year of two halves" with a continuation of the rapid growth in the Domestic Companies Index (DCI) experienced during 2006 being carried through to August 2007. Thereafter, the situation reversed and the DCI declined by 14% from its peak in the last quarter. Year-on-year, the DCI increased by 36%.

Global equity markets have remained very volatile following the downturn in the US economy. Nonetheless, the MSCI World Total Return Index added 9.56% since December 2006. The offshore bond market reflected a sluggish performance on the back of the US mortgage subprime concerns.

Accounting policies and presentation

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

The accounting treatment of the Group's share scheme for managers has been reclassified as "Equity Settled". At 31 December 2006, the scheme was classified as "Equity settled with a cash alternative". The reclassification resulted from changes in the rules of the scheme. It has no income statement effect but results in a reclassification of P10.3 million between Liabilities and Share-based Payment Reserve on the Balance Sheet.

Financial overview

The BIHL group delivered exceptionally strong overall results:

Analysis of earnings

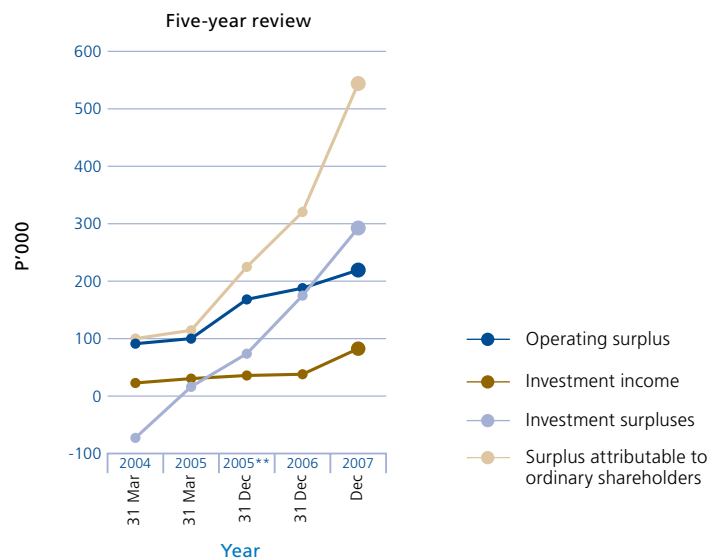
	Year to 31 Dec 2007 P'000	Year to 31 Dec 2006 P'000	% change
Operating surplus	216,202	179,263	21%
Investment income on shareholders' assets	74,789	48,365	55%
Investment surpluses on shareholders' assets	292,999	159,001	84%
Tax	(49,867)	(77,021)	
Surplus attributable to ordinary shareholders	534,123	309,608	73%



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

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
Investment surpluses on shareholders' assets	239,775	58,940	(5,716)	292,999
Tax	(35,156)	(13,990)	(721)	(49,867)
Surplus attributable to ordinary shareholders	409,230	125,836	(943)	534,123
Minority shareholders' interest	—	19,695	—	19,695
Surplus after tax	409,230	145,531	(943)	553,818

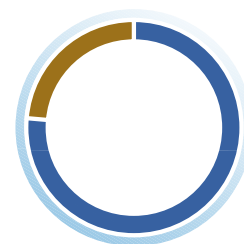


The performance over the past five years is as follows:

Contribution to earnings - year to 31 December 2006

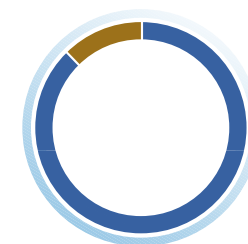
	Life insurance business P'000	Asset management business P'000	Consolidation adjustments and other P'000	Total P'000
Operating surplus	159,839	17,873	1,551	179,263
Investment income on shareholders' assets	29,166	10,196	9,003	48,365
Investment surpluses on shareholders' assets	144,398	18,119	(3,516)	159,001
Tax	(67,046)	(9,052)	(924)	(77,021)
Surplus attributable to ordinary shareholders	266,357	37,136	6,115	309,608
Minority shareholders' interest	—	6,451	—	6,451
Surplus after tax	266,357	43,587	6,115	316,059

2007 Contribution to earnings



Asset Management Business
Life Insurance Business

2006 Contribution to earnings



Asset Management Business
Life Insurance Business



Financial Review *(continued)*

Operating surplus, a measure of the Group's 'normalised' earnings, increased by 21% to P216.2 million. Operating surplus comprises the operating profit and excludes investment income and surpluses earned on the shareholders' funds.

The two major group businesses, Botswana Life and BIFM, both contributed to the improvement in operating surplus. The strong growth in operating surplus resulted from an increase in new business volumes, an increase in assets under management, prudent underwriting, improved client retention and strong investment returns on policyholder funds.

The decrease in tax charge results from (i) a tax refund because of overpayments in prior period; (ii) current year surpluses mainly comprising returns from local listed equities that are not subject to tax, and (iii) the increase in withholding tax credited to the tax charge because of a special dividend payment.

Investment income consists of dividends, interest and rental income earned on shareholders' funds.

Surplus attributable to ordinary shareholders of P534.1 million is 73% up from 2006, benefiting from the significantly stronger equity markets during the period, and local equities in particular.

Embedded value

The Group's embedded value of P1.78 billion as at 31 December 2007 is 35% up from 2006. This is after allowing for the P152.8 million dividend paid during the year.

Embedded value disclosure changes

The embedded value disclosures for BIHL have underwent two significant changes to bring them in line with best international practice.

a) Distinction between life and asset management business

In line with the wider Sanlam Group's embedded value disclosure methodology, there is a distinction between life and asset management businesses.

With effect from 2007, Bifm has been included at fair value in the shareholder adjusted net assets; previously this was included in the value of in-force. The value of in-force and the value of new life business relate only to the life insurance business, which is referred to as the covered business.

The disclosure for the December 2006 embedded value has been restated to reflect this change. There is no change in the total embedded value.

a) European Embedded Value Principles (EEV)

The covered business continues to be valued in accordance with a basis that is materially consistent with guidance provided by the Actuarial Society of South Africa (ASSA). Revised embedded value guidance from ASSA has been aligned to EEV, and becomes effective for reporting periods ending on or after 31 December 2008. The methodology and assumptions used to determine the embedded value of the covered business on 31 December 2007, has been adjusted in preparation for the revised guidance, as follows:

- The equity risk premium assumption is increased from 2,0% to 3,5%; and
- The cost of capital is based on the higher of an internally assessed level of required capital and the minimum statutory capital adequacy requirement. In line with the wider Group methodology, the internally assessed level of required capital is now set at double the minimum statutory capital adequacy requirement that has been used in the past.

The effect of these changes is recognised separately in the analysis of change in embedded value of covered business and is not included in the embedded value earnings. The value of new life business information for the year is shown both before and after these changes.



Embedded value results

	31 Dec 2007 P'000	31 Dec 2006 P'000
Shareholders' net assets after fair value adjustments	1,545,951	1,096,424
Shareholders' net assets, excluding goodwill	1,303,923	836,560
Fair value adjustments	242,028	259,864
Value of in-force	235,212	227,757
Value before cost of capital	373,059	281,221
Fair value adjustments	(36,089)	(16,506)
Cost of capital	(101,758)	(36,958)
Embedded value at end of year	1,781,163	1,324,181
Required Capital	287,075	124,652
Required Capital Cover	5.4	8.8
Embedded value per share (Pula)	6.34	4.80

Embedded value earnings

	31 Dec 2007 P'000	31 Dec 2006 P'000
Embedded value at end of year	1,781,163	1,324,181
Embedded value at beginning of year	1,324,181	995,155
Change in embedded value	456,982	329,026
Consolidation of the staff share scheme	—	2,288
EEV Methodology Change	51,329	—
Dividends paid	139,609	104,482
Embedded value earnings	647,920	435,796

These earnings can be analysed as follows:

	31 Dec 2007 P'000	31 Dec 2006 P'000
Roll forward	423,055	235,177
Investment return on free assets after tax	498,830	215,605
Expected return on life business in force	36,034	41,214
Staff share-based costs	(111,809)	(21,642)
Change over the year	224,865	200,619
Value of new business	84,384	63,976
Value at point of sale	79,033	59,257
Expected return to end of year	5,351	4,719
Change in assumptions and methodology	(7,556)	(19,929)
Experience variations	148,037	156,572
Total earnings	647,920	435,796
Value of new life business		
Value of new business	84,384	63,976
Value at point of sale	79,033	59,257
Expected return to end of year	5,351	4,719

The value of new life business, before application of the new EEV principles, is P84.4 million for the year to 31 December 2007. This is 33% up on the P59.3 million for the comparable period in 2006. This is due to improved new business volumes and improving retention of policies.



Financial Review *(continued)*

Overview of operations

Life insurance business

Recurring premium income increased by 20% to P447.9 million. The business has implemented a more client-centric model with increased emphasis on client service delivery through the extensive branch network. During the year, four new satellite offices were opened in Ghanzi, Kasane, Tshabong and Letlhakane. Focused training of intermediaries has contributed to an increase in new business volumes

Operational efficiencies have improved service delivery resulting in better client retention, as seen by the decline of policy lapses. Operating expenses have been well managed resulting in unit costs being maintained at acceptable levels. The value of new business improved due to an increase in business volumes, lower lapse rates and good operating expense management. Botswana Life is actively pursuing other distribution channels to complement those used at present to increase future sales.

The corporate business succeeded in retaining large corporate clients and also acquired new group life schemes. However, this was affected by a decline in the single premium annuity new business. Overall single premium business increased by 12% to P343.4 million.

Botswana Life continues to pursue strategic partners for bancassurance opportunities with the local banks and sees growth potential in this line of business. The contribution of the Life insurance business to the profit of the Group has been pleasing.

Asset management business

Bifm continued to maintain its leading position in the Botswana asset management industry. Assets under management grew by more than 20% to P15.1 billion. Notably, Bifm retained its major clients and acquired new ones, in spite of the highly competitive environment. A consortium, in which Bifm is a shareholder, was awarded public private partnership (PPP) contracts for the construction of office space for the new SADC Headquarters and Office of the Ombudsman and Land Tribunal. The projects have commenced. This shows Bifm's commitment to utilising Botswana funds to contribute to the country's development.

There was a major downturn in the equity markets of developed countries, especially in Europe and the USA. Furthermore, the domestic equity market registered declines during the fourth quarter of the year, with the DCI shedding more than 13%. Despite this, the overall returns for Bifm and its clients were positive for the year, in both real and nominal terms.

During the year, the sale of a minority stake of 27.5% of Bifm to a local consortium and Sanlam Investment Management, was successfully concluded. We expect this to facilitate a close linkage to the Group's asset management business and also to result in increased and more direct citizen empowerment, thereby positioning the company better to manage its staff retention and technical expertise.

Capital management and solvency

The effective management of BIHL's capital base, as a key component of its drive to maximise return on embedded value, is a primary focus area of the Group. A board sub-committee was appointed to determine the amount of excess capital in the Group and to consider how best to utilise this capital. Progress has been made in this regard and further communication will be made in due course once these deliberations are finalised.

Dividend

The Directors proposed to declare a final dividend for the year, net of tax, of 24.65 thebe per share and a special dividend of 5.1 thebe per share. The total dividend payment for the year, net of tax, is as follows:

	Interim, already paid	Final	Year to 31 Dec 2007	Year to 31 Dec 2006
Normal dividend	12.75	24.65	37.40	31.45
Special dividend	5.10	5.10	10.20	4.25
	17.85	29.75	47.60	35.70

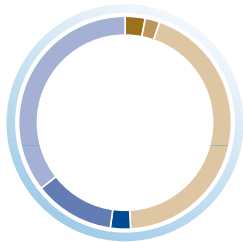


Ordinary shareholders' assets

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

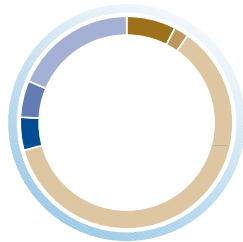
	2007 P'000	2006 P'000
ASSETS		
Property, equipment and computer software	17,164	22,736
Goodwill	13,135	12,579
Investments	1,531,774	986,719
Investment properties	45,648	75,123
Equity-accounted investments	34,091	21,731
Equities and similar securities	671,992	602,630
Public sector stocks and loans	46,236	49,335
Debentures, insurance policies, and other loans	190,512	53,942
Cash, deposits and similar securities	543,295	183,958
Net trade and other payables, deferred tax	(216,051)	(181,961)
Cash, deposits and similar securities	26,043	9,063
Minority interest	(55,006)	(21,172)
	1,317,059	849,136

Composition of
2007 Investments



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

Composition of
2006 Investments



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

Issued share capital

The issued share capital was increased during the year by 5 386 250. The increase related to the Group's Share Scheme and was in line with the approval granted by the company's shareholders at the Annual General Meeting held on 18 August 1998.

BIHL recognises the importance of constant stakeholder engagement. Thus through out the the year both Botswana Life and Bifm spent significant time, energy and resources on engaging with all its stakeholders utilising various platforms such as business breakfasts and stakeholder cocktails. The view of the BIHL group is that the good business is grown on strong relationships. This mind set has seen BIHL continue to grow from strength to strength.



Botswana Life | Report

"It is our aim to achieve increased return on embedded value as a benchmark for our performance. During 2007 we experienced a 12% increase on return on embedded value to 48%. During this period we have also exercised a firm control over expenses, keeping them below the rate of income and profit increase"

Regina Sikalesele-Vaka CEO Botswana Life

Botswana Life has clients across Botswana. To engage with them all, we have created very thoughtful campaigns. Industrial theatre and marketing and campaigns such as "A Re Bueng" have been held across Botswana. We must demonstrate creativity in all we do to maintain our leadership position.







Botswana Life in brief

2007 proved to be another highly successful year for Botswana Life; retail new business volumes increased. On the Corporate and group business all major clients were retained. The annuity business continues to perform well and it is pleasing to note government's intention to support the development of the capital market with a regular bond issuance policy during 2008 which will provide long-term asset for the portfolio. Botswana Life has shifted its focus from standard-format products to being more client-centric and sensitive to the requirements of customer needs across the board. During 2007, the distribution and customer service outlets were expanded to include four satellite offices in, Ghanzi, Letlhakane, Kasane and Tsabong.

A new Information System for the Corporate division was implemented in 2007 to facilitate more effective and efficient processes in line with the client-centric model. Human resources (HR) have become a major internal focus during 2007. The Board's HR Committee reviewed its HR mandate which has given rise to new initiatives within the Group. We currently have a select team of middle and senior managers on secondment to Sanlam to draw on its expertise. We are maintaining close liaison with the Registrar of Companies to ensure all our agents are registered and obtain Certificates of Proficiency to offer a professional service to our clients. Botswana Life intends building on these achievements during 2008. In terms of real growth, the embedded value of the company increased by 30%.

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 2007 P million	Year to 31 Dec 2006 P million
Premium income (net of reinsurance)	791	679
Value of new business	79	54
Operating profit	168	160
Surplus after tax	409	266
Embedded value	1,178	906

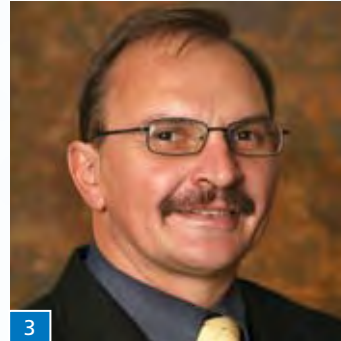
Executive Management



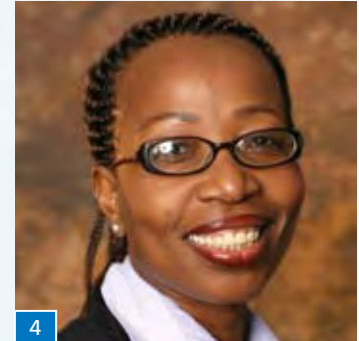
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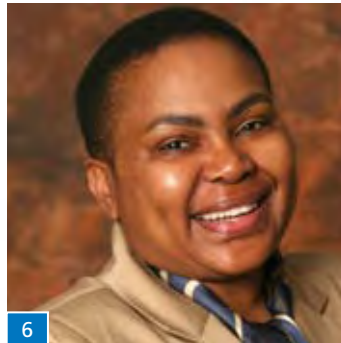
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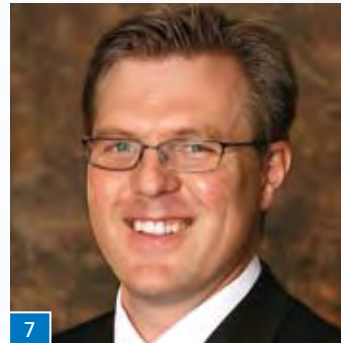
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1. Regina Sikalesele-Vaka (Chief Executive Officer)
LLB

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

3. Jaco van Loggerenberg (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.

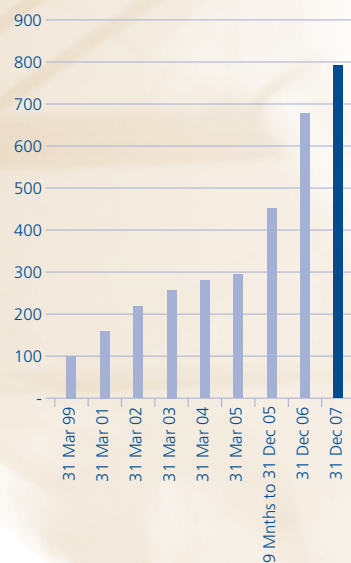
7. Philip Van Rooijen (Actuary)
BSc (Actuarial Science), FIA

8. Kathiresan Subburaj (Information)
MBA: Technology management, COP, PGDCA

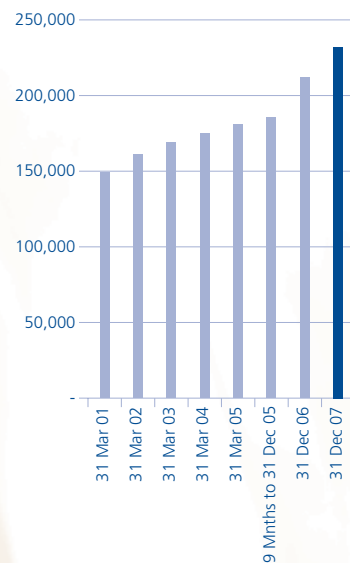


Botswana Life | Highlights

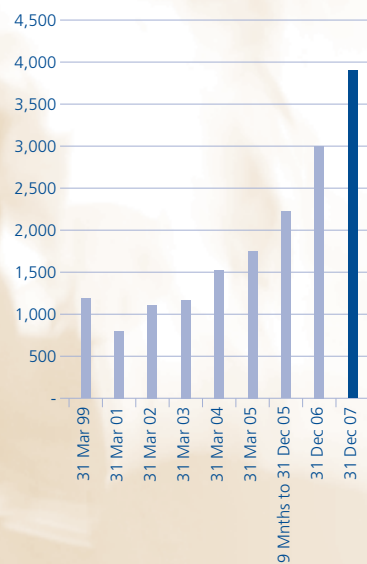
PREMIUM INCOME
P million



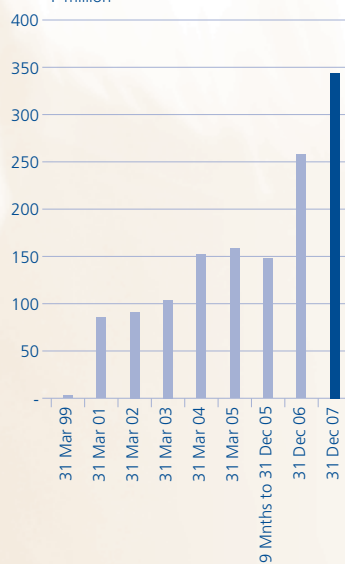
**NUMBER OF RECURRING
PREMIUM POLICIES**



TOTAL ASSETS
P million



**NET INSURANCE BENEFITS
AND CLAIMS**
P million





The 'A re bueng' (let's talk) campaign by Botswana Life was created as a means of updating its extensive client data base. By doing so Botswana Life can continue to improve its services to its clients. The Dancers seen above performed at the very popular A re bueng finals where hundreds came to witness fantastic prizes being won.

BLIL | Chief Executive Officer's Report

OVERVIEW

I am pleased to report that Botswana Life produced an excellent set of results for 2007. There was significant growth in new business volumes year-on-year, coupled with a higher rate of retention of existing business. Consequently, the year experienced double-digit growth in its key imperatives, namely; net premium income grew to P791 million (2006: P679 million) and the value of new business increased to P83 million (2006: P70 million). The total surplus after tax increased to P409 million (2006: P266 million). We have exercised firm control over expenses, keeping them below the rate of income and profit increases. It is our aim to grow the embedded value by 25% annually as a benchmark for our performance and the growth during 2006 was 46% and 48% in 2007.

These results are confirmation that Botswana Life is reaping the benefits of the major restructuring exercise undertaken during 2005 and 2006. The restructuring established a new strategic direction intended to reshape Botswana Life and position it for greater and sustained future growth. As with any restructuring, it was a time of uncertainty and disruption, but Botswana Life adopted new strategies and processes during the restructuring and has emerged a more robust company with a rejuvenated management team that has successfully addressed the resultant operational, recruiting, and training and development requirements of a changing environment. The positive energy and enthusiasm are clearly discernable and reflect the vibrant new generation and its fresh approach to the market.

NEW FOCUS

Botswana Life is the dominant Life Insurance Company with more than 70% market share in both individual Life and Group life products. This is an extremely difficult position to retain given the fast changing landscape of the Life insurance and financial services sector in Botswana. The new focus entails establishing and maintaining close ties with our constituents. The current management focus is to constantly identify potential markets and positioning Botswana Life in those new markets, whilst maximising existing markets.

Penetrating new markets requires a flexible and dynamic approach to the market, which is present in the dynamic rejuvenated team. The enhanced technical capacity provides much needed flexibility and increased responsiveness to both product development and distribution, the combination of which has contributed to the growth seen in 2007.

Our philosophy and strategy have shifted substantially with client-centric products based on thorough research of customers' needs for the high and low-income groups. This has resulted in lower lapse rates. The rejuvenated empowered branches have rolled out enhanced services to the customer reducing the need to travel long distances to access centralised service, bringing us closer to the customer.

PRODUCTS

Life insurance is a challenging business as it entails the sale of intangible benefits based on life events. These benefits would only become evident upon the occurrence of the life event. Our products are broadly classified to cover major life events such as death, accidents, sickness, and retirement or to cater for long-term savings.

Prior to the re-engineering, Botswana Life's main focus was on the distribution of Individual Life products tailored for individuals. The restructuring introduced a client-centric philosophy, which segmented clients into different categories. It created organisational as well as infrastructural capacity for Botswana Life to focus on Corporate or group products to grow the corporate market. Notwithstanding the diversification of the distribution channels to include group business, the client-centric philosophy ensured that the focus on traditional Individual Life was enhanced resulting in increased new business volumes as well as higher retention levels.

Group Life Product Classification

In house actuarial capacity was utilised to review, design and modify group products to meet the expectations of the corporate client.

Group Life Cover - life cover provided to groups of individuals usually through the employer as employee benefits and participation in the schemes is compulsory for all members of the particular group. These are renewable on an annual basis and are these are mainly distributed through the broker channel.



Group Funeral - This is a funeral cover sold to a group of individuals with a common interest and participation is generally compulsory.

Group Credit Life - offers life cover to a loan holder so that in the event of death, the outstanding loan will be settled by Botswana Life thereby protecting both the estate of the deceased and the bank.

Banc assurance - These are life insurance products distributed through a relationship with a bank usually embedded in the bank products or sold as stand-alone products offered to the clients of a particular bank.

Annuity

General - the customer deposits and accumulates money into an account (the deferral phase) and in turn Botswana Life makes income payments until the death of the insured (the "annuitants") named in the contract.

Immediate annuity - the annuitant will be paid a series of payments with either level or increasing amounts for a fixed term of years or until the ending of a life or two lives, or whichever is longer.

Annuity with period certain - pays the annuitant for a designated number of years (i.e., a period certain) and is used to fund a need that will end when the period is up (for example, it might be used to fund the premiums for a term life insurance policy).

Life annuities - is used to provide an income for the life of the annuitant similar to a defined benefit or pension plan.

DISTRIBUTION CAPABILITIES

Botswana Life's citizen management understands the needs of the local market and have utilised the client-centric philosophy to connect with its customers and to bring the business closer to the people we serve. This presents unique challenges in Botswana with its distinctive population spread but management has overcome the challenge through various regular client interactions in all parts of the country by executive management.

To reinforce the connection to our clients, the existing branch network and traditional national agent distribution channel was expanded in 2007 to include four satellite offices in outlying areas where the population is more widely dispersed and infrastructure less developed.

Botswana Life's hitherto seven outlets have been extended to eleven with new distribution points in Ghanzi, Kasane, Letlhakane and Tshabong.

In addition, the traditional distribution channels of brokers and agents have been carefully integrated into the Botswana Life expanding IT systems such as the Integrated Insurance Management System, to enable them to communicate with product administration and development.

At Botswana Life we believe in "Botho" which means respect and dignity for those around us. Thus we invested in the communities we operate in and at the same time recognise our long serving employees. Without our dedicated staff we would not continue to grow.



BLIL | Chief Executive Officer's Report *(continued)*

The integration provides protected access to policyholder information thus allowing rapid updating of client data and improved service.

Botswana Life has expanded beyond its traditional distribution channels by strengthening strategic alliances with its associates especially the Funeral Services Group (Lynn's and Kagiso Funeral Undertakers) who have nationwide outlets that serve the public and also by creating new strategic partnerships with other entities. This provides an opportunity to tap into new customer bases that have not been reached by the traditional channels.

Our collaboration with the bank s has opened a window of opportunity for banc assurance, which caters for an individual's banking and insurance needs. We are exploring further forms of co-operation with other financial institutions. The collaboration addresses the key challenge of skills shortage because banc assurance constitutes a combination of different corporate services in a unique operating environment, which does not have that diversity of skills. We believe that each of the sectors can contribute to this joint service within its own field of expertise.

PERFORMANCE

Individual Life Insurance

An extensive actuarial product review conducted in the latter part of 2006 resulted in the revamping and re-positioning of existing products as well as the launching of new products, one of which continues to excel in the market contributing P35 million to the value of new business. A further three products were launched in the first part of 2008 and three more will be launched in the second half of 2008 to further address client needs.

Corporate Business

Corporate insurance business had a particularly good year highlighted by the retention of all our major private and parastatal corporate clients. Given the small size of the market, it was a substantial achievement to be able to expand the portfolio to include new major clients in the banking sector and also the Unions. Extensive education has been conducted for corporate clients to raise awareness of this type of cover and our key brokers have been similarly upgraded to participate in this market.

Annuities

Our annuity business continues to perform well. The greatest challenge remains in finding assets with a long duration and proper credit rating to match the liability. In other countries, governments regularly issue government bonds, which serve as an investment base for annuities but the Botswana Government, has not issued bonds regularly as it has no need to borrow. The few bonds that have been issued by government have been hugely oversubscribed. We are fortunate in that we are able to utilise BIHL group resources to generate long-term assets in the local market to meet the annuity requirements.

In general, investment returns for the year under review were most satisfactory allowing Botswana Life to deliver sound returns to policyholders.

INFORMATION TECHNOLOGY

During the year under review our IT Systems were further improved by introducing a new world class Integrated Insurance Management System (IIMS). This IIMS has proved robust, flexible and suited to our business requirements. This will facilitate greater process efficiencies, effective communication within Botswana Life and its distribution network. It will further improve the quality of customer service. It is a point of pride that all our processes reside and are managed within Botswana thus enhancing our service delivery levels and flexibility.

HUMAN RESOURCES DEVELOPMENT

A major strategic focus is the development of staff, which was intensified following the structuring in conjunction with the ongoing upgrading of technical requirements of our processes and systems. Botswana Life considers the employees as the single biggest investment of our business; as such their development constitutes an essential short and long-term investment.

Botswana Life management has access to the broader Sanlam group for skills transfer, which will provide essential diversity and enhancement of skills in the BIHL Group.



2007 saw significant developments across the whole HR spectrum. The board reviewed its HR mandate, which gave rise to a number of initiatives within the organisation, which aimed at enhancing succession, localisation and the retention of key personnel to ensure business continuity. BLIL continues to be an employer of choice.

Human resource synergies have been exploited within the BIHL group for greater rationalisation of resources. The corporate values and performance management systems have been embedded in the operations so as to drive organisational culture of performance.

Botswana Life has 200 permanent employees, about 350 direct agents and a further 500 agents within the broker segment.

IMAGE AND VISIBILITY

The enhancement of Botswana Life's image and visibility received close attention during the year.

Botswana Life is the largest insurance company in Botswana and is part of the significant BIHL Group. It is, therefore, essential that Botswana Life actively markets its image and products while pointing out the benefits of insurance as an investment and asset to the consumer.

The 'Botswana Life' brand has been repositioned through advertising to reinforce the enhanced image of strength and security consistent with the largest insurer in the country. Botswana Life is a company that is of Botswana, managed by Botswana for the benefit of Botswana.

During 2008, we will continue to seek ways and means of improving our client service, especially developing improved communication with our clients. We will also seek opportunities to co-operate with other organisations in the provision of services to our mutual advantage.



Regina D Sikalesele-Vaka
Chief Executive Officer



BIFM | Report

“In our Quest to achieve long-term capital growth in assets under management, we follow a three pronged strategy; the retention of exciting business, growth into new business and the close management of costs and efficiencies.”

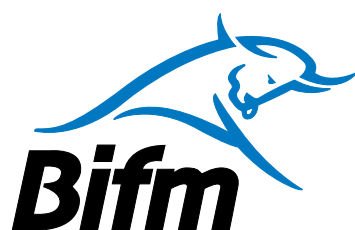
Victor Senye CEO of BIFM

In Bifm's quest to grow its local investment portfolio for the benefit of its pension funds, two major Public Private Partnership (PPP) deals were concluded in 2007. The new home of the SADC Head Quarters in the Central Business District of Gaborone and Plot 21 for the Ministry of Works and Transport in the Main Mall respectively.





Bifm



Botswana Insurance Fund Management in brief

Bifm recorded outstanding growth during 2007. Assets under management increased by 20% to P15.1 billion. In order to achieve long-term capital growth for investors, Bifm works towards retaining existing business, growing into new business areas and closely managing costs and efficiencies. The highlight during 2007 was undoubtedly retaining our mandate by tender for the Botswana Public Officers Pension Fund. The mining industry in Botswana is gaining fresh momentum thereby stimulating demand for our fund management products. The Diamond Trading Centre and its downstream developments also constitute important business opportunities for Bifm.

Khumo Property Asset Management experienced significant growth especially in commercial and industrial projects. Three further projects were undertaken during 2007 including a new property development project of about P100 million in northern Botswana. Bifm Capital experienced a year of consolidation with substantial growth and is seeking to expand capital sources, including offshore funds. Bifm's Public Private Partnership concluded the financing of a number of major building projects during 2007 and a new headquarters building for SADC is under way. Bifm is growing from a traditional asset management company and is re-inventing itself in a very mature market. This bodes well for the future.



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.'

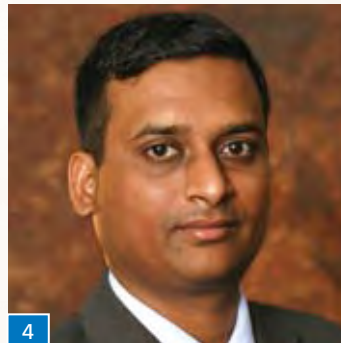
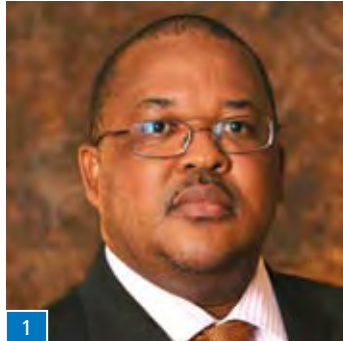
OUR VALUES

- » Entrepreneurial
- » Client-Centric
- » Trust

KEY DATA

	Year to 31 Dec 2007 P million	Year to 31 Dec 2006 P million
Assets under management	15,115	12,462
Asset management fees	110	81
Operating profit before tax	162	54
Cost to fee income ratio	0.46	0.53

Executive Management



1. Victor J. Senye (Chief Executive Officer)

B.Com (Accounting), University of Botswana; PIAM, Harvard; MSc (Management), Arthur D Little School of Management in Boston, USA.

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, University of Madras, India.

4. Vikas Agarwal (Head of Finance)

B.Com (Hons), Calcutta University. FCA, (India), ACPA, (Botswana)



BIFM | Highlights

OVERVIEW

The year under review marked another milestone of outstanding growth for Bifm. Bifm's assets under management increased by 20% to P15.1 billion. This achievement is particularly significant in the light of a difficult last quarter of 2007, when local equities on the Botswana Stock Exchange (BSE) performed poorly. Approximately 60% of Bifm assets are offshore. The dollar has declined in value and the US market is reeling under the subprime crisis. This will certainly have some effect on Bifm, although it is not likely to be felt until 2008.

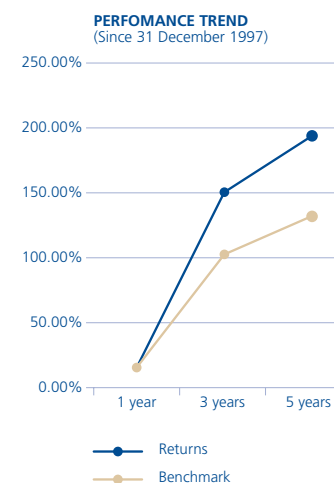
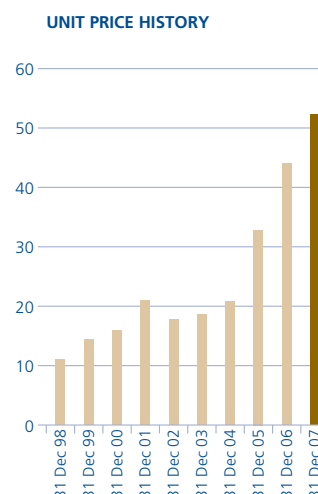
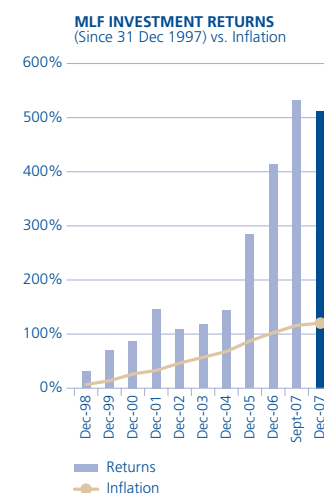
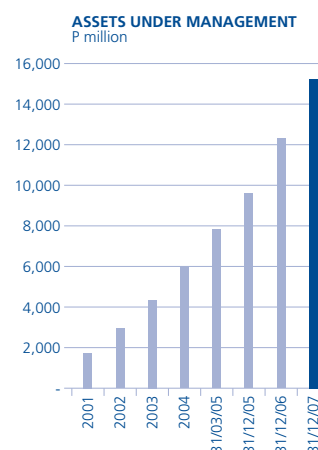
UNIT PRICE HISTORY

Date	*MLF
31 Dec 98	11.11
31 Dec 99	14.56
31 Dec 00	15.95
31 Dec 01	21.05
31 Dec 02	17.89
31 Dec 03	18.61
31 Dec 04	20.86
31 Dec 05	32.86
31 Dec 06	44.03
31 Dec 07	52.41

*MLF — Market Linked Fund, a flagship product of Bifm

PERFORMANCE

	Q4 2007	1 year	3 years	5 years	3 years Annualised	5 years Annualised
Returns	-3.16%	19.04%	151.23%	192.98%	35.94%	23.98%
BenchMark	-3.17%	15.40%	102.99%	131.19%	26.62%	18.25%



BIFM | Chief Executive Officer's Report

PERFORMANCE

Botswana Insurance Fund Management Limited (Bifm) aims to achieve long-term capital growth for investors and to increase the value of assets under management. To this end, we follow a three-pronged business strategy: the retention of existing business, growth into new business areas and the close management of costs and efficiencies.

The highlight for Bifm during 2007 was undoubtedly retaining our mandate for the Botswana Public Officers Pension Fund (BPOPF), which is the dominant player in the pension fund industry. The total industry represents assets of at least P35 billion and the BPOPF controls a substantial portion of those assets.

The BPOPF was previously managed by four asset management companies, of which we were one, holding an approximate 25% share. During 2007, the BPOPF placed their fund management out to tender and it was awarded to six managers, two more than previously. The six were not awarded equal portions, however. Bifm substantially retained the share it held. This is a major contribution to our total assets under management.

Botswana Life Insurance Limited (BLIL), our sister company, is another major client. BLIL continues to grow its business. As a result, this also increases the amount of capital available for management by Bifm. However, we still have to meet their performance benchmarks, a challenge that we take seriously.

There are not many new companies that have come onto the Botswana market. In such a mature market, the retention of assets already under management is fundamental to our performance.

Our ability to retain mandates, as illustrated by the BPOPF renewal, is underpinned by our good investment performance, superior service delivery and sound corporate governance. A large percentage of our corporate effort is directed at maintaining these criteria.

At the same time, we fully realise that, as a dominant player in the asset management arena, we are a target for other investment companies seeking to increase their market share at our expense. This is to be expected in a competitive environment. However, it is important that clients make well-researched decisions that do not prejudice their funds.

Our major challenges are the enlargement of our asset base and diversifying our income. In this business, there is no middle ground. One either grows or declines.

The mining industry in Botswana is gaining fresh momentum creating a demand for supporting service enterprises. They, in turn, could create opportunity for pensions, office accommodation, industrial buildings, equipment finance and such like. Mining therefore creates significant downstream business opportunities for Bifm.

Moscow came to Botswana for one night during 2007 thanks to Bifm who sponsored a performance of the world-renowned Ballet Moscow in Gaborone, which was attended by the former President of Botswana and the Ambassador of the Russian Federation. Added to this a workshop was run by the ballerinas from Moscow for local dancers to try and impart some of their incredible skills. Bifm is a strong believer of capacity building in the community it operates in.



BIFM | Chief Executive Officer's Report *(continued)*

One of the most significant developments to emerge is the establishment of the Diamond Trading Company (DTC). This is of major benefit to Botswana and also promises potential additional business opportunities. The DTC will become the international focal point for the aggregation, valuation, cutting and selling of diamonds and approximately fifteen licences have thus far been granted to international companies wanting to participate. They will set up undertakings in Botswana engaging in diamond beneficiation. The move to Botswana is a major shift undertaken as the initiative of the Botswana Government and Debswana, and holds far-ranging benefits for the economy as a whole, creating further opportunities for BIHL.

Bifm spends a lot of time and energy on keeping its clients informed of developments on their investment portfolios. During the year Bifm held numerous breakfasts and cocktails to keep the lines of communication clear and open. We are a client-centric business and keeping them all informed is vital to our success.



DIVERSIFICATION

The diversification efforts of Bifm, primarily driven by the need to enhance portfolio performance, continue to derive value. The contribution of the subsidiaries and associated companies to the bottom line of Bifm is gradually increasing.

These diversification efforts are not only bearing fruit with respect to the profitability, but are also serving to provide investable products for the pension business in a market with limited opportunities.

We are currently reviewing several investment opportunities, some of which are undergoing implementation. This is essential in a volatile market where past performance is no guarantee for future performance.

COSTS AND EFFICIENCIES

Bifm's top management pays close attention to cost and efficiencies control and maintains a close check on cost to income ratios. We run a lean and hungry organisation to optimise growth, shareholder and client returns. In this respect, we also tap into our relationship with Sanlam to seek synergies with and benefits from their considerable experience in the asset management field, risk and compliance.

Bifm strongly maintains its core business of asset management while concentrating on asset allocation and portfolio construction to ensure that the core business grows, thereby achieving superior investment returns.

HUMAN RESOURCES

We are deeply aware that our business is a people-driven initiative. This constitutes a significant challenge to Bifm as a company. Our industry is still in its infancy and the pool of skilled specialists is limited.

There is a lot of poaching amongst the players and one faces the ever-present risk of losing valuable skills. It is a field of dynamic manpower movement. This places challenges on all industry players to attract and retain those skills available in Botswana. We communicate with Sanlam on these issues and a consultant has been appointed to review our HR strategy including the overall remuneration and benefits structure. This should ensure that individual and organisational objectives are aligned.

It is very much a matter of developing synergies to contain costs. We are doing this in conjunction with Botswana Life, for example, where our IT and HR skills are jointly managed.

REGIONAL DIVERSIFICATION

Bifm actively pursues every opportunity to expand its traditional business, including through regional diversification. We have a successful subsidiary operation in Zambia, African Life Financial Services (Zambia), which meets many of our criteria as an investment destination and contributes positively to Bifm's operating profit.

However, Sanlam's initiative with SIM-EM, has resulted in new business investments that we make into Africa being handled through that division. Bifm will derive its share of growth through that entity. This should be seen in conjunction with the Botswana Government's initiative through the Botswana International Financial Services Centre (IFSC), through which capital can be invested, for example by offshore companies wanting to invest into Africa while enjoying the benefits offered by domiciling their activities in Botswana. This, and other investment opportunities and benefits to be derived by a closer relationship with IFSC, will be high on our agenda for 2008.



Victor Senye

Chief Executive Officer



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 departments 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 eleven 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 - Botswanan Life
- Nominations committee.

Corporate governance in the Group is managed and monitored by the board in conjunction with the above sub-committees. The board is chaired by Mr Maclean Letshwiti, an independent non-executive director, and comprises:

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

The roles of the chairman and the Group chief executives 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 Group chief executives 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. The credentials of Messrs Douglas Lacey and Francois Kellerman were reviewed by the board prior to their appointment and each received induction material and information relevant to his obligations as director.

On appointment, a new director has:

- Discussions with the chairman regarding the Group's expectations of the director, the potential contribution of the director to the Group and the areas of such director's expertise; and
- The benefit of an induction programme aimed at broadening the director's 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 reviews the status of its members on an ongoing basis and the board comprises a majority of non-executive directors.

At BIHL we have a very firm belief that the best way to learn is to watch a Pro do it! Every year, as part of Bifm's contribution to the development of Golfers in Botswana, the Ladies and Legends Open is held. This format provides for one professional golfer to play with three non pros on round of 18 holes. The goal of the tournament is to expose our local golfers to international standard golf. Every year this tournament is over subscribed and maintains a top position in Botswana's golfing calendar.



BIHL | Corporate Governance *(continued)*

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 indicated below:

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.

Director	Board	Audit committee	BLIL investment committee	BIFM investment committee	Remuneration committee
MC Letshwiti	4 / 4	4 / 4	4 / 4	–	–
JA Burbidge	4 / 4	2 / 4	2 / 4	–	2 / 4
M Dawes	3 / 4	3 / 4	3 / 4	–	–
H Fidzani	3 / 4	–	–	7 / 12	3 / 4
K Jefferis	4 / 4	–	–	12 / 12	–
S Gupta	3 / 4	3 / 4	–	7 / 12	3 / 4
H Werth	4 / 4	–	–	–	–
V Senye	4 / 4	3 / 4	–	–	–
RD Sikalesele -Vaka	4 / 4	4 / 4	4 / 4	–	–
D Lacey	2 / 2	–	–	–	2 / 2
F Kellerman	1 / 2	2 / 2	1 / 2	–	–

Indicates number of meeting attended by director during the year while the director was a member of the board or committee



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 committee

Members: Mrs. Margaret Dawes; Ms. Regina Sikalesele-Vaka; Mr. Victor Senye; Mr. Sanjeev Gupta; Mr. Maclean Letshwiti; Mr. Francois Kellerman
Composition: Four non-executive members and two executive members. This committee is chaired by Mrs. Margaret Dawes, a chartered accountant.

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:

Names: Dr. Keith Jefferis; Dr. Happy Fidzani; Mr. Victor Senye; Mr. Sanjeev Gupta

Members of the Botswana Life investment committee:

Names: Mrs. Margaret Dawes; Ms. Regina Sikalesele-Vaka; Mr. Maclean Letshwiti; Mr. Francois Kellerman

Due to the unique nature of investment risks for the life and asset management businesses, there are two investment committees for Botswana Life and Bifm respectively.

The investment committee of Bifm is chaired by Dr Keith Jefferis, an independent non-executive director. Mrs. Margaret Dawes, 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: Mr. Douglas Lacey, Dr. Happy Fidzani; and Mr. Sanjeev Gupta

Composition: Three non-executive directors.

Chaired by Mr. Douglas Lacey, an independent non-executive director, and includes two other non-executive directors. This 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 heads of human resources attend the meetings by invitation.

Non-executive directors do not participate in an incentive bonus nor do they receive share options.



BIHL | Corporate Governance *(continued)*

Nominations committee

Members: Mr. Heinie Werth; Mr. Maclean Letshwiti and Mr. Douglas Lacey

Composition: Three non-executive directors.

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 appropriate board members make up these committees. A board sub-committee was appointed to determine the amount of excess capital in the Group and to consider how best to utilise this capital. This was the only ad-hoc sub committee to be established in 2007.

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.

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 on page 51

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.



	Annual retainer	Board meeting	Audit committee	BLIL Investment committee	BIFM Investment committee	Remuneration committee	Totals
MC Letshwiti	55,000	30,800	30,800	30,800	—	—	147,400
JA Burbidge **	49,500	30,800	15,400	15,400	—	15,400	126,500
M Dawes **	49,500	23,100	23,100	23,100	—	—	118,800
H Fidzani	49,500	23,100	—	—	53,900	23,100	149,600
K Jefferis	49,500	30,800	—	—	92,400	—	172,700
S Gupta **	49,500	23,100	23,100	—	53,900	23,100	172,700
H Werth **	49,500	30,800	—	—	—	—	80,300
D Lacey **	20,625	15,400	—	—	—	15,400	51,425
F Kellerman **	20,625	7,700	15,400	7,700	—	—	51,425
Total fees	393,250	215,600	107,800	77,000	200,200	77,000	1,070,850

** fees paid for the services of these directors are paid to their respective companies and not the individuals

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. All directors are required to consult with and obtain consent of the chairman (and, in the case of executive directors, the Group Managing Directors) 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 127 of this annual report.

ADVICE

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



BIHL | Corporate Governance *(continued)*

STATUTORY ACTUARY

Mr. Giles Waugh is an independent statutory actuary who is not in the employ of the company. 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 committee meetings. The report of the statutory actuary is set out on page 70.

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 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.

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.

STRATEGIC RISK MANAGEMENT

In acknowledging its responsibility for strategic risk management (SRM) within the Group, the board has tasked the audit and risk committee to ensure that SRM responsibilities are fulfilled. A major function of the committee is, therefore, to analyse and report back to the board on the status of various risks and risk management.

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

The role of risk management is, therefore, to enhance the organisation's ability to manage, and not necessarily avoid or eliminate every risk, but to ensure that the overall risk profile remains acceptable. This may involve various risk responses or a combination thereof, namely acceptance, mitigation and/or avoidance of the risk. The processes in place provide reasonable, but not absolute assurance, that the risks are adequately managed. These processes have been in place during the period under review, and cover all material activities of the Group.

The SRM policy is regularly reviewed and updated where necessary, evaluating risk as a combination of impact and likelihood. Amendments to SRM policy require board approval. The assessment of the various risks in the Group is evaluated on both a quantitative and qualitative basis. Risks characterised by a low likelihood of occurrence but with a potentially catastrophic impact, are regarded as unacceptable and are consciously avoided as far as practically possible. The SRM policy sets out the minimum standard of risk management that BIHL's businesses have to adopt and adhere to.

Rigorous policies, procedures and methodologies have been adopted and implemented throughout the Group, enabling the effective identification and management of risks. All processes and procedures have been designed to provide reasonable assurance that risks are adequately managed.



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 2008. 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 chief 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 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 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. Spankie Boitumelo. 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.

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 2008 financial year. Their statement in this regard is also contained in the statement of directors' responsibility for annual financial statements.

The Bifm Maitisong Festival Concert is arguably the most magical night at Maitisong. 2007 marked the 20th year anniversary of this festival of which Bifm has been a sponsor for over 15-years. This festival forms an important component in the development of local musicians



BIHL | Corporate Social Investment

“With the establishment of the BIHL Trust we will look to improve the lives of many Batswana in a sustainable manner. The establishment of this trust heralds a very important milestone in our history formalising our compassion for those less fortunate than us. Botho (compassion) is a cornerstone of our culture and our business is very much a part of our Nation.”

Maclean C Letshwiti Chairperson BIHL



Pictures taken at the Results Announcement Breakfast of 2007. The strong financial position of the BIHL group allows for significant funds to be reserved for the newly established Corporate Social Investment (CSI) Trust. Over P1.5 million was spent on CSI during 2007.





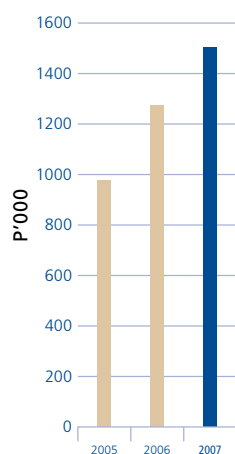
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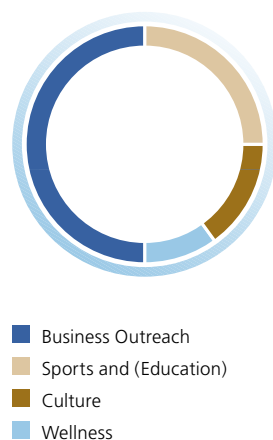
BIHL | Corporate Social Investment

During the course of 2007, the board approved the BIHL Corporate Social Investment (CSI) Trust with the purpose of alleviating poverty and suffering, and to uplift the livelihood of Batswana through the identification of beneficiaries in need and deserving of assistance.

GROWTH IN EXPENDITURE ON CSI ACTIVITIES BY BIHL



% SPLIT OF CSI FUNDS SPENT DURING 2007



BIHL has always recognised its responsibility towards disadvantaged communities and the nation at large. With the establishment of the CSI Trust, BIHL has undertaken to contribute 1% of its post-tax profits to the trust fund thereby providing it with a secure source of income with which it can budget its future activities on a sustainable basis. The Group expended P1.5 million on CSI during 2007.

There are a great number of organisations in Botswana that perform laudable work in their efforts to alleviate the needs of disadvantaged communities across a variety of fields of endeavour. They range from empowering people to become materially self-sufficient to promoting wellness and developing the creative talents of our people through the arts and culture.

No single corporate undertaking in Botswana can meet all these needs and BIHL will focus on worthy projects in conjunction with leaders who are closely associated with communities and organisations in need of support. This is particularly important as funds are not unlimited and must be allocated on a priority basis according to where the needs are greatest.

The principal areas of BIHL CSI activity, not mentioned in any sequence of priority, are mentioned below.

Business outreach

The need for job creation as a counter to joblessness and provide additional resources for small, medium and micro enterprises (SMMEs) is self-evident. During 2007, the following were undertaken.

- Bifm hosted the June 2007 FinMark Forum on housing finance in Botswana as part of its outreach initiative to promote financial awareness and development in Botswana's financial sector.
- Bifm organised and hosted the October 2007 Global Investment Conference as part of its ongoing commitment to training, knowledge and skills transfer within the pension fund industry in Botswana.
- BIHL also sponsored the Botswana Stock Exchange Investment Forum held in June 2007. The CEO of BLIL made a presentation at the forum promoting the need for a vibrant stock exchange in Botswana's developing economy.
- Bifm recognises that in many instances trustees offer their services on a part-time basis due to their full-time commitments. Bifm thus offers bi-annual General Trustee Training programmes to all its clients.
- Bifm continued its six-month Socially Responsible Apprenticeship Programme which is geared towards offering work experience to unemployed graduates.
- Bifm awarded scholarships to University of Botswana MBA students.

Welfare

BIHL's welfare programmes reflect the Group's desire to care for the less fortunate and disabled members of society, whether they be children or adults. We initiated the following first steps in this initiative.

- During 2007, BIHL donated P100 000 to the Lady Khama Charity Trust.
- On 3 November 2007, the BLIL Staff Wellness Committee donated food and other goods to the Tsogang Support Group (TSG) in Mogoditshane. TSG takes care of approximately 100 children who have been infected by HIV and AIDS.
- In December 2007 Bifm, Bifm Capital and Khumo Property Asset Management identified the Bana Ba Keletso Orphan Care Facility where it commemorated World Aids Day by hosting a Christmas Party for the children. In addition, Bifm and its subsidiaries are sponsoring the costs of two staff members at the Centre for a period of twelve months.
- BLIL hosted a Christmas lunch for the Francistown School of the Deaf.

Sport

Sporting activity plays an important role in an individual's physical health, the development of team spirit and, at a national level, in fostering patriotism and pride in the international arena. It also plays an equally important therapeutic role in the treatment of the physically disabled.

- Botswana Life Kgale classic marathon took place in Gaborone in September 2007. It is our contribution towards promoting a healthier lifestyle in Botswana.
- In October 2007, Bifm donated golf equipment to the Botswana Golf Union's Junior Golf Development, to be used by underprivileged junior golfers, as part of its ongoing CSI programme.

Culture

The value of culture is often underestimated. Many maintain that culture reflects the creative spirit of a nation and provides a channel through which to express individual talent and community tradition. Art reminds us of who we are and where we have come from. A nation without culture is surely a nation without a soul.

- Botswana Life sponsored the BTU National Eisteddfod in Serowe in July 2007. The event unearthed and showcased emerging musical talent amongst our school children and makes a valuable contribution towards developing music in Botswana.
- Bifm sponsored a one-night performance of the Ballet Moscow in Gaborone, which was attended by His Excellency, The former President of Botswana and His Excellency the Ambassador of the Russian Federation and Igor Liakin Frolovand. This represented part of Bifm's arts and culture element of its CSI Programme, and in support of international understanding.

Wellness and HIV policy

BIHL regards wellness indivisible from its HIV and AIDS policy, especially as it affects our own employees. Regrettably, there is no outstanding, dramatic development that can be reported in the course of one financial year. This is ongoing work at national, corporate and personal levels.

Our policy continues to rest on the four pillars of

- Education;
- Support and networking;
- Medical treatment; and
- Care and support.

Education and knowledge of the nature of the illness and the relevant medical facts empower employees to deal with it. They are informed how to reduce the risk of infection and how to determine their own personal status. Treatment commences immediately on knowledge of infection, although testing remains voluntary and employees not wishing to do so are not required to disclose their HIV and AIDS status.

Support and networking is available for those infected and their families. This includes counselling and mobilising employer and family support in combating the illness. Support is also available through support groups where sufferers can exchange experiences and provide mutual support.

Medical treatment and assistance are provided to those infected by HIV and AIDS. The illness is approached on the same basis as any other life-threatening or serious health condition. Support is also available through the relevant medical aid benefit societies.

Care and support play an important role in helping the sufferer to remain healthy. Employees with AIDS are entitled to all normal employee benefits and are permitted to continue with their normal duties for as long as this is possible. Should they reach a stage where they need to stop working, the company policy regarding ill health applies.

Wellness Programme

In addition, but not related to HIV and AIDS, a Group Staff Wellness Programme exists within the Group to initiate and implement health awareness programmes for lifestyle-related conditions.

Embedded Value Report

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 2007, 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

	Year to 31 December 2007 P'000	Year to 31 December 2006 P'000
Shareholders' net assets excluding goodwill	1,303,923	836,560
Fair value adjustments	242,028	259,864
	1,545,951	1,096,424
Value of in-force business	235,212	227,757
Value before cost of capital	373,059	281,221
Fair value adjustments	(36,089)	(16,506)
Cost of capital	(101,758)	(36,958)
Embedded value	1,781,163	1,324,181
Group required capital	287,075	124,652
Required capital cover	5.4	8.8



3. EMBEDDED VALUE EARNINGS

	Year to 31 December 2007 P'000	Year to 31 December 2006 P'000
The embedded value earnings are derived as follows:		
Embedded value at the end of the year	1,781,163	1,324,181
Embedded value at beginning of the year	1,324,181	995,155
Change in embedded value	456,982	329,026
Consolidation of the staff share scheme	0	2,288
EEV methodology change	51,329	0
Dividends and new capital	139,609	104,482
Embedded value earnings	647,920	435,796
These earnings can be analysed as follows:		
Roll forward	423,055	235,177
Investment return on free assets	498,830	215,605
Expected return on life business in force	36,034	41,214
Staff share based costs	(111,809)	(21,642)
Value of new business at end of the period	84,384	63,976
Value of new business at point of sale	79,033	59,257
Expected return on new business to end of the period	5,351	4,719
Changes in assumptions and methodology		
Expenses	(17,935)	(20,515)
Mortality	7,929	14,812
Persistency	1,930	(14,078)
Data and methodology changes	3,860	(2,425)
Total operational	(4,216)	(22,206)
Economic	(3,340)	2,277
Total	(7,556)	(19,929)
Experience variations		
Mortality and morbidity	32,502	29,437
Persistency	5,368	4,612
Expenses and commission	(7,736)	2,804
Other	3,450	37,547
Total operational	33,584	74,400
Investment returns	38,512	65,841
Taxation	75,941	16,331
Total	148,037	156,572
Total earnings	647,920	435,796



Embedded Value Report *(continued)*

3. EMBEDDED VALUE EARNINGS *(continued)*

	Year to 31 December 2007 P'000	Year to 31 December 2006 P'000
Fair value adjustments		
Staff share scheme	(152,539)	(28,434)
BIFM write-up to fair value	178,986	159,080
Group holding expenses	(36,089)	(16,506)
Funeral Services Group write-up to fair value	5,218	5,218
Reversal of treasury shares	210,363	124,000
Total	205,939	243,358
Consisting of		
Net asset value adjustments	242,028	259,864
Value of in-force business adjustments	(36,089)	(16,506)

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 2007, 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.

	Year to 31 December 2007 P'000	Year to 31 December 2006 P'000
Value of new business at end of the period before EEV changes	84,384	63,977
Value at point of sale after cost of capital	79,033	59,258
Value at point of sale before cost of capital	82,906	61,821
Recurring premium	53,935	28,125
Single premium	28,971	33,696
Cost of capital at point of sale	(3,873)	(2,563)
Expected return	5,351	4,719



4. VALUE OF NEW BUSINESS (continued)

	Year to 31 December 2007 P'000
Value of new business at end of the period after EEV changes	81,443
Value at point of sale after cost of capital	76,019
Value at point of sale before cost of capital	84,041
Recurring premium	55,070
Single premium	28,971
Cost of capital at point of sale	(8,022)
Expected return	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	1,545,951	1,545,951	1,545,951
Value of in-force business	260,772	235,212	211,876
Value before cost of capital	387,728	373,059	359,677
Fair value adjustments	(36,089)	(36,089)	(36,089)
Cost of capital	(90,867)	(101,758)	(111,712)
Embedded value	1,806,723	1,781,163	1,757,827
Value of one year's new business at valuation date	81,843	76,019	70,778
Value before cost of capital	89,174	84,041	79,391
Cost of capital	(7,332)	(8,022)	(8,613)

Embedded Value Report *(continued)*

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-07 % p.a	31-Dec-06 % p.a
Risk discount rate	14.00	14.50
Overall investment return (before taxation)	11.60	12.14
Expense inflation rate	7.50	8.00

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 the results of conducted expense investigations on 31 December 2007.

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 2007.

6.5 Persistency / Surrender Basis

The assumptions for lapse and surrender rates are based on the results of experience investigations conducted on 30 September 2007 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-07	31-Dec-06
Fixed interest	64.0%	23.8%
Property	5.0%	1.1%
Equities	21.0%	75.0%
Offshore assets	10.0%	0.0%
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 2007				
Base	271,301	101,758	373,059	
Lapse increases by 10%	254,271	101,758	356,029	(4.6%)
Future expenses increase by 10%	260,514	101,758	362,273	(2.9%)
Mortality experience increases by 10%	265,894	101,758	367,652	(1.4%)
Investment returns decrease by 1%	258,537	112,916	371,453	(0.4%)
Risk discount rate decreases by 1%	296,861	90,867	387,728	3.9%
Risk discount rate increases by 1%	247,965	111,712	359,677	(3.6%)



Embedded Value Report *(continued)*

7. SENSITIVITIES *(continued)*

	Value of new business	Cost of capital	Value before cost of capital	% change
Value of one year's new business as at 31 December 2007				
Base	76,019	8,022	84,041	
Lapse increases by 10%	69,180	8,022	77,202	(8.1%)
Future expenses increase by 10%	69,423	8,022	77,445	(7.8%)
Maintenance and acquisition costs increase by 10%	67,846	8,022	75,868	(9.7%)
Mortality experience increases by 10%	70,372	8,022	78,394	(6.7%)
Investment returns decrease by 1%	74,914	8,902	83,815	(0.3%)
Risk discount rate decreases by 1%	81,843	7,332	89,174	6.1%
Risk discount rate increases by 1%	70,778	8,613	79,391	(5.5%)

Assumed management action

No management action has been assumed.



GT Waugh

STATUTORY ACTUARY

FIA FASSA

14 February 2008

