Commentary on Group Results for the Six Months Ended 30 June 2008

The directive taken pleasure in presenting the consolidated results of Botswana Insurance Holdings Limited (BHL) for the six months ended 30 June 2008.

Key features

- Net premiums written decreased by 25% to P729.0 million.
- Insurance margin decreased by 27.5% to 32.6%. Operating margin in the Property/Liability segment decreased by 7.1% to 17.5%.
- The Group's embedded value of P1.93 billion as at June 2008 is 8% up from P1.83 billion as at December 2007. This is after allowing for the P98.4 million dividend paid during the period.
- The overall result was 77% down from prior period to P65.7 million due to the negative effect of investment markets. The investment losses for the six months to June 2008, the Domestic Companies Index lost 14.70%. The shedding of value though no causal link to offshore markets was established. During the six months after the dire results of the sub-prime crisis. The local equity market followed suit, Widespread declines in global capital markets were driven by negative sentiments.

BOTSUANA INSURANCE HOLDINGS LIMITED

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Margin pressures on fixed income instruments, coupled with ascending inflation, meant that other traditional asset classes offered no respite to the investment management business. In spite of this, BIFM’s assets under management grew from P15.1 billion to P15.5 billion, a modest but highly welcome 2.6%.

BIFM’s operating profit before tax of P56 million was 24% higher than that recorded for the comparable period in 2007.

Reversal of the sale of minority stake in BIFM Botswana

Further to the communication at the Annual General Meeting of the company, held on 26 June 2008, the directors decided to reverse the transaction of the sale of minority stake in BIFM Botswana effective 31 August 2008 subject to the finalisation of all agreements and other formalities required to reverse the transaction. The reversal is to be effected by buying back from the buyers at the same price that the stake was sold to them plus interest charges to date and any interest or dividend received during the period. The repurchase price after all adjustments is estimated to be P94.4 million. Further, the 10% stake that was bought in SIM Africa (Pty) Limited will also be sold back to SIM effective the same date and the proceeds to be received is estimated at P7.5 million which is the sum of the initial price paid together with interest.

The effect of the reversal on the financial results will be a reduction of minority shareholder value in the balance sheet of P27.49 million. The effect on the income statement will be a reduction in the share for minority interest shareholders in the profits to date of P7.8 million.

Capital management and solvency

The effective management of BIHL’s capital base, as a key component of our 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 it. Progress towards realising this potential will be communicated to shareholders as and when definitive plans are finalised.

Looking ahead

We will continue to build on our achievements and focus on our key strategies of growth and profitability. The uncertainty in the equity markets will affect the results for the second half in terms of unrealised investment losses under equity.

Changes in directorships

Resignations

Dr. Happy Fidzani resigned as a director on 31 March 2008

Mr. Douglas Long resigned as a director on 31 March 2008

Mr. John Burbidge resigned as a director on 15 May 2008

Appointments

Mrs. Batsho Dambe-Groth was appointed as a director on 15 May 2008

Mr. Uttum Corea was appointed as a director on 15 May 2008

Mr. Norman Kelly was appointed as a director on 15 May 2008

Dividend Declaration

Notice is hereby given that the Directors have resolved to award an interim dividend for the period, net of tax, of 15.00 thebe per share.

The important dates pertaining to the dividends are:

Declaration date   14 August 2008

Last day to register for dividend  19 September 2008

Distribution of dividend cheques  3 October 2008

For and on behalf of the Board

MC Letshwiti (Chairman), RD Sikalesele-Vaka and V Senye (Joint Group CEOs)