The Directors hereby present the results of Botswana Insurance Holdings Limited for the year ended 31 December 2012.

Financial overview

<table>
<thead>
<tr>
<th>Year</th>
<th>Year to</th>
<th>Year to</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>31 Dec</td>
<td>31 Dec</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>2012</td>
<td>2011</td>
<td></td>
</tr>
<tr>
<td>Revenues</td>
<td>232,764</td>
<td>273,146</td>
<td>(15%)</td>
</tr>
<tr>
<td>Operating profit</td>
<td>232,764</td>
<td>273,146</td>
<td>(15%)</td>
</tr>
<tr>
<td>Other</td>
<td>(10,903)</td>
<td>(1,511)</td>
<td>(186%)</td>
</tr>
<tr>
<td>Profit</td>
<td>221,861</td>
<td>271,635</td>
<td>(18%)</td>
</tr>
<tr>
<td>Group expenses</td>
<td>221,861</td>
<td>271,635</td>
<td>(18%)</td>
</tr>
<tr>
<td>Taxation</td>
<td>(44,577)</td>
<td>(54,000)</td>
<td>(17%)</td>
</tr>
<tr>
<td>After-tax profit</td>
<td>177,284</td>
<td>217,635</td>
<td>(18%)</td>
</tr>
<tr>
<td>Profit attributable to ordinary shareholders</td>
<td>177,284</td>
<td>217,635</td>
<td>(18%)</td>
</tr>
</tbody>
</table>

Looking ahead

We will continue to focus on our achievements and focus on our key strategies to ensure that the Group benefits from its commercial and operational efficiencies and continues to grow consistently.

Changes in directorships

Appointments
- Mr. Nazim Dambe-Groth was appointed as a director on 12 November 2012.
- Mr. Themba Gamedze was appointed as a director on 20 November 2012.

Resignations
- Mr. Francois Kellerman resigned as a director on 16 August 2012.
- Mr. Themba Gamedze resigned as a director on 16 August 2012.

Dividend declaration

The Directors recommend a final dividend for the year of 2012 of 26 pence per share.

Accounts receivable

Net receivables increased by 12% to P196.5 million. The increase in receivables was mainly due to receivables from the Group’s trading departments. The increase in receivables is a result of the Group’s aggressive sales strategies and the increase in the number of new accounts. The Group’s receivable turnover has decreased from 6.1 to 5.9 times over the past year. The Group’s receivable collection period has increased from 43 days to 55 days over the past year.

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Accounts payable

Net payables decreased by 13% to P182 million. The decrease in payables was mainly due to the Group’s efforts in reducing its payables and the Group’s trading departments’ decreased receivables.

The Group’s payable turnover has increased from 4.2 to 4.6 times over the past year. The Group’s payable collection period has decreased from 29 days to 24 days over the past year.

Operating profit decreased by 15% to P232.8 million to P196.5 million, due to an increased stake in one of the associates in 2011 and good investment income.

The Group’s share of profit in associates and joint ventures significantly increased to P196.5 million, mainly as a result of the increased stake in one of the associates in 2011 and good investment income.

Earnings

The Group’s embedded value has increased by 7% to P2.6 billion. The increase in the embedded value is mainly due to the Group’s improved operational performance and the increase in the market value of the Group’s investments.

Operating profit decreased by 15% to P232.8 million as a result of pressure on household disposable incomes. The asset management results were mainly impacted by the performance of the BIFM-IPD property index. We have also been seeing a number of property deals coming our way. We believe that the asset management business is well positioned to continue to grow in line with the expansion into short term insurance in order to lay a foundation for the Group’s future sources of revenue. The Group expenses are high due to the investments in this project and investments in improved IT systems to further improve customer service.

Looking ahead

We will continue to focus on our achievements and focus on our key strategies to ensure that the Group benefits from its commercial and operational efficiencies and continues to grow consistently.

Overview of operations

The results of operations remain in line with our expectations. The Group achieved a profit before tax of P485.3 million, an increase of 8% compared to P450.1 million for the year ended 31 December 2011. The Group’s net profit for the year 2012 reduced by 21% when compared to 2011. This was mainly due to the increased stake in one of the associates in 2011 and good investment income.

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The Group’s share of profit in associates and joint ventures significantly increased to P196.5 million, mainly as a result of the increased stake in one of the associates in 2011 and good investment income.

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### Group Consolidated Statement of Comprehensive Income

<table>
<thead>
<tr>
<th>Year</th>
<th>Net premiums</th>
<th>Revenue</th>
<th>Gross premiums</th>
<th>Embedded value earnings</th>
<th>Return on shareholders assets</th>
<th>Dividends paid</th>
<th>Capital gains tax</th>
<th>Withholding tax on dividends</th>
<th>Deferred tax (Net)</th>
<th>Profits attributable to:</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>3,989,585</td>
<td>3,888,849</td>
<td>3,917,745</td>
<td>1,492,331</td>
<td>224,388</td>
<td>157,400</td>
<td>100</td>
<td>219</td>
<td>-5,420</td>
<td>585,331</td>
</tr>
<tr>
<td>2011</td>
<td>3,767,046</td>
<td>3,944,541</td>
<td>3,718,628</td>
<td>1,328,628</td>
<td>319,188</td>
<td>185,520</td>
<td>-860</td>
<td>22,556</td>
<td>-5,371</td>
<td>528,413</td>
</tr>
</tbody>
</table>

### Group Consolidated Statement of Changes in Equity

<table>
<thead>
<tr>
<th>Year</th>
<th>Non-controlling interests</th>
<th>Retained earnings</th>
<th>Total Equity</th>
<th>Equity attributable to equity holders of the parent</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>33,651</td>
<td>1,239,226</td>
<td>1,272,877</td>
<td>1,162,607</td>
</tr>
<tr>
<td>2011</td>
<td>36,050</td>
<td>1,091,083</td>
<td>1,127,133</td>
<td>1,028,628</td>
</tr>
</tbody>
</table>

### Group Embedded Value

The embedded value represents an estimate of the value of the business, excluding the value attributable to minority interests and goodwill, attributable to each new business. The embedded value comprises:

- the value of the in-force business adjusted for the cost of required capital (to support this business) and fair value adjustments; and
- the value of divestments and gains from other net asset sales.

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

### Assets under Management

<table>
<thead>
<tr>
<th>Year</th>
<th>Embedded value per share (Pula)</th>
<th>Required Capital Cover</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>9.61</td>
<td>6.8</td>
</tr>
<tr>
<td>2011</td>
<td>9.07</td>
<td>5.9</td>
</tr>
</tbody>
</table>

### Expenses

- **Persistency**: 23,974
- **Mortality/Morbidity**: 58,696
- **Operating experience variances**: 7,599
- **Expected return to end of period**: 9,109
- **Expected return on life business in force**: 80,200

These earnings can be analysed as follows:

- **Return on embedded value**: 13%  8%
- **Cost of capital**: (17,554) (14,440)
- **Single premium**: 75,970  61,381
- **Recurring premium**: 31,782  59,105

### Economic assumption changes

- **Inflation**: 10,517
- **Risk discount rate**: -
- **Growth**

- **Cost of capital**: (17,554) (14,440)
- **Single premium**: 75,970  61,381
- **Recurring premium**: 31,782  59,105

### Summary

- **Return on shareholders assets**: 224,388  319,188
- **Dividends paid**: 157,400  185,520
- **Change in embedded value**: 166,799  3,034
- **Expected return on life business in force**: 80,200  81,376

The main assumptions used are as follows:

- **Persistency**: 45,791  (26,719)
- **Mortality/morbidity**: 6,679  (27,502)
- **Other**: (20,319) 15,230

### Notes

1. **Economic assumptions**: % p.a

2. **Other assumptions**

- **Term and renewal pricing**: 324,199  330,524
- **Capital gains tax**: 100  100
- **Withholding tax on dividends**: 219  (22,556)
- **Deferred tax (Net)**: -5,420 -5,371