

ABRIDGED AUDITED GROUP RESULTS

for the year ended 31 December 2023



CONSOLIDATED STATEMENT **OF FINANCIAL POSITION**

As at 31 December 2023

	31 Dec 2023 P'000	Restated ^{1,2} 31 Dec 2022 P'000	Restated ^{1,2} 1 Jan 2022 P'000
ASSETS			
Property and equipment	170 052	173 158	183 232
Intangible assets	97 247	101 197	107 076
Right-of-use assets	11 879	14 713	8 112
Investment property	26 480	12 260	10 160
Investments in associates and joint ventures Long-term reinsurance assets	1 758 469 17 874	1 910 194 10 271	1 972 698 11 882
Insurance contract assets	612 935	553 701	582 812
Non-current asset held for sale Financial assets at fair value through profit or loss	- 14 935 316	99 988 15 411 628	-
Bonds	8 543 705	8 426 652	8 663 449
Investment in property funds and companies Equity investments (local and	1 277 962	1 205 650	1 173 325
foreign)	3 040 954	2 589 245	2 403 845
Money market instruments	2 072 695	3 190 081	3 144 625
Loans at amortised cost	-	-	31 957
Other receivables	135 632	186 940	135 798
Cash and cash equivalents	170 583	400 711	137 418
Total assets	17 936 467	18 874 761	18 566 389

EQUITY AND LIABILITIES Equity attributable to equity holders of the parent			
Stated capital	204 936	154 936	154 936
Non-distributable reserves	106 375	350 208	395 716
Retained earnings	3 302 730	3 267 691	3 189 765
Total equity attributable to equity holders of the parent	3 614 041	3 772 835	3 740 417
Non-controlling interests	23 751	22 428	18 728
Total equity	3 637 792	3 795 263	3 759 145
Liabilities			
Insurance contract liabilities	8 004 121	7 551 386	7 304 508
Investment contract liabilities	3 598 953	3 298 512	3 341 397
External investors in consolidated funds Reinsurance contract liability	2 082 020 54 222	3 619 273 55 757	3 635 183 9 228
Derivatives instrument	25 429	37 259	42 366
Deferred tax liability	141 908	73 545	138 900
Lease liability	12 707	16 210	9 234
Other payables	353 824	398 121	321 398
Tax payable	18 624	26 246	3 441
Related party balances	6 867	3 189	1 589
Total equity and liabilities	17 936 467	18 874 761	18 566 389

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY For the year ended 31 December 2023

	Stated capital P'000	Non- distributable reserves P'000	Retained earnings P'000	Total equity attributable to equity holders of the parent P'000	Non- controlling interest P'000	Total equity P'000
Balance as at 31 December 2021	154 936	395 716	2 781 611	3 332 263	18 728	3 350 991
IFRS 17 transition adjustment ²	-	-	408 154	408 154	-	408 154
Balance as at 1 January 2022 restated ²	154 936	395 716	3 189 765	3 740 417	18 728	3 759 145
Profit for the year ¹	-	-	442 578	442 578	6 224	448 802
Foreign currency translation reserve movement	-	(13 951)	-	(13 951)	-	(13 951)
Share-based payment expense	-	5 215	-	5 215	-	5 215
Cost of treasury shares (acquired)/disposed	-	1 1 1 7	-	1 117	-	1 1 1 7
Dividend paid	-	-	(402 440)	(402 440)	(2 524)	(404 964)
Transfers from non-distributable reserves to retained						
earnings	-	(33 948)	33 948	-	-	-
Other movements in reserves	-	(3 941)	3 840	(101)	-	(101)
Balance as at 31 December 2022 restated ¹	154 936	350 208	3 267 691	3 772 835	22 428	3 795 263
Profit for the year	-	-	773 953	773 953	7 570	781 523
Foreign currency translation reserve movement	-	(170 662)	-	(170 662)	-	(170 662)
Share-based payment expense	-	5 168	-	5 168	-	5 168
Transfer from retained income/(Transfer to statutory reserve)	-	9 461	(9 461)	-	-	-
Transfer to retained income from share-based reserve	-	(29 199)	29 199	-	-	-
Cost of treasury shares (acquired)/disposed	-	(8 601)	(2 459)	(11 060)	-	(11 060)
New shares issued	50 000	(50 000)	-	-	-	-
Dividend paid	-	-	(753 930)	(753 930)	(6 247)	(760 177)
Other movements in reserves	-	-	(2 263)	(2 263)	-	(2 263)
Balance as at 31 December 2023	204 936	106 375	3 302 730	3 614 041	23 751	3 637 792

Restated¹

31 Dec

Restated for transition to IFRS 17, refer to appendix 1. ² Restated for correction of error in the prior period, refer to appendix 3.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	2023 P'000	2022 P'000
Cash generated (utilised in)/generated from operations	(458 823)	244 493
Cash generated from operations ¹	58 971	244 688
Interest received	269 716	295 056
Dividend received from equity investments	56 851	70 791
Dividend received from associates and joint ventures	-	-
Interest paid	144 928	149 844
Tax paid	(762)	(1 076)
Dividend paid	(228 350)	(109 846)
Net cash flow utilised in investing activities ¹	235 145	23 464
Purchase of property and equipment	(8 953)	(6 652)
Purchase of computer software	(5 902)	(5 201)
Receipts from loans receivable at amortised cost	-	35 317
Proceeds from sale of investment in associates	250 000	_
Net cash flows from financing activities	(6 450)	(4 664)
Payment of principal portion of lease liabilities (IFRS 16)	(6 450)	(5 781)

	Year ended 31 Dec	Year ended 31 Dec
Group equity value results	2023 P'000	2022 P'000
Shareholders' net assets after fair value	1 000	1 000
adjustments	3 212 601	3 464 538
Shareholders' net assets, excluding goodwill	3 638 614	3 464 538
Fair value adjustments	(426 013)	0.004.750
Value of in-force Value before cost of capital	2 166 084 1 986 011	2 294 753
Fair value adjustments	314 080	519 774
Cost of capital	(134 007)	(135 122
Group equity value at the beginning	-	
of the year	5 759 291	5 292 077
Group equity value at the beginning of the year – restated	5 834 830	5 292 077
Group equity value at the end of year	5 378 685	5 759 291
Required capital	457 412	447 951
Required capital cover	7.00	7.70
Group equity value per share (Pula) Group equity value earnings	18.90 477 022	20.40 892 629
Change in group equity value	(412 066)	467 214
Movement in capital	135 158	22 975
Dividends paid	753 930	402 440
Return on group equity value	8.3%	16.9%
These earnings can be analysed as follows:		
Embedded value earnings from		
covered business		
Expected return on life business in force	203 811	209 01 1
Value of new business	140 347	160 274
Operating experience variances	179 931	103 876
Mortality/morbidity	(10 557)	100 607
Persistency	12 225	(10 115
Expenses Working capital	20 951	(7 037
Other	30 525	20 421
Operating assumption changes	(253 274)	(76 972
Mortality/morbidity	(64 230)	(41 109
Persistency	(166 069)	(6 911
Expenses	(78 200)	(10 673
Other	55 225	(18 279
Embedded value earnings from operations	270 815	396 189
Investment variances	143 974	82 605
Economic assumption changes	109 209	(17 524
Investment return	(70 720)	29 313
Risk discount rate	179 929	(46 837
Embedded value earnings from covered business	523 998	461 270
Return on shareholders' assets	158 718	263 576
Investment returns	14 760	15 198
Net profit non-life operations	143 958	248 378
BIFM	118 219	127 430
Letshego FSG	(77 185)	112 161
BIC	21 398	12 593 19 685
Nico	90 080	57 277
Other	(119 055)	(80 768
Change in shareholders' fund adjustments	(205 693)	151 860
Changes in treasury share adjustments	2 627	(640
Movement in fair value of incentive		
scheme shares	(47)	13 991
Movement in present value of holding company expenses	(28 560)	(7 974
Movement in other net worth adjustments	(179 713)	146 483
Group equity value earnings	477 023	876 706
a) Value of new business		
Value of new business at point of sale	140 347	160 274
Value before cost of capital Recurring premium	149 715 79 139	173 338
Single premium	79 139	90 209
Cost of capital	(9 368)	(13 064
b) Fair value adjustments	. ,	
Staff share scheme	(23 006)	(22 959
Non-life operations write-up to	000.000	000.005
fair value (Bifm) BIFM write-up to fair value	389 923 389 923	332 087
Non-life operations write-up to	003 323	002 001
fair value – other	100 295	255 261
FSG write-up to fair value	-	104 421
Nico write-up to fair value	28 244	107 732
BIC write-up to fair value	72 051	43 108
Group holding expenses	(194 927)	(166 36)
Reversal of cross-holding adjustment Total	41 795 314 080	39 168 519 773
Consisting of:	314 000	518776
Consisting of: Net asset value adjustments		
Value of in-force adjustments	314 080	519 773
c) Assumptions		2.0110
The main assumptions used are as follows:		
Economic assumptions	% p.a.	% p.a
Risk discount rate	10,15	11,65
Discount rate for liabilities	risk-free rate	risk-free rate

Expense inflation rate

5.15

4.19

COMMENTARY

ECONOMIC ENVIRONMENT

The year 2023 began with a lot of uncertainty regarding inflation and interest rates across the globe which negatively impacted investment markets. As the year progressed it became increasingly clear that the pressures on central banks to raise interest rates further had substantially reduced. These indications of slowing inflation and a cooling labour market led market participants to price in an accelerated path of rate cuts for 2024, prompting a broad rally across the global bond market. This saw significant investment returns accruing in offshore portfolios as the year ended.

Locally, the new Pension Fund Investment Rules (PFR2), which came into effect in 2023, were a topical theme throughout the year, leading to an increase in banking sector liquidity towards the end of the year as pension funds began the process of repatriating their funds onshore. The risk of asset bubbles remains prevalent, with the property market seemingly having begun heating up from a pricing perspective.

Following its December 2023 meeting, the central bank's Monetary Policy Committee (MPC) announced a 25-basis points rate cut in the Monetary Policy Rate (MoPR) to 2,40%. The announcement came as a surprise to market players as the consensus expectation was that the MPC would maintain a steady hand and keep the rate unchanged

Botswana's real GDP grew by 3,2% in Q3 2023, down from 6,3% registered in the same quarter in the previous year negatively impacted by weaker performance from the mining sector.

Accounting policies and presentation

The accounting policies adopted for the year comply in all material respects with IFRS Accounting standards (formerly IFRS® 'International Financial Reporting Standards' and are presented in the manner required by the Insurance Industry Act, 2015. These policies are consistent with those applied for the year ended 31 December 2023 except for the new accounting policies adopted by the group on Insurance Contracts as necessitated by the new IFRS 17 standard.

FINANCIAL OVERVIEW

Analysis of earnings

/ear ended

Year ended

	Year to 31 Dec 2023 P'000	Restated Year to 31 Dec 2022 P'000	% change
Operating profit	801 148	224 120	257
Investment income on shareholders' assets	72 205	72 324	-
Core earnings	873 353	296 444	195
Profit on sale of associate	141 669	-	100
Share of profit of associates and joint ventures net of tax	78 934	216 456	(64)
Investment surpluses on shareholders assets	(9 696)	41 321	(123)
Profit before tax	1 084 260	554 221	96
Tax	(302 737)	(105 419)	187
Profit after tax	781 523	448 802	74

Group operating profit increased by 257% for the year ended 31 December 2023 compared to the prior year. Life operating profit increased significantly compared to the prior year mainly due to higher investment returns earned from positive fair value gains across insurance contracts and IFRS 9 investments contracts. The asset management business operating profit for the year excluding the Zambian operation results, was 20% higher than prior year owing to increased Assets Under Management. Equity accounted earnings decreased by 64% mainly due to the underperformance from Letshego Holdings as impairments surged. The Nico Holdings Group posted a strong set of results for the year despite the 44% devaluation of the Kwacha against the Botswana Pula which resulted in a P82 million foreign currency exchange loss recognised in the statement of other comprehensive income.

Group equity value

The group equity value (GEV) decreased to P5,38 billion from P5,76 billion (restated 2022). The group equity value allowed for dividends of P754 million paid during the year ending 31 December 2023. The decrease in GEV is driven by a decrease in the value of in-force (VIF) for the life insurance business and negative fair value adjustments for the non-life businesses, specifically Letshego and Nico.

Value of new life business

The value of new business decreased by 12% to P140 million compared to the prior year mainly due to lower new business volumes.

estated for transition to IFRS 17, refer to appendix 1.	
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Restated^{1, 2}

31 Dec 2022

31 Dec 2023

Re ² Res ed for correction of error in the prior period, refer to appendix 3.

CONSOLIDATED INCOME STATEMENT For the year ended 31 December 2023

	P'000	P'000
Net result from life insurance contracts	585 751	143 194
Result from life insurance contracts	601 726	156 445
Net insurance service result	286 393	277 710
Insurance revenue	2 422 502	2 392 542
Insurance service expenses	(2 120 634)	(2 089 982)
Income or expense from reinsurance		
contracts	(15 475)	(24 850)
Investment service result	315 333	(121 265)
Insurance finance income or expense	(463 795)	(349 018)
Reinsurance finance income or expense	(26 935)	(19 510)
Investment income on assets held in respect of insurance contracts	806 063	247 263
Other expenses relating to	L	
insurance operations	(15 975)	(13 251)
Result from other operations	541 111	468 744
Revenue from contracts with customers	295 546	259 591
Investment income	284 903	125 819
Interest income using the Effective Interest Rate (EIR)	4 395	4 127
Other interest income from investment contracts	202 721	245 282
Fair value (losses)/gains from derivative instrument	(11 830)	(5 107)
Change in fair value of investment contract liabilities	(31 903)	84 314
Change in fair value of external investors' liabilities	88 254	36 538
Net changes in investment contract benefits	(290 975)	(281 820)
Other expenses	(252 324)	(269 199)
Administration expenses	(214 495)	(204 535)
Sales remuneration	(37 067)	(63 588)
Finance cost on leases	(762)	(1 076)
Impairments reversed/(raised)	(10 881)	(4 974)
Profit before equity accounted earnings and other income	863 657	337 765
Profit on sale of associate	141 669	-
Share of profit of associates and		
joint ventures	78 934	216 456
Profit before tax	1 084 260	554 221
Income tax expense	(302 737)	(105 419)
Profit for the year	781 523	448 802
Profit attributable to:		
 Equity holders of the parent 	773 953	442 578
Non controlling interacto	7 570	6 224
 Non-controlling interests 		

Earnings	per share	(thebe)	(attributat	le
to ordina	ny oquity I	holdore (of the nare	(hat

to ordinary equity nonders or the parenty		
- Basic	274	158
- Diluted ³	272	157

Restated for transition to IFRS 17, refer to appendix 1.

- ² Restated for correction of error in the prior period, refer to appendix 3.
- ³ Diluted EPS was also restated as a result of an error in adjusting for an incorrect number of unvested shares under the share scheme, which are accounted for as treasury shares in the group financial statements.

Disposal of treasury shares	-	1 117
(IFRS 16)	(6 450)	(5 781)

Net (decrease)/increase in cash and cash equivalents	(230 128)	263 293
Cash and cash equivalents at the beginning of the year	400 711	137 418
Cash and cash equivalents at the end of the year	170 583	400 711

The prior year has been restated due the error classification of cash movements in ts held as part of operating activities, refer to appendix 2.

CONSOLIDATED STATEMENT **OF COMPREHENSIVE INCOME** For the year ended 31 December 2023

	31 Dec 2023 P'000	Restated ¹ 31 Dec 2022 P'000
Profit for the year	781 523	448 802
Other comprehensive income		
Items that are or may be reclassified subsequently to profit or loss (net of tax):		
Exchange differences on translation of foreign operations	(170 662)	(13 951)
Total comprehensive income for the year	610 861	434 851
Total comprehensive income attributable to:		
 Equity holders of the parent 	603 291	428 627
 Non-controlling interests 	7 570	6 224
	610 861	434 851

Restated for correction of error in the prior period, refer to appendix 3.

GROUP EMBEDDED VALUE

GROUP EQUITY VALUE

The group equity value is an aggregate of embedded balue from the life insurance covered business and the fair value of all other shareholders' ne assets. It represents an estimate of the economic value of the group excludin the value attributable to future new business from life insurance and the value attributable to minorities.

- The group equity value comprises:
- The value of the shareholders' net assets;
- Fair value adjustments; and
- The value of in-force business including the value of new business writte during the year.

DEFINITION OF EMBEDDED VALUE

The embedded value represents an estimate of the economic value of the life insurance covered business excluding the value attributable to future new business. Covered business represents the group's long-term insurance busines for which the value of new and in-force contracts is attributable to shareholders

The value of in-force business is the present value of future after-tax profits arisin 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.

The value of new business represents the value of projected after-tax profi at the point of sale arising from new policies sold during the year ended 31 December 2023, 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.

Overview of operations

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

- The life insurance segment which provides life insurance services to its customers through Botswana Life Insurance Limited (Botswana Life), Botswana's leading life insurance company, a full subsidiary of the group
- The asset management segment which provides asset management services to its customers through Botswana Insurance Fund Management Limited (Bifm), and Bifm Unit Trusts, both subsidiaries of the group.

Segments that do not fall under the two key segments have been classified under 'other'. These comprise of associate businesses (Letshego Africa Holdings Limited, NICO Holdings Plc, Botswana Insurance Company Limited, Grand Reinsurance Tanzania and BIHL Insurance Company Limited) and the holding company.

Inter-segment transactions between business segments took place on an arm's-length basis in a manner similar to transactions with third parties. Segmental income, segment expenses and segment results include those transfers between business segments, which are eliminated on consolidation.

SEGMENT RESULTS

For the year ended 31 Dec 2023	Life business P'000	Asset management P'000	Other P'000	Inter- segmental P'000	Consoli dateo P'000
Net insurance service result	286 393	-	-	-	286 39
Investment service result	315 333	-	-	-	315 33
Other expenses relating to insurance operations	(15 975)	-	-	-	(15 97
Net result from life insurance operations	585 751	-	-	-	585 75
Revenue from contracts with customers					
- Internal	-	3 327	-	(3 327)	
- External	137 379	158 167	-	-	295 54
Investment income ¹	264 024	16 875	851 901	(847 897)	284 90
Interest income using the effective interest rate (EIR)	2 088	-	2 307	-	4 39
Other interest income from investment contracts	-	-	-	202 721	202 72
Fair value (losses)/gains from derivatives instrument	(11 830)	-	-	-	(11 83
Change in fair value of investment contract liabilities	(69 085)	34 723	-	2 459	(31 90
Change in fair value of external investors' liabilities	-	-	-	88 254	88 25
Net changes in investment contract benefits	-	-	-	(290 975)	(290 97
Result from other operations	322 576	213 092	854 208	(848 765)	541 1 1
Depreciation	(9 988)	(1 230)	(841)	-	(12 0
Amortisation and impairment	(9 164)	(568)	(120)	-	(9 85
Right-of-use asset depreciation	(5 319)	(1 420)	(1 734)	2 702	(5 7
Administration expenses	(60 754)	(79 543)	(74 864)	16 705	(198 45
Sales remuneration	(37 067)	-	-	-	(37 06
Profit before equity-accounted earnings	786 035	130 331	776 649	(829 358)	863 65
Profit on sale of associate	-	-	141 669	-	141 66
Net equity-accounted earnings	-	-	78 934	-	78 93
Profit before tax	786 035	130 331	997 252	(829 358)	1 084 20
Income tax expense	(221 160)	(19 624)	(61 953)	-	(302 73
Profit after tax	564 875	110 707	935 299	(829 358)	781 52
Segment assets and liabilities					
Total assets	14 299 587	5 464 023	1 828 692	(4 284 340)	17 307 96
Total liabilities	11 617 776	4 925 295	1 233 681	(4 106 582)	13 670 12

ABRIDGED AUDITED GROUP RESULTS

for the year ended 31 December 2023

The Directors hereby present the abridged audited consolidated financial results of Botswana Insurance Holdings Limited (BIHL) and its subsidiaries (the group) for the financial year ended 31 December 2023. These financial results are presented in accordance with IFRS® Accounting Standards (previously IFRS 'International Financial Reporting Standards' requirements, and the Group has adopted IFRS 17, the insurance reporting standard which took effect on 1 January 2023. The comparative numbers have been restated to comply with this new standard.

COMMENTARY continued

For the year ended 31 Dec 2022	Life business P'000	Asset management P'000	Other P'000	Inter- segmental P'000	Consoli- dated P'000
Net insurance service result	277 710	-	-	-	277 710
Investment service result	(121 265)	-	-	-	(121 265)
Other expenses relating to insurance operations	(13 251)	-	-	-	(13 251)
Net result from life insurance operations	143 194	_	-	-	143 194
Revenue from contracts with customers					
- Internal	-	2 383	-	(2 383)	-
– External	118 455	141 136	-	-	259 591
Investment income ¹	105 095	17 108	486 585	(482 969)	125 819
Interest income using the EIR	1 541	-	2 586	-	4 127
Other interest income from investment contracts	-	-	-	245 282	245 282
Fair value (losses)/gains from derivatives instrument	(5 107)	-	-	-	(5 107)
Change in fair value of investment contract liabilities	43 621	40 693	-	-	84 314
Change in fair value of external investors' liabilities	-	-	-	36 538	36 538
Net changes in investment contract benefits		-	-	(281 820)	(281 820)
Result from other operations	263 605	201 320	489 171	(485 352)	468 744
Depreciation	(14 668)	(1 221)	(837)	-	(16 726)
Amortisation and impairment	(10 277)	(555)	(248)	-	(11 080)
Right-of-use asset depreciation	(5 653)	(1 065)	(1 282)	2 347	(5 653)
Administration expenses	(56 204)	(71 396)	(53 462)	3 936	(177 126)
Sales remuneration	(63 588)	-	-	-	(63 588)
Profit before equity-accounted earnings	256 409	127 083	433 342	(479 069)	337 765
Net equity-accounted earnings	-		216 456	_	216 456
Profit before tax	256 409	127 083	649 798	(479 069)	554 221
Income tax expense	(66 232)	(18 632)	(20 555)	-	(105 419)
Profit after tax	190 177	108 451	629 243	(479 069)	448 802
Segment assets and liabilities					
Total assets	13 684 660	6 754 562	1 826 157	(3 950 143)	18 315 236
Total liabilities	10 917 834	6 220 147	1 224 792	(3 846 742)	14 516 031

¹ Included under other are dividends received from subsidiaries and associates by the holding company which are then eliminated under inter-segmental line.

APPENDIX

RESTATEMENTS OF PRIOR YEARS

1. Impact of first-time application of IFRS 17 by recognition and measurement basis:

The table below summarises the impact of transition impact to retained earnings based on measurement model and does not include reallocation entries

	Gross balance P'000	Reinsurance P'000	Net of reinsurance P'000
nsurance contracts under IFRS 17			
General measurement model			
Individual life risk	(694,952)	64,840	(640,967)
Annuities	6,722,174	-	6,722,174
	6,027,222	64,840	6,092,062
Premium allocation approach			
Group life and credit life	597,765	(10,855)	586,910
	597,765	(10,855)	586,910
Total	6,624,987	53,985	6,678,972

Deferred tax impact at 22% Transition adjustment to retained earnings (net of tax impact)

Correction

of prior

As previously

IFRS 4

under IFRS 4

(refer to note 4) below

Reinsurance asset

tax impact)

2022

Correction

of prior

Balances as reported at 1 January 2022 under

Policyholder liabilities as reported at 1 January 2022

Net insurance contract liabilities under IFRS 4

Transition adjustment to retained earnings (before

Less: Investment contract liabilities

Insurance contract liabilities under IFRS 4

Restated Statement of financial position due to correction of prior period errors and adoption of IFRS 17: Insurance Contracts is shown below.

i. Refer to note appendix 4 for additional information on the correction of prior period error - Separate presentation of investment contract liabilities

ii. Refer to appendix 3 for additional information on the correction of prior period error - Investment in associate

New accounting standard

2023 marks the first year in which Botswana Life's annual financial statements are being presented in accordance with the new IFRS 17 Insurance Contracts standard. Insurers are required to present comparative financial information for the year immediately preceding the date of initial application to enable meaningful comparison, therefore, the 2022 results previously published have been restated in accordance with the new standard.

Transitioning

IFRS 17 requires a restatement of a company's results as if IFRS 17 had always been applicable (the 'fully retrospective approach') unless it is 'impracticable' to do so. Where a fully retrospective approach has been impracticable, Botswana Life has followed a fair value approach. These transitioning revaluations have resulted in a release of P408 million from policyholder liabilities to shareholder equity.

2023 performance

Gross

balance

P'000

As

previously

nsurance

P'000

2021

Correction

of prior

Profit before tax from insurance operations has increased by 136% compared to the prior year. The key driver for the increase in profitability is a 326% increase in investment returns earned during the year on the back of positive fair value gains across assets backing insurance contracts and IFRS 9 Investment Contracts.

The Insurance service result has remained stable compared to prior year, with both Insurance revenue and Insurance service expenses increasing by 1% compared to 2022. Revenue is mainly driven by the expected release from the Contractual Service Margins (CSM) and the Risk Adjustment (RA). The CSM represents the unearned profits released as the insurance service is provided. CSM and RA releases for 2023 amounted to P181 million which was P96 million lower than for 2022. This reduction has been the result of reduced new business volumes and high lapses. Insurance service expenses were higher in 2023 mainly due to increased notional Deferred Acquisition Costs (DAC).

Value of new business which measures the present value of future new business profits declined by 12% owing to declining new business volumes as well as assumption strengthening on the group business portfolio.

ASSET MANAGEMENT BUSINESS

Net of

urance

10,447,441

(3, 234, 340)

7,213,102 (10,855)

7,202,246 (b)

115,120

(408,154)

(523,274) (a) - (b)

P'000

The Bifm Group's operating profit for the year grew by 1% over the prior year. The Zambian business operation was the main detractor as it closed the year with a significantly lower operating performance, owing to a once-off positive accounting adjustment recorded in the prior year. Operating profits excluding the Zambian operations registered 20% year-on-year growth. The growth in profits was mainly driven by operating income which closed 13% higher than the prior year, driven by a substantial increase in AUM. Bifm's contribution to the group performance continues to grow and impact results positively, recording an operating profit improvement of 15% against the prior year.

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Total Bifm AUM increased by 16% to close the year at P44 billion (2022: P38,5 billion), including Zambia's P5,9 billion and Bifm Unit Trusts at P2,6 billion.

CAPITAL MANAGEMENT AND SOLVENCY

The group remains well positioned in terms of capital management and solvency. This was taken into consideration by the board when resolving to declare a final dividend. The group-required capital cover is 7 times, having reduced from 7,7 times in the previous year. The reduction in required capital cover was driven by the drop in group equity value from P5,76 billion to P5,38 billion which was influenced by the sale of FSG during the first quarter

LOOKING AHEAD

Decla

Ex-div

Recor

Paym For ar

2024 marks the start of a new strategy for the group, having officially closed off the 2018 - 2023 strategy period. There is a lot of groundwork that management has laid over the years and will leverage going into the future. Work will continue to focus on strengthening the group's position in the market, by driving growth of new business, client retention, human capital development and efficiency of operations, while delivering solid returns to the shareholders.

DIVIDEND DECLARATION

The directors have resolved to award a final dividend of 110 thebe per share (not subjected to tax).

The important dates pertaining to the dividends are

aration date	25 March 2024
ividend date	15 April 2024
ord date	17 April 2024
nent of dividend	25 April 2024
nd on behalf of the board	

Dr Keith Jefferis BIHL Board Chairperson	Catherine Lesetedi Group Chief Executive Officer
6 June 2024	

2. Statement of cash flows

During prior periods, the group classified cash flows arising from the acquisition and disposal of investments held in the ordinary course of its business operations (i.e., to meet policyholder and other operating obligations) as investing activities. Such classification was not appropriate given that these acquisition and disposal activities are part of the group's normal operations and should thus have been classified as part of cash flows from operating activities. This error has been corrected through retrospective restatement of previously reported amounts, as set out below and this correction has no impact on amounts and balances reported in other components of the condensed group annual financial statements

2022	As previously reported Audited P'000	Adjustments P'000	Restated P'000
Net cash flows from operating activities	630 895	(386 402)	244 493
Cash generated from operations	631 093	(386 402)	244 493
Interest received	295 053	(300 402)	295 053
		-	
Dividend received from equity investments	70 791	-	70 791
Dividend received from associates and joint ventures	149 844	-	149 844
Interest paid	(1 076)	-	(1 076)
Tax paid	(109 846)	-	(109 846)
Dividend paid	(404 964)	-	(404 964)
Net cash flows utilised in investing activities			
Purchase of property and equipment	(362 938)		
Purchase of computer software	386 402		
Acquisition of property investments	23 464		
Net purchases and withdrawals of bonds	(6 652)	-	(6 652)
(Purchase)/withdrawals of equity investments	(5 201)	-	(5 201)
Net purchases and withdrawals of money market instruments	(39 091)	39 091	_
Receipts from loans receivable at amortised cost	(54 242)	54 242	_

3. Associates

ear the group's associate. Letshego Africa Holdings Limited, identified an error in the manner in which it previously



	Note(s)	reported Audited P'000	period error (i) P'000	period error (ii) P'000	Adoption of IFRS 17 P'000	Restated P'000	reported Audited P'000	period error (i) P'000	Adoption of IFRS 17 P'000	Restated P'000
ASSETS										
Property and equipment		173 158	-	-	-	173 158	183 232	-	-	183 232
Intangible assets		101 197	-	-	-	101 197	107 076	-	-	107 076
Right-of-use assets		14 713	-	-	-	14 713	8 112	-	-	8 112
Insurance contract asset	1	-	-	-	553 701	553 701	-	-	582 812	582 812
Reinsurance contract assets	2	7 555	-	-	2 7 1 6	10 27 1	10 855	_	1 027	11 882
Investment property		12 260	_	-	-	12 260	10 160	-	-	10 160
Investments in associates and joint ventures		1 930 412	_	(20 218)	-	1 910 194	1 972 698	-	-	1 972 698
Non-current asset held for sale		99 988	-	-	-	99 988	-	_	-	-
Financial assets at fair value through profit or loss		15 411 628	_	-	-	15 411 628	15 385 244	-	-	15 385 244
Loans at amortised cost		-	-	-	-	_	31 957	_	-	31 957
Insurance and other receivables	3	359 802	-	-	(172 862)	186 940	280 725	-	(144 927)	135 798
Deferred tax		2 016	_	-	(2 016)	_	-	-	-	-
Cash and cash equivalents		400 711	_	-	-	400 711	137 418	-	-	137 418
Total assets		18 513 440	_	(20 218)	381 539	18 874 761	18 127 477	-	438 912	18 566 389
EQUITY AND LIABILITIES Equity attributable to equity holders of the parent Stated capital Non-distributable reserves Retained earnings Total equity attributable to equity holders of the parent Non-controlling interests Total capity	4	154 936 350 208 3 021 413 3 526 557 22 428 3 548 985		- (20 218) (20 218) - (20 218)	_ 	154 936 350 208 3 267 691 3 772 835 22 428 3 795 263	154 936 395 716 2 781 611 3 332 263 18 728 3 350 991		- - 408 154 408 154 - 408 154	154 936 395 716 3 189 765 3 740 417 18 728 3 759 145
Total equity		5 546 965		(20 210)	200 497	3795205	3 330 991		400 134	3733143
Liabilities	5	10 511 760	(3 177 051)	_	(7 334 709)		10 447 441	(3 234 340)	(7.010.101)	
Long term policyholder liabilities	5	10 511 700	(3 177 001)	-	7 551 386	- 7 551 386	10 447 441	(3 234 340)	(7 213 101) 7 304 508	7 304 508
Insurance contract liabilities	5	_	- 3 298 512	-	7 331 360	3 298 512	-	- 3 341 397	/ 304 506	7 304 508 3 341 397
Investment contract liability	6	-	3 290 312	-	- 55 757	55 757		3 341 397	9 228	9 228
Reinsurance contract liabilities	0	-	-	_	55757		-	-		
External investors in consolidated funds		3 619 273	-	_	_	3 619 273	3 635 183	-	-	3 635 183
Derivatives instrument	7	37 259	_	-	- 73 545	37 259 73 545	42 366 23 780	_	-	42 366
Deferred tax liability	1	-	_						115 120	138 900
Lease liability	0	16 210	-	-	-	16 210	9 234	(107.057)	(104.007)	9 234
Trade and other payables	8	750 518	(121 461)	-	(230 936)	398 121	613 452	(107 057)	(184 997)	321 398
Tax payable		26 246	-	-	-	26 246	3 441	-	-	3 441
Related party balances		3 189	-	-	-	3 189	1 589	-	-	1 589
Total equity and liabilities		18 513 440	-	(20 218)	381 540	18 874 761	18 127 477	-	438 912	18 566 389

Notes with respect to adoption of IFRS 17

1. IFRS 17 requires an entity to present separately in the statement of financial position the carrying amount of portfolios of insurance contracts issued that are assets.

- 2. IFRS 17 requires an entity to present separately in the statement of financial position the carrying amount of portfolios of reinsurance contracts held that are assets.
- 3. Insurance receivable (premium receivable and amounts due from reinsurers) is included in the measurement of IFRS 17 and now form part of insurance/reinsurance contract assets or liabilities.
- 4. The change in valuation of insurance contract liabilities from IFRS 4 to IFRS 17. Measurement of insurance contract liabilities under IFRS 17 requires the release all discretionary and compulsory reserves held on IFRS 4 liabilities to be replaced by a risk adjustment which represents the compensation the insurer requires for non-financial risk on future cash flows. Adjustments are also made for Introduction of a contractual service margin (CSM) representing the future profits the insurer stands to earn as it provides future service. These valuation changes are adjusted against retained earnings.
- 5. IFRS 17 requires an entity to present separately in the statement of financial position the carrying amount of portfolios of insurance contracts issued that are liabilities.
- 6. IFRS 17 requires an entity to present separately in the statement of financial position the carrying amount of reinsurance contracts held that are liabilities.
- 7. The expected future tax effects arising from the earnings impact of transitioning to IFRS 17 resulting in a deferred tax liability.

8. Insurance payable (claims payable, premiums received in advance and amount due to reinsurers) is included in the measurement of IFRS 17 and now form part of insurance/reinsurance contract assets or liabilities.

Botswana Insurance Holdings Limited Incorporated in 1990 in Botswana

Company registration number: BW00000798601

Registered office

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Directors

Dr Keith Jefferis (Chairperson) (appointed 10 July 2023) Catherine Lesetedi Group Chief Executive Officer), Kudakwashe Mukushi (Group Chief Financial Officer)*** Andrew Cartwright**, Mustafa Sachak (appointed 28 July 2023)****, Robert Dommisse** John Hinchliffe*, Lieutenant General Tebogo Masire Nigel Suliaman**, Kobus Vlok**, Chandrakant Chauhan (resigned 6 March 2023), Mahube Mpugwa resigned 17 August 2023), Edwin Elias (appointed 22 August 2023) Kate Maphage (appointed 20 September 2023)

* British ** South African *** Zimbabwe **** American

estimated Expected Credit Losses (ECL) on those loans which had defaulted at the reporting date. The historical ECL calculation had incorrectly applied a discount factor to such loans, resulting in a material misstatement of the ECL balances and resultant charges to income in prior periods. The group has corrected the impact of this error through a retrospective restatement of its equity accounted share of the associate's results after tax, as summarised below:

2022	As previously reported Audited P'000	Adjustments P'000	Restated P'000
Investments in associates and joint ventures			
Carrying amounts at the beginning of the year	1 972 698	-	1 972 698
Equity-accounted earnings	236 674	(20 218)	216 456
Dividend received	(149 844)	-	(149 844
Reclassified to Held for sale	(99 988)	-	(99 988
Change in reserves in associates	(15 177)	-	(15 177
Foreign currency translation differences	(13 951)	-	(13 951
Carrying amount at the end of the year	1 930 412		1 910 194
Income statement impact			
Profit before equity accounted earnings (as restated)1	337 765	-	337 765
Equity-accounted earnings	236 674	(20 218)	216 456
Profit after tax	574 439	(20 218)	554 221

Separate presentation of investment contract liabilities 4.

Group had not disclosed the investment contract liabilities separately on the statement of financial statements in its previous financial statements instead it had been included within the policyholder liabilities. It was also noted that some investment contracts such as unit linked investment contracts with no risk riders and annuity certain contracts had been classified as insurance contracts. The policy benefits payable under investment contract liabilities have been presented in trade and other payables.

	As previously reported P'000	Increase/ (decrease) P'000	Restated* P'000
Extract of statement of financial position as of 31 December 2021			
Policyholder liabilities	10 447 441	(3 234 340)	7 213 101
Investment contract liabilities	_	3 341 397	3 341 397
Trade and other payable	613 452	(107 057)	506 395
		_	
Extract of statement of financial position as of 31 December 2022			
Policyholder liabilities	10 511 760	(3 177 051)	7 334 709
Investment contract liabilities	-	3 298 512	3 298 512
Trade and other payable	750 518	(121 461)	629 057

* Prior to adoption of IFRS 17: Insurance Contracts. Refer to 'Restated Statement of financial position due to correction of prior period errors and adoption of IFRS 17: Insurance Contract' on note 1 above.

The correction of above error does not have any impact on statement of comprehensive income and statement of cash flows.

The errors and corrections reflected above impacted the unaudited interim financial statements for the six months ended 30 June 2023 published on 30 August 2023 (the 'interim results'). Specifically:

- . The classification matters impacting on the cash flow statement as explained in 2 above were incorrectly reflected in the cash flow statements included in the interim results.
- ii. The error in accounting for associates detailed in 3 above were not corrected in the statement of financial position at 31 December 2022 and the statement of profit or loss for the year then ended as included in the interim results.
- iii. The error detailed in 4 did not impact on the balances disclosed in the interim results.

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