BIHL GROUP

BOTSWANA INSURANCE HOLDINGS LIMITED

INTEGRATED ANNUAL REPORT 2023

ENTER >

CONTENTS

KEY ACHIEVEMENTS IN 2023

REVENUE

Net insurance service result
↑ 3% to P286 million

Investment service result
>100% ↑ to P315 million

Revenue from contracts with customers
↑ 14% to P296 million

Value of new business
↓ 12% to P140 million

EARNINGS

Operating profit
↑ 257% to P801 million

Core earnings
↑ 195% to P873 million

Share of profit of associates
↓ 64% to P79 million

Profit attributable to equity holders
↑ 74% to P774 million

ASSETS UNDER MANAGEMENT (AUM)

↑ 16% to P44 billion

SOLVENCY

Business is well capitalised; required capital for the group is covered
7 times
(December 2022: 7,7 times)

GROUP EQUITY VALUE

↓ 7% to P5,38 billion
(December 2022: P5,76 billion)

Return on group equity value
↓ 8,3%
(December 2022: 16,9%)

DIVIDENDS

Paid as dividends during the year
P754 million
(December 2022: P402 million)

Made up of:

Interim dividend	**P218 million**
Final dividend	**P285 million**
Special dividend	**P251 million**

Final dividend proposed not subject to tax
P313 million
(December 2022: P285 million)

ABOUT THIS REPORT

REPORTING SCOPE AND BOUNDARY

This is the integrated annual report of Botswana Insurance Holdings Limited (BIHL Group) for the year ended 31 December 2023.

This report includes material information for our stakeholders about our financial, economic, social and environmental performance and demonstrates our performance against our previously stated plans.

The content encompasses all divisions and subsidiaries of the company across all regions of operation in Botswana and our associates in various sub-Saharan countries.

We provide insights into matters of importance to our stakeholders, highlighting how the organisation is governed, the material matters we identified and the risks and opportunities that could impact our business. We show how these factors influence our business model, strategic objectives and future plans in creating and sustaining value for our stakeholders in the short, medium and long term.

REPORTING PRINCIPLES AND FRAMEWORK

We applied international and Botswana reporting guidelines and best practices in compiling the report, including the following:

- Botswana Stock Exchange (BSE) Listings Requirements
- International Financial Reporting Standards (IFRS)
- Botswana Institute of Chartered Accountants Financial Reporting Guides
- King IV Report on Corporate Governance for South Africa, 2016™ (King IV™)
- International Integrated Reporting Framework (<IR> Framework) of the IFRS Foundation
- United Nations Sustainable Development Goals (SDGs), and
- Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)

as well as the relevant regulations and directives in force under the laws of Botswana.

The annual financial statements on pages 85 to 204 are presented in Pula, the group's presentation currency.

MATERIALITY

This report discloses BIHL's approach to sustainability and identifies and explains the material environmental, social and corporate governance (ESG) issues facing the group. The board has considered matters viewed as material to the business of the BIHL Group and its stakeholders. These are determined through board discussion, market research, stakeholder engagement, continuous risk assessments and the review of prevailing trends in our industry and the global economy. Sustainability issues that are not considered material to our business are not discussed. This approach should enable stakeholders to accurately evaluate the BIHL Group's ability to create and sustain value over the short, medium and long term. Management is not aware of the unavailability of any reliable information or any legal prohibitions to disclosing any material information.

Refer to page 15 for more information on our material matters.

FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements that, unless otherwise indicated, reflect the company's expectations as at 31 December 2023. Actual results may differ materially from these expectations if known and unknown risks or uncertainties affect its business, or if estimates or assumptions prove inaccurate. The company cannot guarantee that any forward-looking statement will materialise, and, accordingly, readers are cautioned not to place undue reliance on these forward-looking statements. The company disclaims any intention and assumes no obligation to update or revise any forward-looking statement even if new information becomes available as a result of future events or for any other reason, unless required to do so by legislation and regulation. The external auditor and assurance providers have not assured these statements.

FEEDBACK

A hard copy of this integrated annual report is available on request as well as online at ***https://www.bihl.co.bw/investor-relations-pages***

We are committed to improving this report each year and appreciate and encourage constructive feedback. Please forward comments to **kmokgothu@bihl.co.bw**

CORPORATE INFORMATION

Contact details for BIHL are set out on the back cover.

THEME: IMPROVING LIVELIHOODS

This is our purpose statement and the essence of everything we do as a business. We enhance the overall well-being and quality of life of individuals and communities we operate in. We intend to develop strategies, initiatives and interventions that enhance income opportunities, access to financial services and socio-economic conditions for people, thereby enabling them to lead healthier, more productive and fulfilling lives.

Read more about our purpose on page 10.

NAVIGATION

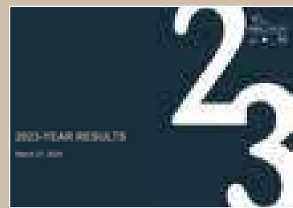
This integrated annual report was enhanced with digital navigation capabilities to assist you in moving between sections. You can do so by using the navigation icons at the top of the page or where you see one of these links:

- Refers you to information available online at **www.bihl.co.bw**
- Refers you to a page where more information can be found in this report.

REPORTING SUITE

The following reports provide more information on BIHL's 2023 performance and are available online at **www.bihl.co.bw**

Year-end results announcement



Year-end results presentation

ABOUT THIS REPORT continued

ASSURANCE

BIHL has a combined assurance model, which is set out below.

Business process	Nature of assurance	Assurance provider
Annual financial statements	External audit	PricewaterhouseCoopers
Internal control processes	Internal audit services	Internal audit services with the assistance of Sanlam Group Internal Audit
BSE Listings Requirements	Compliance reviews	BSE and PricewaterhouseCoopers
Insurance due diligence	Independent risk reviews	PricewaterhouseCoopers, independent actuary and reinsurers

Per Botswana law and the BSE Listings Requirements, BIHL's annual financial statements were audited by our independent auditor, PricewaterhouseCoopers.

The unqualified independent auditor's report is set out on pages 81 to 84. The scope of the audit is limited to the annual financial statements on pages 85 to 204.

APPROVAL

The audit and risk committee and the board acknowledge their responsibility to ensure the integrity of this report, which was reviewed by the audit and risk committee, the board, the Company Secretary and Statutory Actuary.

The board, after consultation with the audit and risk committee, concluded that this integrated annual report is presented materially in accordance with the <IR> Framework and approved it for publication on 14 June 2024.

Dr Keith Jefferis
Chairman

Catherine Lesetedi
Group Chief Executive Officer (CEO)

Kudakwashe Mukushi
Group Chief Financial Officer (CFO)

Andrew Cartwright

Robert Dommisse

Edwin Elias

John Hinchliffe

Kate Maphage

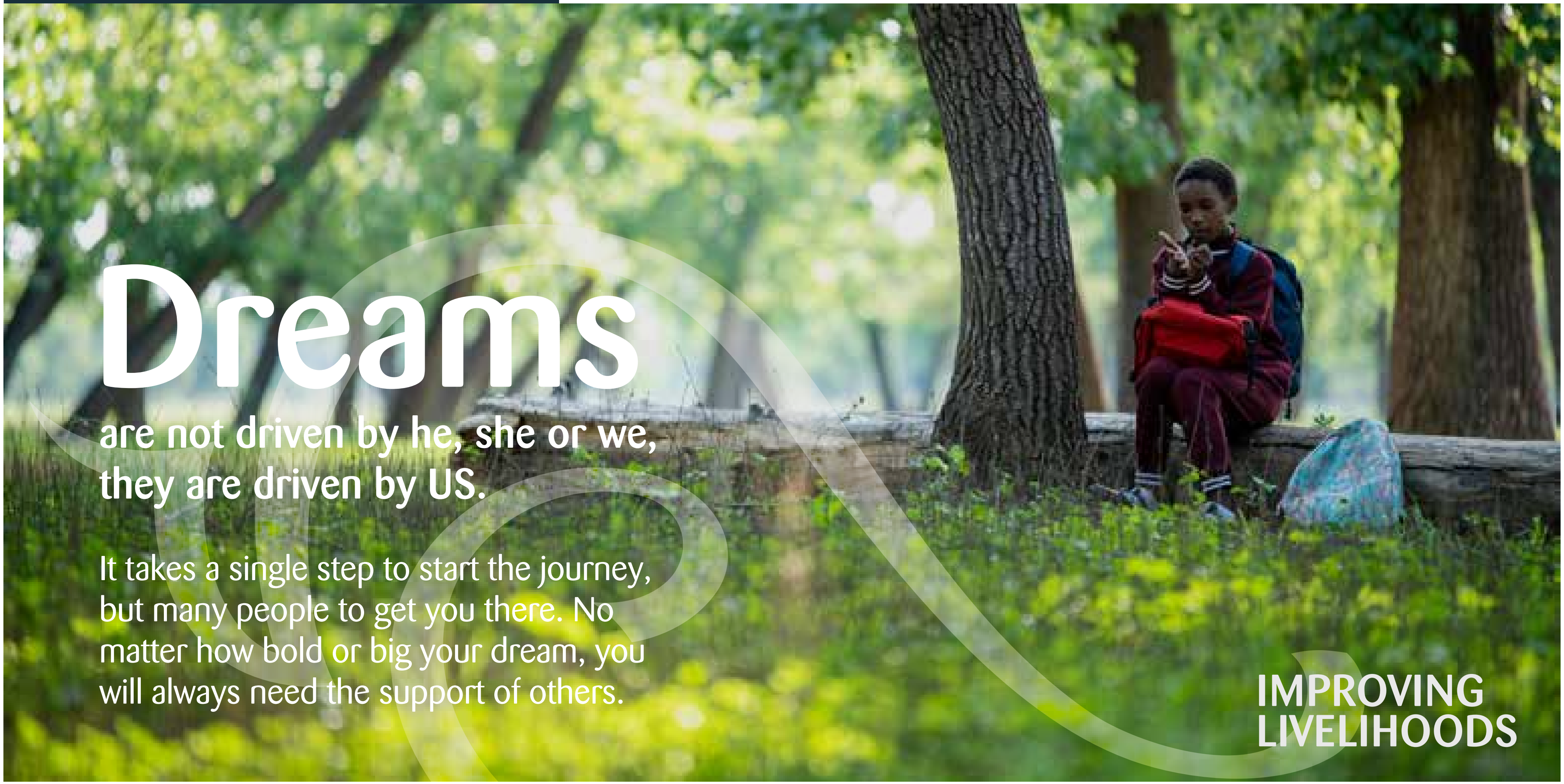
Lieutenant General Tebogo Masire

Mustafa Sachak

Nigel Suliaman

Kobus Vlok

Signatures were removed for security and privacy reasons.


Dreams
are not driven by he, she or we,
they are driven by US.
It takes a single step to start the journey, but many people to get you there. No matter how bold or big your dream, you will always need the support of others.
IMPROVING
LIVELIHOODS

GROUP STRUCTURE

The BIHL Group is a leading BSE-listed financial services group with a proud record of achievements.

We are the holding company of two subsidiaries and have invested in various associates.

BIHL GROUP

Botswana Life Insurance Limited

Botswana's leading life insurer with a market share estimated at over 71%. Botswana Life administers close to 300 000 policies and underwrites over P1,9 billion in recurring premium income.

Botswana Insurance Fund Management Limited

A pioneer in asset management managing in excess of P36 billion in assets across equity, fixed income, real estate, liquidity and alternative investments.

Associates and joint ventures

Associate	Holding
BIC	50,00%
GRAND RE	33,00%
Letshego	27,61%
NICO	25,10%

Bifm associates

Associate	Holding
Khumo	50,00%
AFLIFE	49,00%
BIFM CEE	25,10%

BIHL top shareholders

Shareholder	Holding
SanlamAllianz	57,92%
Botswana Public Officers Pension Fund	11,89%
Motor Vehicle Accident Fund	4,00%
Other	26,19%

GROUP STRUCTURE continued

CORE VALUES

Care
Innovation
Integrity
Collaboration

CORE BUSINESSES

Life insurance
Asset management
Short-term insurance
Value-added services

INVESTMENT CASE

- Key player in the Botswana financial markets
- Financial business with diverse revenue streams
- Strong group liquidity and balance sheet position
- High-quality and competent management and staff
- Technical institutional memory embedded in the leadership team
- Track record of compelling product offering across Botswana
- Diverse and client-centric
- Strong partnerships and networks across different industries
- Responsible and efficient capital allocation
- Strong and trusted brand identity
- Satisfactory growth track record
- Innovative product development team

OUR PARENT JUST GOT BIGGER

On 5 September 2023, Sanlam, the largest non-banking financial services company in Africa and our majority shareholder, and Allianz, one of the world's leading insurers and asset managers with more than a century of history in Africa, joined forces to create the largest pan-African non-banking financial services entity on the continent.

SanlamAllianz covers 27 countries in Africa across various lines of business, with positions strengthened in 12 overlapping countries. As SanlamAllianz, it operates among the top three insurance companies in most of its chosen markets through a shared-value approach with its staff, clients, the markets, communities and economies it does business in, as well as its business partners and shareholders. Its ambition is to maintain this position in all its operating markets and to continue to provide its clients with world-class products and services.

Its key focus areas are to:

- **Drive financial inclusion** by providing greater access to its products and services through digital innovation, as well as leveraging its telecommunication and bancassurance partnerships across our markets to create new opportunities in Africa
- **Provide the best of two leading international brands** with improved multinational offerings in both short-term and life insurance through innovation and the additional capabilities enabled thanks to greater economies of scale
- Improve and optimise its **reinsurance offering**
- **Grow its life and general insurance business** through product and service innovation
- **Be the reference insurer** for clients due to its strong commitment to client satisfaction and through pursuing opportunities in terms of its asset management business, based on market maturity.

SanlamAllianz's purpose is to empower generations to be financially confident, secure and prosperous. This is powered by its vision to distinguish itself as the most admired financial services group in Africa and an attitude of excellence in delivery as it implements its strategy of building scale and achieving sustainable growth.

It is part of a company that demonstrates lasting commitment to all stakeholders – internally and externally – by making a long-term investment in the African market.

Projecting benefits such as enhanced economies of scale, a diverse product offering and a greater market share, SanlamAllianz is positioned to play a pivotal role in Africa's sustainability by advancing financial inclusion, innovative products and sound governance.

This historic union not only symbolises the future of financial services in Africa but also strengthens the position of BIHL Group on the continent.

Heinie Werth, CEO of SanlamAllianz, during a celebratory event hosted by the BIHL Group in Gaborone, underscored the enduring partnership BIHL and Sanlam have fostered over the last two decades.

BIHL is historically, culturally and philosophically in tune with SanlamAllianz's purpose.

Toasting SanlamAllianz are Gaffar Hassam (SanlamAllianz Executive: Brand, Strategy and Corporate Affairs), BIHL directors Robert Dommisse, Catherine Lesetedi (Group CEO), Neo Bogatsu (Botswana Life Executive Director - Retail) and Dr Keith Jefferis (Chairman) with Heinie Werth (SanlamAllianz CEO).

OUR PURPOSE

We are focused on our purpose of improving livelihoods. We have a clear strategy to achieve our vision and mission through our strategic objectives. We strive to meet these objectives by leveraging our strong values.

VISION
To be the financial services provider of choice for our customers and to deliver best-in-class returns for our shareholders

PURPOSE
Improving livelihoods

MISSION
We will achieve our vision through service excellence, providing innovative wealth and insurance products and living our stated core values every day

OUR VALUES

CARE
Service with empathy and consideration, knowing everything we do leaves a lasting impact and legacy

INNOVATION
Always striving for continuous improvement to create value for our stakeholders, our society and the world

INTEGRITY
Unwavering in our pursuit to do the right thing, resolute in our commitment to what is good for all stakeholders

COLLABORATION
Unlocking our winning as one spirit by focusing on a better outcome for all, achieved through partnership and an open-minded approach to everything

HOW WE IMPROVE LIVELIHOODS
Taking a long-term view on financial well-being

FINANCIAL PROTECTION
Safeguarding loved ones in the event of death, maintaining their standard of living

WEALTH GENERATION
Access to financial investments, enabling capital appreciation clients to support the development of intergenerational wealth and goal achievement

PEACE OF MIND
Risk transfer alleviates worries about how families will cope financially in the provider's absence

DEBT SETTLEMENT
Avoiding the possibility of burdening families with any outstanding debts

INCOME GENERATION
Premium cash backs create income streams to supplement earnings

HOW AND WHERE WE OPERATE

OUR FOOTPRINT

- BIHL Group
- Letshego Holdings Limited (Letshego or LHL)
- Botswana Insurance Company Limited (BIC)
- Nico Holdings PLC
- Aflife Holdings Zambia
- GrandRe
- Khumo PAM

One step begins the path, but it takes a village to beat it down into a functional road that serves the community …

TIMELINE

1975
- Company established

1991
- Listed on the BSE

1993
- Acquired controlling stake in IGI Botswana Holdings Limited

2003
- Launched policies which include HIV and AIDS

2004
- New Botswana Insurance Fund Management (Bifm) corporate identity and positioning

2006
- Botswana Life launch Mmoloki, Motlhokomedi and Mortgage Protector Plan

2007
- Approved the establishment of a community development trust

2008
- Launched Bifm's first public-private partnership project

2009
- Completed development of new Southern African Development Community headquarters project

2010
- Rail Park Mall project with Botswana Railways
- Airport Junction Shopping Centre in Gaborone

2012
- New BIHL Group corporate identity
- Bifm Capital sale
- Launched BIHL Sure!

2014
- Botswana Life refreshes brand identity

2015
- Acquired 25,1% of Nico Holdings PLC

2016
- Acquired indirect 50% in BIC

2017
- Botswana Life launch pioneering Poelo Whole of Life product

2018
- Bifm citizen share scheme – 25,1% of BIHL owned by citizen employees
- Hosted inaugural Global Financial Summit
- #AppForChange competition

2019
- BIHL Trust launch mobile app solution #AppForChange
- Botswana Life launch Masika Otlhe funeral plan
- New BIC corporate identity: 'Make Life Better'

2020
- More channels for improved reach and ease of doing business

2021
- Launched Botswana Life Retirement Annuity Fund and Fiduciary Services
- Established Innovation and Transformation Office
- Launched Young Leaders Forum

2022
- Sponsored the Forbes Under 30 Summit and sent a youth representative to present on the BIHL Group's behalf
- Partner with UNICEF to execute the youth behavioural change initiative in far-to-reach communities in Botswana
- Botswana Life partners with Emergency Assist 991 to offer comprehensive 24-hour emergency medical evacuation cover

2023
- Launched the inaugural Botswana Life Insurance Symposium
- Opened a Bifm office in Francistown
- Relaunched the Affluent proposition with a focus on segmenting the high-net-worth market
- Launched the Affluent Lounge, a bespoke service centre for high-net-worth clients

OUR MARKET AND TRENDS

OUR OPERATING ENVIRONMENT

Sub-Saharan gross domestic product (GDP) growth	• Markets underperforming with real GDP growth moderating to 2,8% in 2023 from the previous year's 3,7% • Global commodity price volatility, exacerbated by global conflicts, has kept inflation high, particularly impacting net commodity importers • African central banks' use of foreign reserves for debt servicing negatively affected currency values, inflationary pressures, fiscal strains and regional growth
Botswana GDP growth	• Real GDP is estimated to have expanded by 3,2% in 2023 compared to 5,5% in 2022. The slowdown is mainly attributable to subdued mining activity • Botswana real GDP growth forecast to accelerate to 4,6% in 2024
Inflation	• In 2023, inflation averaged 5,2% from 12,1% supported by broad-based deceleration in food price hikes and a reduction of imported inflation • January 2024 inflation at 3,7% • Inflation is forecast to remain within the objective range in the medium term averaging 4,9% in 2024 and 4,7% in 2025
Credit	• Annual bank credit growth was 11,5% in November 2023, higher than 5,3% in the previous period • Monetary policy rate reduced from 2,65% to 2,4% (December 2023) and maintained in January 2024 is expected to further support the demand for credit
Insurance	• The finance, insurance and pension fund industry slowed to 3,2% in Q3 compared to 4,5% during the same period in 2022 • Industry price competition continues to erode margins.

Sources:
Bank of Botswana: Monetary Policy Report, Dec 2023
Statistics Botswana: Consumer Price Index , Dec 2023 and Jan 2024
Botswana Economic and Financial Statistics, Dec 2023
BMI Sub-Saharan Africa Key Themes For 2023: Year-End Review, Jan 2024
Fitch Connect: Botswanan Growth To Rise On Stronger Domestic Demand In 2024, Jan 2024

Trends in the insurance and investment management sectors

Refer to the BIHL Group Chief Executive Officer's report on page 29 and developing our people on page 44 for more details.

	Market trends	Opportunities created
Digital marketing and a digital marketplace	Adults spend approximately 12% of a 24-hour day on their smartphones, making digital marketing key to interacting with customers.	Data-driven segmentation can help target customers more accurately at the point of certain life events to deliver the right message at the right time.
Leveraging the power of ecosystems	With industry borders blurring and new entrants and start-ups competing in the financial services industry, organisations need to expand their product and service offerings or form new partnerships to remain relevant.	Offering customers products or services that directly or indirectly relate to the primary offering can increase the probability of turning a lead into a sale. Forming new partnerships with companies outside of the financial services industry can greatly increase retention rates.
Shifting to a digital mindset	With a rapidly changing world, shifting the culture and behaviours of an organisation to be innovative, future-thinking and digitally savvy is paramount to identifying opportunities and becoming the digital advisors that customers need.	Compressing the role of the advisor is inevitable as customers move to self-directed research. Organisations need to reinvent the role of advisors, build digital leadership skills and instil a 'fail fast, fail cheap' culture in order to rapidly innovate.
Agile ways of working and a digital workplace	Customers expect experiences that keep up with their needs. With the pace that trends, regulations and technology change, this requires flexibility from businesses. Similarly, employees are also asking for this kind of flexibility from their businesses to keep up with work trends, regulations and technologies.	Multidisciplinary squads can innovate rapidly in response to changes happening inside and outside the organisation and push new offerings faster than traditional methods. Agile ways of working have been shown to boost both employee productivity and customer experience ratings.
Emerging technologies and InsurTech	Traditional financial companies are feeling threatened by how rapidly InsurTech can innovate to deliver great customer experiences and competitors who can leverage big data.	Collaboration with open banking is key. By sharing insurance data with vendors, customers refine modelling and pricing and predict claims with more accuracy.
Becoming a data-driven organisation	Data is the new oil and insurers have reservoirs of assets that can be turned into business value that will affect the bottom line.	By putting data and analytics at the centre of the organisation, and making sure that employees have access to the right data at the right time, they can make powerfully informed decisions.
Disruptive pricing models	Insurance is typically a grudge purchase and clients battle to navigate the complex relationship between short-term financial decisions and long-term consequences when choosing a coverage option.	Leverage innovative pricing models (such as dynamic pricing or 'pay as you go' payment options) to help customers save for the future while being able to navigate their current circumstances.
Digitalisation and personalisation of services	With the rise of self-service channels, virtualisation and omnichannel offerings, services and the experience provided to customers continue to radically shift in an ever-increasingly digital world. Customers are also expecting simultaneously fast, cheap and personalised service.	Human interaction will remain pivotal in the future, but advisors will be supported with data and artificial intelligence (AI) to deliver personalised insights with a human touch. Back-end processes will be automated, and AI will kick off processes based on predictions even before a human trigger.


The path
is not driven by he, she or we,
it's driven by US.
Every path is formed by a collective.
It begins with a single step, then another,
then another and before you know it
there's a road.
IMPROVING
LIVELIHOODS

OUR MATERIAL MATTERS

As the only integrated financial services provider in Botswana, we seek to leverage group synergies and resources to continue providing value to our key stakeholders.

Our executive management takes responsibility for managing the group's key material issues and we follow a structured approach to determine the relevant material issues that could affect our ability to create value. The material issues are presented to the board for endorsement.

DETERMINING OUR MATERIAL ISSUES

Material matters are those matters of relevance we address and report on, considering their significance to both the business and our stakeholders and their potential to affect BIHL's ability to create value over the short, medium and long term. This allows us to evolve our strategy and tailor our reporting to ensure it is aligned with the interests and needs of our audiences, as well as those of the group. We determine our material issues against the changing context of the business, stakeholder feedback and emerging issues. An external party was engaged to facilitate this process.

Our material issues are driven by our ambition to be the leading client-centric, broad-based financial services group in the markets we choose to operate in, and are presented in the following table. We show which of our stakeholders are affected by these issues and how we have taken cognisance of these issues in determining our key strategic objectives.

Material issues	Strategic objectives	Strategic initiatives
GROWTH	• Client-centricity • Employee value proposition • Collaboration • New growth opportunities • Innovation and transformation	• Retaining market-leading positions • Growth through deepening penetration of selected segments • Underserved markets • Product mix • Partnership with ecosystems and alternative distribution channels • Simplify customer journeys for improved interactions and retention • Improve client engagement
MARGINS	• Cost optimisation	• Repricing to ensure profitable top-line growth • Fintechs and platforms for growth • Reducing costs and maintaining margins • Phase out products with negative margins • Product mix and diligent management of products requiring high capital allocation
CAPITAL EFFICIENCY	• Optimised delivery	• Capital management and maximising returns for our portfolio • Maintain our dividend policy • Maintain strong governance while mitigating risks of increasing regulation

The strategic objectives are described on page 16.
Our top risks are discussed in more detail on page 20.
Our key stakeholder relationships are outlined on pages 21 to 23.

OUR STRATEGY FOR THE NEXT FIVE YEARS

SUSTAINABLE GROWTH STRATEGY 2024 TO 2028

As the only integrated financial services provider in Botswana, we seek to leverage group synergies to continue providing value to our key stakeholders. Future growth opportunities exist in both optimised insurance and asset management penetration, as well as through growth into other services and markets.

We have a clear strategy to achieve our vision and mission through our strategic pillars and objectives.

VISION
To be the financial services provider of choice for our customers and to deliver best-in-class returns for our shareholders

PURPOSE
Improving livelihoods

MISSION
We will achieve our vision through service excellence, providing innovative wealth and insurance products and living our stated core values every day

STRATEGIC PILLARS AND OBJECTIVES

SUPERIOR CLIENT EXPERIENCE
Prioritising exceptional and convenient client experience

FIT-FOR-PURPOSE PRODUCTS AND CHANNELS
Offering a diverse and innovative portfolio

EMPOWERING OUR PEOPLE
BIHL Group recognised as a top employer

OPERATIONAL EXCELLENCE
Efficient, intuitive and automated processes, enabling the workforce to focus on value addition

BUILDING A CARE-DRIVEN BRAND
A respected brand that embodies care

OUR SIX STRATEGIC OBJECTIVES

CLIENT-CENTRICITY
Prioritising an exceptional and convenient client experience

INNOVATION AND TRANSFORMATION
Capitalising on new leading-edge ideas for sustainable value and futureproofing

COST OPTIMISATION
Ensuring prudent spending and cost optimisation while maximising business value

NEW GROWTH OPPORTUNITIES
Pursuing new business partnership and expansion opportunities

COLLABORATION
Driving synergistic value across the group

EMPLOYEE VALUE PROPOSITION
Improving future-fit employee competencies and culture

COMPETITIVE ADVANTAGE

- Experience and expertise
- Strong relationships with pay points and distribution channel partners
- Large client base/market dominance

OUR VALUE-CREATING BUSINESS MODEL

OUR CAPITAL INPUTS

FINANCIAL CAPITAL	MANUFACTURED CAPITAL	INTELLECTUAL CAPITAL	HUMAN CAPITAL	SOCIAL AND RELATIONSHIP CAPITAL	NATURAL CAPITAL
Our solid investments and cash resources, underpinned by stringent debt and working capital management	Our well-developed infrastructure	Our skilled workforce with their knowledge base, established and recognised brands, sound systems and procedures and digital transformation strategy	Our depth of skills and experience and ongoing training and development	Our strong relationships with our stakeholders based on a client-centric approach to our customers and our corporate social investment (CSI) programme	Responsible use of resources
Investment **P16,7 billion** (2022: P17,5 billion) Cash deposits: **P171 million** (2022: P401 million) Equity value **P5,4 billion** (2022: P5,8 billion)	Property and equipment **P170 million** (2022: P173 million)	Intangible assets **P97 million** (2022: P101 million)	Employees **414** (2022: 398) Financial advisors **655** (2022: 629)	Active policies **291 877** (2022: 298 224)	

BUSINESS ACTIVITIES AND TRADE-OFFS MADE

Improving livelihoods

Life insurance

Asset management across equity, fixed income, real estate, liquidity and alternative investments

Short-term insurance

We continue to invest in the protection of the livelihoods of our customers and our people.

This requires significant investment of financial resources and valuable time in the short term to ensure long-term sustainability and growth.

We believe that investment in the development and skills of our people, goodwill in the community and care for the environment will provide handsome returns in the future.

OUR VALUE-CREATING BUSINESS MODEL continued

OUTPUTS DELIVERED

FINANCIAL CAPITAL	MANUFACTURED CAPITAL	INTELLECTUAL CAPITAL	HUMAN CAPITAL	SOCIAL AND RELATIONSHIP CAPITAL	NATURAL CAPITAL
Net insurance service result **P286 million** (2022: P278 million) AUM **P44 billion** (2022: P38,5 billion) Investment service result **P315 million** (2022: loss of P121 million) Return on group equity value **8,3%** (2022: 16,9%) Required capital covered **7 times** (2022: 7,7 times)	Leasehold improvements net value **P36 million** (2022: P35 million)	Life policies **8** (2022: 6) Investment products **4** (2022: 3) Funeral products **5** (2022: 5) Retirement annuity product **1** (2022: 1)	Training spend **P4,9 million** (2022: P4,4 million)	CSI contribution **P7,80 million** (2022: P3,71 million) Social upliftment projects **3** (2022: 3) Educational projects **6** (2022: 3)	Water usage **P323 441** (2022: P337 000) Electricity usage **P2 738 289** (2022: P1,7 million) Fuel usage **P272 347** (2022: P833 000)

STAKEHOLDERS AFFECTED

Investors and analysts Key accounts Clients	Suppliers and vendors Clients	Trade associations/ affinity schemes	Employees Intermediaries and distribution partners	Communities Governments and regulatory bodies	

OUTCOMES DESIRED

A well-capitalised operation, delivering sustainable earnings and distribution growth	Functional infrastructure with a large footprint	Life insurance and investment products for a broad range of society Value chain development, especially in agencies and fintechs	A skilled workforce	Financial inclusion BIHL Trust focused on education, public health, conservation of the environment and social upliftment	As a low-impact industry, we pride ourselves on the responsible use of natural resources

OUR RISKS AND OPPORTUNITIES

RISK MANAGEMENT APPROACH

We proactively identify and assess risks arising from internal and external environments, including emerging risks. These risks are managed as part of the business model, through the alignment of the risk appetite to changes in the operating environment. The group employs an all-encompassing methodology for managing risks, which scrutinises potential threats from two angles. The first is a top-down perspective, which is strategic. This involves assessing risks that could impact the overall direction and objectives of the group.

The second is a bottom-up perspective, which is operational. This involves identifying risks at the subsidiary level, such as those associated with the subsidiary-specific strategic risks and daily operations. By considering both these perspectives, the group ensures that no potential risk is overlooked.

These risks are then addressed through a well-established risk management governance structure.

The risk management methodology ensures consistent and effective management within the risk appetite approved by the board while providing accountability and oversight. BIHL uses a comprehensive process that includes identifying and assessing the risk, choosing the appropriate response and tracking the success of the reaction and the resulting changes in the risk profile.

RISK GOVERNANCE

The board is ultimately responsible for overseeing risk management. The audit and risk committee is mandated by the board to advise and assist with the design and implementation of BIHL's risk assurance framework. Therefore, the audit and risk committee takes responsibility for reviewing the risk appetite statement and level of risk tolerance for the group for recommendation to the board and monitoring the implementation of the group risk assurance framework and supporting policies.

A comprehensive and mature group risk assurance framework is in place, with appropriate risk escalation processes from the business unit to group level. The group risk assurance framework is reviewed annually.

Refer to note 25 to the annual financial statements on page 187 for additional information on BIHL's risks.

RISK APPETITE

Risk appetite is key to the decision-making processes, including ongoing business planning, strategy setting and business change initiatives.

BIHL sets the risk appetite in terms of performance metrics and a set of mandates and scale limits to monitor risks. In 2023, BIHL reviewed and refined its business risk appetite. It remained within its risk appetite limits.

THREE LINES OF DEFENCE

The board adopted the three lines of defence model for managing risks. The model defines the roles, responsibilities and accountabilities for managing, reporting and escalating risks and other matters throughout the group. It incorporates oversight, management and assurance of risk management, especially given the three independent views of risk.

This approach ensures that risk management is embedded in the culture and daily activities of business units and provides assurance to the board and the group executive committee that risks are managed effectively. It contributes to the sustainable achievement of performance objectives by managing or mitigating adverse outcomes and reputational damage.

1st LINE OF DEFENCE – Group Chief Executive and group executive committee

- Risk-taking business units within the clusters
- Roles and responsibilities (doing and recording)
- Delegated board authority to:
  - Develop and implement strategy
  - Measure and manage performance
  - Implement the internal control and risk management framework within the agreed risk appetite
- Assurance: Management-based

2nd LINE OF DEFENCE – Risk management and compliance functions within the group

- Roles and responsibilities (internal verification)
- Objective oversight of risks. Key activities include:
  - Designing and deploying the overall risk management framework
  - Developing and monitoring policies and procedures
  - Monitoring adherence to the framework and strategy
- Assurance: Risk- and compliance-based

3rd LINE OF DEFENCE

BIHL board-mandated committees

- Audit and risk committee
- Human resources committee

Internal and external audit

- Roles and responsibilities (independent verification)
  - Independent and objective assurance over the effectiveness of corporate standards and compliance
  - Assurance that the risk management process is functioning as designed
  - Identifies improvement opportunities
- Assurance: Independent-based

OUR RISKS AND OPPORTUNITIES continued

Risk exposure remained the same	▶
Risk exposure decreased	▼
Risk exposure increased	▲

OUR TOP RISKS

We identified the top risks that pose a potential threat to the execution of our business strategy.

Rank	Risk	Description	Mitigating actions	Trend
1	**New business**	• Risk of a low value of new business for Botswana Life • Challenges in meeting new business targets	• Review and enhancement of current client value proposition • Enhancing client and stakeholder engagements	▲
2	**Lapses**	• Higher than budgeted lapses • Partly attributed to negative economic pressures including high inflation that put household income under pressure	• Improving customer engagement through personalised communication, tailored offerings and proactive outreach to increase customer satisfaction and loyalty, reducing the likelihood of policy cancellations or lapses	▲
3	**Regulatory compliance**	• BIHL continues to operate under the constantly evolving regulatory landscape • Ongoing regulatory changes may have a significant impact on the business • Changes include the Retirement Funds Act, Financial Intelligence Act, PFR2, Data Protection Act and IFRS 17	• Proactively investigate and formulate views on all regulatory proposals • Participate in discussions with regulators directly and through industry associations • Continuous re-evaluation of business models to position group businesses to take advantage of opportunities presented by changes	▲
4	**IFRS 17 implementation**	• IFRS 17 replaced IFRS 4 from 1 January 2023 and fundamentally changed the accounting process by all entities that issue insurance contracts and investment contracts with discretionary participation features	• Use of external support from experts • Capitalise on support from group resources • Maximum use of dedicated internal resources	▶
5	**Exposure to Letshego**	• Weakening performance of Letshego • The expansion of Letshego comes with exposure to more risk	• Individual country performance will be closely monitored. Letshego management has set hurdles and timelines	▲
6	**Performance (asset management)**	• With changes in legislation and uncertain trading environments, there is a risk of underperformance of client portfolios in the short, medium and long term as a result of market volatility	• Constant monitoring of performance and reporting to clients on the causes and remedial actions being taken by the team to correct the underperformance	▲
7	**Cybersecurity**	• Cyber risk remains high globally • The prevalence of cyberattacks continues to rise, facilitated by growing digitisation, reliance on cloud services the shift to remote working and a shortage of cybersecurity professionals • We face the risk of theft or ransom of sensitive client data, corruption of insurers' databases, fraud or intellectual property theft. The reputational damage of a large-scale cyberattack could be severe	• Information technology (IT) steering committee response to cyber risk and execution of the cyber-resilience strategy • Ongoing assessment of BIHL's critical data and systems most at risk • Analysis of third-party cyber risks conducted with a mitigation plan in place • Frequent penetration testing performed by internal teams to test cyber controls and close potential gaps	▶
8	**People and culture**	• Increased competition for talent results in challenges in sourcing key talent	• Employer brand constantly reviewed and enhanced • Enhancing talent acquisition and onboarding practices • Robust talent review and succession planning across all businesses • Review and enhancement of employee remuneration	▶
9	**Exposure to Nico**	• BIHL's 25,1% shareholding in Nico Holdings is exposed to possible macro risks that come with the business being based in Malawi • The economy is weakened by foreign exchange shortages that constrain the importation of essential commodities and production inputs as well as a generally unfavourable external environment • BIHL may experience challenges in obtaining the dividend from the business given the foreign exchange challenges	• Implementation and close monitoring of robust turnaround strategies • Implementation of robust risk management strategies across Nico Holdings Group	▶
10	**Political**	• The Government's policy on engaging and promoting 100% citizen-owned entities may impact growth	• Continuously engage with key stakeholders to demonstrate the value that comes with a diverse shareholding as a result of being listed, including access to technical support as well as expertise	▲

ENGAGING WITH OUR STAKEHOLDERS

The board views engagement with our stakeholders as imperative for our sustainability and business strategy.

We are committed to ensuring consistent, timeous and open communication with all stakeholders and regularly engage with various stakeholder groups. Feedback from these engagements is communicated to the board and this informs our key strategic decisions and the identification of our material issues. BIHL strives to ensure open and transparent engagement with all stakeholders to ensure continuous value addition and exchange. We consistently scan the environment and identify risks using various forums such as executive sales meetings, actuarial committee meetings, executive committee meetings and risk forums.

TYPES OF ENGAGEMENT

The omnichannel stakeholder communication approach leverages websites, regular newsletters, presentations, interaction with the media, one-on-one meetings and discussions, both formal and otherwise.

Clients, employees and investors are the most direct determinants of performance and are therefore afforded primacy.

Aligning expectations of employees and investors has been identified to yield multiplicative returns, as both segments gain from increased client satisfaction. However, trade-offs prevail.

Our key stakeholders and the issues that concern them are outlined on the following pages.

ENGAGING WITH OUR MAJOR SHAREHOLDER

BIHL strengthened its partnership with one of its key stakeholders as it hosted the SanlamAllianz CEO, Heinie Werth, at the recently held shareholder cocktail engagement at the Botswana Craft Centre.

SanlamAllianz is the majority shareholder of the BIHL Group with a 57,92% stake and has therefore been a key partner in working to help capacitate and support us in delivering our purpose of improving livelihoods.

COLLABORATION

Two-way or multi-way engagement where learning, decision-making and actions are done together

INVOLVEMENT

Two-way or multi-way engagement: there is learning on all sides but with stakeholders and BIHL acting independently

CONSULTATION

Two-way engagement to better understand stakeholder positioning

MONITORING

Stakeholders' one-way communication is regularly monitored

INFORMATIVE

One-way communication from BIHL to the stakeholders with no invitation to reply

TRANSACTION

Limited two-way engagement: performance is monitored according to terms of the contract set

ENGAGING WITH OUR STAKEHOLDERS continued

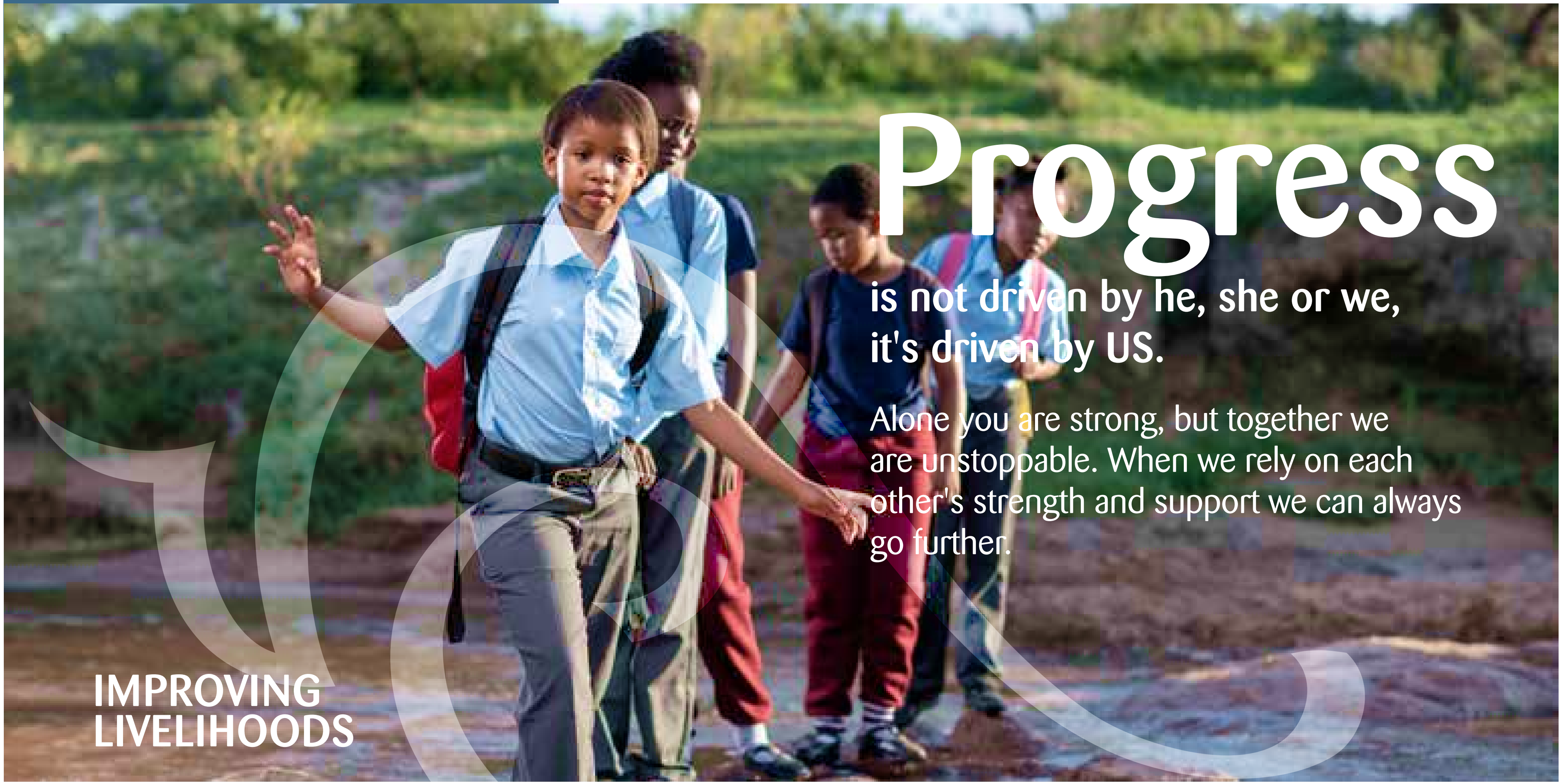
Financial: returns related to revenue
Emotional: returns that promote organisational trust
Functional: returns that offer flexibility to increased productivity

Stakeholders	Their expectations	How we engage	Value created
CLIENTS	• Product and service quality • Price • Transparency • Trust	**Involve** • Face-to-face engagement forums with key clients • Road and radio shows **Consult** • Customer satisfaction survey **Inform** • Print and social media broadcasts geared towards product development and regulatory developments • Summarised performance reports and updates	Client satisfaction (retention and penetration) Brand value (brand recognition and brand image) Supporting economic value through communication of products and services Improving their livelihoods
EMPLOYEES	• Fulfilment (job satisfaction) • Career path (learning opportunities) • Staff engagement and involvement • Staff welfare • Remuneration, reward and recognition • Career progression • Employment security	**Inform** • Virtual meetings • Exco Patron initiative • Internal communications • Reports and business updates **Involve** • CEO's virtual and physical engagements • Regular engagement sessions • Employee toll-free lines • BIHL wellness well-being programmes **Consult** • Workshops and focus groups	Talent attraction and retention Strong bench for key positions Increased employee productivity, creativity and innovation Skills development Personal growth opportunities Positioning BIHL as an employer of choice
INTERMEDIARIES AND DISTRIBUTION PARTNERS	• Access to markets • Start and build enterprises • Opportunities to sell • Career progression • Servicing clients • Skills development	**Inform** • Physical and virtual meetings **Involve** • Motivational talks **Collaborate** • Industry informational engagements	Increased productivity Competitive advantage Leveraging the trusted brand Trusted underwriters
INVESTORS AND ANALYSTS	• Disclosures • Growth in shareholder value • Return on investment • Sustainability and business continuity	**Inform** • Investor relations and engagement plan • Group financial results presentation • Annual general meeting (AGM) **Involve** • Virtual one-on-one meetings • Face-to-face investor engagement **Monitor** • Analyst reporting	Increased investor confidence Brand value (brand recognition and brand image) Sustainability and business continuity Shareholder value Return on equity

ENGAGING WITH OUR STAKEHOLDERS continued

Financial: returns related to revenue
Emotional: returns that promote organisational trust
Functional: returns that offer flexibility to increased productivity

Stakeholders	Their expectations	How we engage	Value created
COMMUNITIES	• Health and safety • Investment in corporate social responsibility (CSR) initiatives • Sustainable business practices • Positive environmental impact	**Inform** • Publicise the objectives of the BIHL Trust in print media and group financial results presentations **Collaborate** • Engage with community leaders with insights into the needs of the underprivileged • Collaborate with like-minded institutions such as UNICEF and Botswana Police Services	Brand value (brand recognition and brand image) Reinforced social capital Ploughing back into the communities we serve Good corporate citizen
GOVERNMENTS AND REGULATORY BODIES	• Disclosures • Compliance • Tax returns • Employment • Externalities	**Monitor** • Print media publications and reports from Government and other regulatory bodies **Collaborate** • Engage on policy matters to promote Botswana's image **Involve** • Engagement with various ministries and Government organs on policy matters	Brand value (brand recognition and brand image) Investor confidence Employment creation Citizen empowerment
SUPPLIERS AND VENDORS	• Assurance on payments and commitments • Citizen procurement policy • Revenues and safety • Equitable business opportunities	**Transact** • Ensure alignment to procurement and invoice payment turnaround times **Inform** • Regulatory and process-related policies	Brand value (brand recognition and brand image) Growth and partnership opportunities
TRADE ASSOCIATIONS/ AFFINITY SCHEMES	• Member benefits • Rewarding partnerships • Distribution, marketing and compliance support	**Involve and consult** • Webinars • Virtual meetings • Face-to-face engagement **Collaborate** • Strategy workshop	Client satisfaction (retention and penetration) Brand value (brand recognition and brand image) Enhanced customer value proposition
KEY ACCOUNTS	• Enhanced offerings • Distribution, marketing and compliance support • Data analytics	**Involve and collaborate** • Webinars • Workshops • Face-to-face engagements • Bilateral meetings **Inform** • Key account performance reports • Product and regulatory development	Client satisfaction (retention and penetration) Brand value (brand recognition and brand image) Enhanced customer value proposition Enhanced employee proposition


Progress
is not driven by he, she or we,
it's driven by US.
Alone you are strong, but together we are unstoppable. When we rely on each other's strength and support we can always go further.
IMPROVING
LIVELIHOODS

FINANCIAL REVIEW

GROUP CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2023

	2023 P'000	Restated[1, 2] 2022 P'000
Net result from life insurance operations	**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 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	**4 395**	4 127
Other interest income from external investors in consolidated funds	**202 721**	245 282
Fair value losses 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 external investors in consolidated funds	**(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 (IFRS 16)	**(762)**	(1 076)
Impairments	**(10 881)**	(4 974)

[1] *Restated for correction of error in the prior period. Refer to note 28.2.*
[2] *Restated for transition to IFRS 17. Refer to accounting policies and basis of preparation.*

	2023 P'000	Restated[1, 2] 2022 P'000
Profit before share of profit of associates, joint ventures and other income	**863 657**	337 765
Profit on sale of associate	**141 669**	–
Equity-accounted earnings	**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 interests	**7 570**	6 224
Profit for the year	**781 523**	448 802
Earnings per share (thebe) (attributable to ordinary equity holders of the parent)		
– Basic	**274**	158
– Diluted[3]	**272**	157

[1] *Restated for correction of error in the prior period. Refer to note 28.2.*
[2] *Restated for transition to IFRS 17. Refer to accounting policies and basis of preparation.*
[3] *Restated for corrections of prior year period. Refer to note 28.3.*

GROUP CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	2023 P'000	Restated 2022 P'000
Profit for the year	**781 253**	448 802
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
Total comprehensive income for the year	**610 861**	434 851

FINANCIAL REVIEW continued

GROUP CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	2023 P'000	Restated[1, 2] 2022 P'000	Restated[1, 2] 1 January 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	**1 758 469**	1 910 194	1 972 698
Reinsurance contract assets	**17 874**	10 271	11 882
Insurance contract assets	**612 935**	553 701	582 812
Interest in subsidiaries	**–**	–	
Non-current asset held for sale	**–**	99 988	–
Financial assets at fair value through profit or loss	**14 935 316**	15 411 628	15 385 244
Bonds (Government, public authority, listed and unlisted corporates)	**8 543 705**	8 426 652	8 663 449
Investment in property funds and companies	**1 277 962**	1 205 650	1 173 325
Equity investments (local and 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
Tax receivable	**–**	–	–
Related party balances	**–**	–	–
Cash and cash equivalents	**170 583**	400 711	137 418
Total assets	**17 936 467**	18 874 761	18 566 389

[1] *Restated for transition to IFRS 17. Refer to the changes in accounting policies table on page 92.*
[2] *Restated for correction of error in the prior period. Refer to note 28.4 and the table on page 92.*

	2023 P'000	Restated[1, 2] 2022 P'000	Restated[1, 2] 1 January 2022 P'000
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
Reinsurance contract liability	**54 222**	55 757	9 228
External investors in consolidated funds	**2 082 020**	3 619 273	3 635 183
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

[1] *Restated for transition to IFRS 17. Refer to the changes in accounting policies table on page 92.*
[2] *Restated for correction of error in the prior period. Refer to note 28.4 and the table on page 92.*

FINANCIAL REVIEW continued

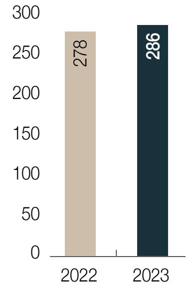
GROUP CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

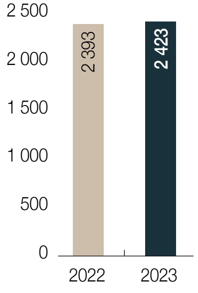
	2023 P'000	Restated 2022 P'000
Cash (utilised in)/generated from operations	**(458 823)**	244 493
Cash generated from/(utilised in) operations[1]	**58 971**	244 688
Interest received	**269 716**	295 056
Dividend received from equity investments	**56 851**	70 791
Dividend received from subsidiaries	**–**	–
Dividend received from associates and joint ventures	**144 928**	149 844
Interest paid	**(762)**	(1 076)
Tax paid	**(228 350)**	(109 846)
Dividend paid	**(760 177)**	(404 964)
Net cash flows generated from/(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)
Proceeds from sale of investment in associates	**250 000**	–
Receipts from loans receivable at amortised cost	**–**	35 317
Net cash flows from financing activities	**(3 991)**	(4 664)
Payment of principal portion of lease liabilities (IFRS 16)	**(6 450)**	(5 781)
Disposal of treasury shares	**2 459**	1 117
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

[1] *The prior year has been restated due to the error classification of cash movements in investments held as part of operating activities. Refer to note 28.1.*

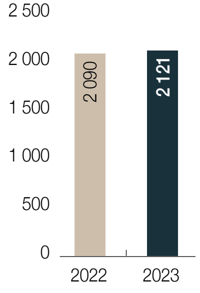
NET INSURANCE SERVICE RESULT (P'million)



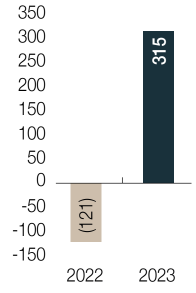
INSURANCE REVENUE (P'million)



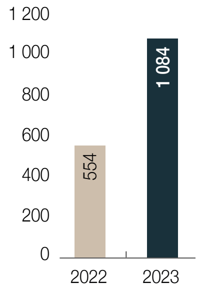
INSURANCE SERVICE EXPENSES (P'million)



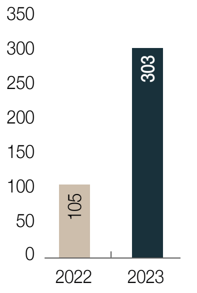
INVESTMENT SERVICE RESULT (P'million)



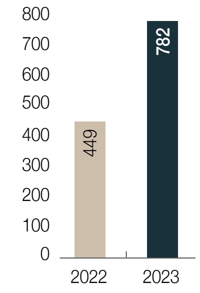
PROFIT BEFORE TAXATION (P'million)



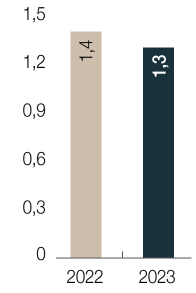
TAX PAID (P'million)



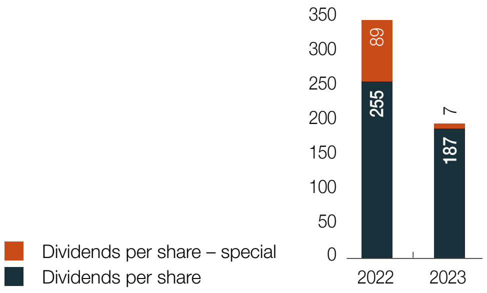
SURPLUS AFTER TAXATION (P'million)



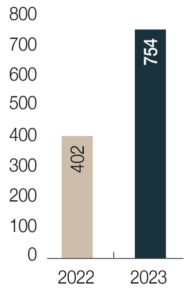
BIHL TRUST (P'million)



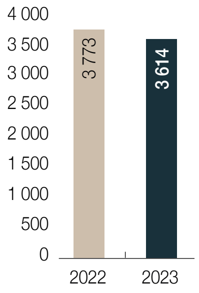
DIVIDENDS PER SHARE (thebe)



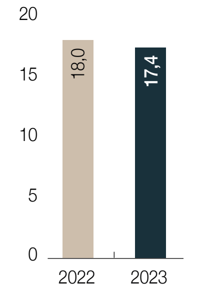
DIVIDENDS PAID (P'million)



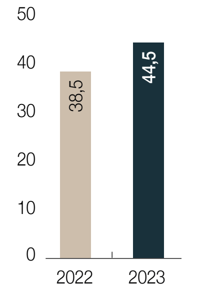
SHAREHOLDERS' EQUITY (P'million)



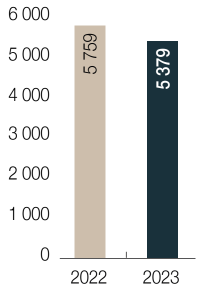
INVESTMENTS (P'billion)



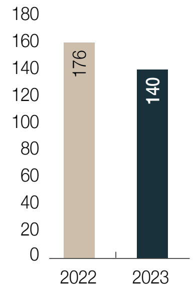
ASSET UNDER MANAGEMENT (P'billion)



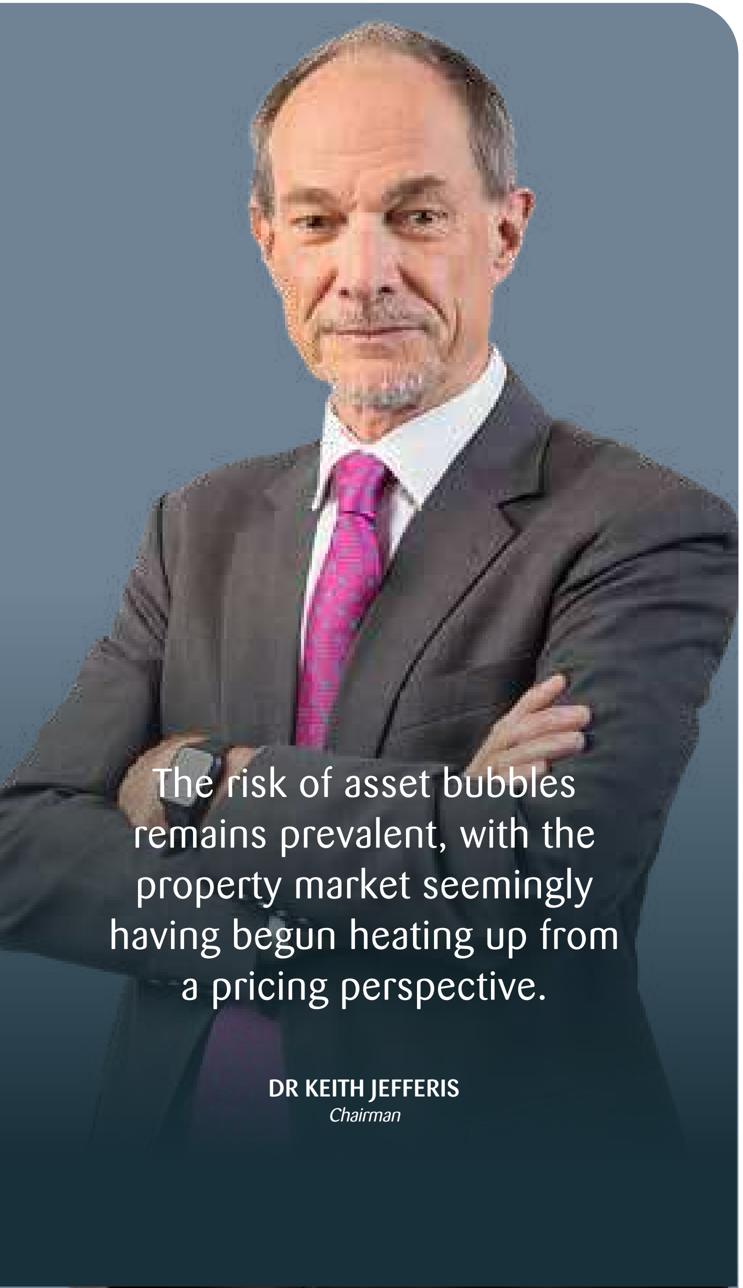
EQUITY VALUE (P'billion)



VALUE OF NEW BUSINESS (P'million)



CHAIRMAN'S MESSAGE



GDP
↓3,2%
(2022: 5,5%)

Monetary policy rate
↓2,40%
(2022: 2,65%)

Average inflation
↓5,2%
(2022: 12,1%)

OUR MACROECONOMIC 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 pressure 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 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 2,9% in 2023, down from 5,5% in 2022, negatively impacted by weaker performance from both the mining and non-mining sectors of the economy.

PERFORMANCE DURING THE YEAR

BIHL delivered strong results.

Profit for the year, at P782 million, is up 74% on the prior year, enabling the group to distribute substantial dividends to shareholders.

At the same time, the group is in a strong financial position with AUM having increased by 16% to P44 billion and total assets of the group of P17,9 billion.

Refer to the Chief Executive Officer's report on page 29 and the Chief Financial Officer's report on page 32 for more information on the group's performance.

THE BOARD

I joined the board on 10 July 2023 and look forward to working with my fellow board members in delivering on BIHL's strategy.

Mustafa Sachak was appointed to the board on 28 July 2023, Edwin Elias on 22 August 2023 and Kate Maphage on 20 September 2023. I welcome them on behalf of the board.

Chandrakant Chauhan resigned on 6 March 2023 and Mahube Mpugwa on 17 August 2023. We thank both of them for their service to BIHL and wish them well in their future endeavours.

Dr Keith Jefferis
Chairman

CHIEF EXECUTIVE OFFICER'S REPORT

BIHL delivered a strong set of results during the year despite emerging challenges.

MS CATHERINE LESETEDI
BIHL Group Chief Executive Officer

Operating profit for the group increased by
↑ 157%
for the year ended 31 December 2023 compared to the prior year

Total assets of the group were
P17,9 billion
at year-end

AUM business at
↑ P44 billion is 16%
higher than the prior year

OUR OVERALL PERFORMANCE

BIHL delivered a strong set of results during the year despite emerging challenges, including elevated inflation rates and subsequent bank rate hikes brought about by external economic shocks from the Russian invasion of Ukraine.

The BIHL executive leadership has now assumed full responsibility for the life business departments under a matrix reporting to the Botswana Life board and Group CEO. Forums are now in place for the regular management of the Botswana Life operations.

Building long-term corporate relationships with key clients and partners across the group was a primary focus area and included opportunity exploration workshops with new and existing partners.

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, 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 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 associate businesses (Letshego, Nico Holdings, BIC, Grand Reinsurance Tanzania and BIHL Insurance Company Limited) and the holding company.

CHIEF EXECUTIVE OFFICER'S REPORT continued

OPERATIONAL PERFORMANCE

The group is organised into four principal business areas based on their products and services.

Life insurance

Services provided by 100%-held Botswana Life Insurance Limited, Botswana's leading life insurance company

Botswana Life delivered a stable set of results:

- The insurance service result exceeded the prior year by 3%
- The investment service result further augments performance through strong investment returns
- Individual life and corporate new business volumes are down significantly due to low channel productivity, mainly affected by economic pressure on households, loss of agents and business rule alterations aimed at improving business quality
- The business interventions have supported the improvement of lapses
- Corporate lines demonstrated improvement. New acquisitions and retention have been pressured by unsustainable industry pricing. Performance has been supported by penetration within existing accounts and acquisitions, which are expected to bolster performance in 2024
- Telesales and Mosako channels have demonstrated positive new business flow with growth. Collection challenges, however, compromise Mosako file size growth as it is a predominantly cash product.

Asset management

Services from 89%-held Botswana Insurance Fund Management Limited and Bifm Unit Trusts

Bifm yielded positive results as most underlying businesses recorded improved performance:

- Operating profits grew 20% year-on-year, mainly driven by higher AUM, costs which were in line with expectations and investment returns exceeding expectations
- Bifm AUM grew by 16% and Bifm Unit Trusts by 48% from the prior year
- Net inflows of P401 million were driven by a significant contribution of P1 billion in December 2023
- Bifm Unit Trusts closed at a net inflow position of P813 million.

General insurance

Short-term insurance, legal insurance and reinsurance from 50%-held Botswana Insurance Company Limited and BIHL Insurance Company Limited as well as 33%-held Grand Re

BIC operating profit increased by 16% over the prior year on the back of strong premium income.

Legal Guard operating profit is down 13% due to regulatory delays in approving the newly licensed short-term products.

Grand Reinsurance operating profit is up to P4,5 million, driven by low claims and administration expenses.

Associates

BIHL has associate holdings of 27,91% in Letshego Holdings Limited and 25,1% in Nico Holdings Limited (Malawi).

Letshego's operating profit is significantly down on the prior year, worsened by the revision in the calculation of expected credit losses and restructuring costs incurred during the year.

Nico Group's operating profit is up 51% with all the businesses performing well, especially NBS Bank.

CHIEF EXECUTIVE OFFICER'S REPORT continued

STRATEGY EXECUTION

	Botswana Life	Bifm
Revenue	• Sales capacity increased through ongoing recruitment drive • Key account penetration (growth) • Telesales channel remains highly productive driving both new business and conservation	• Double-digit growth in AUM • Supported by favourable market conditions • Acquired new pension fund mandates
Client retention	• Lapses declined • The inhouse conservation is bearing fruit • Management reviewing premium administration process following learnings from Sanlam Namibia and Sanlam Mass Market	• According to the Alex Forbes asset manager watch, Bifm now ranks between 3rd and 4th place among large and medium asset managers • A consultancy-led international manager review has commenced • Local equity investment strategy review held in December 2023
Processes/ efficiencies	• KYC Kenna project complete • AI-powered arrears and lapse solution ongoing • Business continuity management tool rollout ongoing with training completed • Mosako onboarding platform complete • Sales platform live • Leads generation and management system completed, training ongoing • JIRA complaints management solution implemented • Cheque issuance discontinued supporting uptake of Liferewards prepaid card	• KYC Kenna project complete • Business continuity management tool rollout ongoing • JIRA complaints management solution implemented
People	• Job grading and evaluation exercise completed • Loss of skills in key roles • Successful replacement of key skills in critical roles • The second cohort of the Young Leaders Forum successfully launched • Enhanced agility and execution improved	• Recruitment to rebuild team • Converting fixed-term employees to permanent positions • Job grading and evaluation exercise completed

LOOKING AHEAD

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.

APPRECIATION

We would like to thank all our clients, brokers, agents and other stakeholders for the ongoing partnerships and support and look forward to serving them in the future.

I would like to thank all our employees and our management teams for their dedication, hard work and commitment during a challenging year which required all of us to adapt to a new environment.

My appreciation also to the board for their wise counsel and support.

Catherine Lesetedi
BIHL Group Chief Executive Officer

CHIEF FINANCIAL OFFICER'S REPORT

Life business operating profit before tax

↑149%

Asset management business operating profit before tax

↑19% yearly growth

Letshego Africa Holdings' return on equity value

↓negative 11,3%

Nico Group's operating profit before tax and minorities

↑51%

BIC achieved a return on equity value of

↑28% (above target of 14%)

Nico Group's return on equity value

↓3%

LIFE INSURANCE BUSINESS

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

Profit before tax from insurance operations has increased by 149% compared to the prior year. The key driver for the increase in profitability is a 360% increase in investment returns earned during the year on the back of positive fair value gains across assets backing insurance contracts and investment contracts.

The insurance service result has remained stable compared to the 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 margin (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.

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

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 19% 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.

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.

CHIEF FINANCIAL OFFICER'S REPORT continued

FINANCIAL OVERVIEW

Analysis of earnings

	2023 P'000	Restated 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 *Financial Instruments – Investment Contracts.* The asset management business operating profit for the year, excluding the Zambian operation results, was 19% higher than the prior year owing to increased AUM. Equity-accounted earnings decreased by 64% mainly due to the underperformance from Letshego Africa Holdings as loan 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 decreased to P5,38 billion from P5,76 billion (2022). The group equity value allowed for dividends of P754 million paid during the year ended 31 December 2023. The decrease in group equity value is driven by a decrease in the value of in-force 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.

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 a significant dividend payout and negative fair value adjustments relating to associate businesses.

APPRECIATION

I would like to take this opportunity to thank the dedicated group of individuals who have worked diligently and efficiently to produce the numbers that appear in this integrated annual report.

Kudakwashe Mukushi
BIHL Group Chief Financial Officer

GROUP EQUITY VALUE

For the year ended 31 December 2023

DEFINITION OF EQUITY VALUE

The equity 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
- the value of in-force business.

The net asset value for the life insurance business reflects IFRS 17 earnings and the impact of the IFRS 17 transition for insurance contracts on net assets.

The value of in-force business is the present value of future after-tax profits arising from business in force at the valuation, adjusted for the cost of capital required to support the business. For insurance contracts, the value of in-force business is now based on IFRS 17 expected future earnings and it is the present value of the expected future release of the CSM discounted at the risk discount rate. Additionally, the value in force includes expected future earnings from the future releases of the asset mismatch reserve held at the valuation date, also discounted at the risk discount rate.

The value of new business represents the present value of the expected future release of the CSM from new policies sold during the year to 31 December 2023, discounted at the risk discount rate. The value is adjusted for the cost of capital required to support the new business.

EQUITY VALUE RESULTS

	2023 P'000	2022 P'000
Shareholders' net assets after fair value adjustments	**3 212 601**	3 464 538
Shareholders' net assets, excluding goodwill	**3 638 614**	3 464 538
Asset mismatch reserve	**(426 013)**	–
Value of in-force business	**2 166 084**	2 294 753
Value before cost of capital	**1 986 011**	1 910 101
Fair value adjustments	**314 080**	519 774
Cost of capital	**(134 007)**	(135 122)
Equity value	**5 378 685**	5 759 291
Group equity value per share (Pula)	**18,88**	20,09

EQUITY VALUE EARNINGS

	2023 P'000	2022 P'000
The equity value earnings are derived as follows:		
Equity value at the end of the year	**5 378 684**	5 759 291
Equity value at the beginning of the year	**5 759 291**	5 292 077
Equity value at the beginning of the year (restated)	**5 790 750**	–
Change in equity value	**(412 066)**	467 214
Movement in capital an opening net asset value reinstatement	**135 158**	9 396
Dividends and new capital	**753 930**	402 440
Equity value earnings	**477 022**	879 050
Return on group equity value (%)	**8,3**	15,2
These earnings can be analysed as follows:		
Expected return on life business inforce	**203 811**	209 011
Value of new business	**140 347**	176 199
Operating experience variances	**179 931**	103 876
Mortality/morbidity	**(10 557)**	100 607
Persistency	**12 225**	(10 115)
Expenses	**20 951**	(7 037)
Working capital	**126 787**	–
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)
Investment variances	**143 974**	82 605
Economic assumption changes	**109 209**	(17 524)
Interest and inflation	**(70 720)**	29 313
Risk discount rate	**179 929**	(46 837)
Growth from life business	**523 998**	477 195

GROUP EQUITY VALUE continued

For the year ended 31 December 2023

	2023 P'000	2022 P'000
Return on shareholders' assets	**158 718**	263 576
Investment returns	**14 760**	15 198
Net profit non-life operations	**143 958**	248 378
Change in shareholders' fund adjustments	**(205 693)**	151 860
Investment surpluses on treasury shares	**2 627**	(640)
Movement in present value of holding company expenses	**(47)**	13 991
Movement in fair value of incentive scheme shares	**(28 560)**	(7 974)
Movement in other net worth adjustments	**(179 713)**	146 483
Earnings from non-life business	**(46 975)**	415 436
Total earnings	**477 023**	892 631
Fair value adjustments	**314 080**	519 773
Staff share scheme	**(23 006)**	(22 959)
Non-life operations write-up to fair value (Bifm)	**490 218**	669 931
Group holding expenses	**(194 927)**	(166 367)
Reversal of cross-holding adjustment	**41 795**	39 168

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 year to 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.

	2023 P'000	2022 P'000
Value of new business at the end of the year	**140 347**	176 198
Value at point of sale after cost of capital	**140 347**	176 198
Value at point of sale before cost of capital	**149 715**	189 262
Recurring premium	**79 139**	99 053
Single premium	**70 576**	90 209
Cost of capital at point of sale	**(9 368)**	(13 064)

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 BIHL Group. The sensitivity of the equity value to the risk discount rate is set out below.

Risk discount rate	1% decrease P'000	Base value P'000	1% increase P'000
Shareholders' net assets and fair value adjustments, excluding goodwill	3 212 601	3 212 601	3 212 601
Value of in-force business	2 260 409	2 166 084	2 097 545
Value before cost of capital	2 054 425	1 986 011	1 940 117
Fair value adjustments	314 080	314 080	314 080
Cost of capital	(108 096)	(134 007)	(156 652)
Equity value	5 473 010	5 378 685	5 310 146
Value of one year's new business at valuation date	141 648	140 347	139 300
Value before cost of capital	149 325	149 715	150 080
Cost of capital	(7 677)	(9 368)	(10 780)

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:

Economic assumptions

Best estimate economic assumptions are the same as assumed in the financial soundness valuation as shown in the annual financial statements. The main assumptions (% per annum) used are as follows:

	2023 %	2022 %
Risk discount rate	**10,15**	11,65
Expense inflation rate	**4,19**	5,15
Discount rate for liabilities	**Risk-free curve**	Risk-free curve

GROUP EQUITY VALUE continued

For the year ended 31 December 2023

Mortality rates

The assumptions for future mortality rates are based on the results of recent experience investigations conducted by the company, the most recent conducted in November 2023.

Expenses

Expenses are projected into the future allowing for inflation as specified by the inflation curve.

Premium escalations

The equity 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 2023.

Persistency/surrender basis

The assumptions for lapse and surrender rates are based on the results of experience investigations conducted in November 2023 by the company.

Tax

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

Mix of assets backing the capital adequacy requirement

	2023 %	2022 %
Asset class		
Property	**50**	50
Cash	**50**	50
Total	**100**	100

Other assumptions

The equity 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.

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 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 as at 31 December 2023				
Base	**2 166 084**	**134 007**	**2 300 091**	
Discontinuance rates decrease by 10%	**2 223 224**	**135 948**	**2 359 172**	**2,6**
Future expenses decrease by 10%	**2 222 593**	**134 007**	**2 356 600**	**2,6**
Mortality experience decreases by 5%	**2 243 205**	**133 932**	**2 377 137**	**3,6**
Investment returns decrease by 1%	**2 259 957**	**135 234**	**2 395 191**	**4,3**
Risk discount rate decreases by 1%	**2 234 498**	**134 007**	**2 368 505**	**3,2**
Risk discount rate increases by 1%	**2 097 545**	**156 652**	**2 254 197**	**(3,2)**
Embedded value as at 31 December 2022				
Base	2 294 753	135 122	2 429 875	
Discontinuance rates decrease by 10%	2 353 697	139 643	2 493 340	2,6
Future expenses decrease by 10%	2 351 131	135 122	2 486 253	2,5
Mortality experience decreases by 5%	2 371 620	135 075	2 506 696	3,3
Investment returns decrease by 1%	2 389 633	136 306	2 525 939	4,1
Risk discount rate decreases by 1%	2 406 537	111 209	2 517 746	4,9
Risk discount rate increases by 1%	2 193 777	156 214	2 349 991	(4,4)

GROUP EQUITY VALUE continued

For the year ended 31 December 2023

	Value of new business P'000	Cost of capital P'000	Value before cost of capital P'000	% change
Value of one year's new business as at 31 December 2023				
Base	**140 347**	**9 368**	**149 715**	
Discontinuance rates decrease by 10%	**154 923**	**9 482**	**164 405**	**10,4**
Future expenses decrease by 10%	**146 290**	**9 368**	**155 658**	**(5,6)**
Acquisition costs decrease by 10%	**143 819**	**9 368**	**153 187**	**(1,7)**
Mortality experience decreases by 5%	**156 689**	**9 529**	**166 219**	**8,9**
Investment returns decrease by 1%	**122 447**	**9 490**	**131 937**	**(21,9)**
Risk discount rate decreases by 1%	**141 648**	**7 677**	**149 325**	**15,7**
Risk discount rate increases by 1%	**139 300**	**(10 780)**	**128 520**	**(1,7)**
Value of one year's new business as at 31 December 2022				
Base	160 274	13 064	173 338	
Discontinuance rates decrease by 10%	181 272	13 223	194 494	13,1
Future expenses decrease by 10%	172 380	13 064	185 444	7,6
Acquisition costs decrease by 10%	170 913	13 064	183 977	6,6
Mortality experience decreases by 5%	175 660	13 289	188 949	9,6
Investment returns decrease by 1%	124 452	13 235	137 687	(22,4)
Risk discount rate decreases by 1%	175 925	14 842	190 767	9,8
Risk discount rate increases by 1%	149 052	(10 944)	138 108	(7,0)

Assumed management action

No management action has been assumed.

Strength

is not driven by he, she or we, it's driven by US.

By tapping into the strengths of our collective, we've helped thousands of individuals, communities and businesses reach their destination.

IMPROVING LIVELIHOODS

OUR LONG-TERM SUSTAINABILITY

The 2030 Agenda for Sustainable Development and the 17 associated SDGs balance the three dimensions of sustainable development: economic, social and environmental. The table below indicates the significant contribution that BIHL makes towards meeting the SDGs through its focus on its own strategic objectives.

Strategic objective	SDG outcomes	BIHL's contribution
Client-centricity	**Ensure healthy lives and promote well-being for all at all ages**	• Products meeting specific health and livelihood needs • Promoting wellness
Innovation and transformation	**Make cities and human settlements inclusive, safe, resilient and sustainable**	• Instilling investor confidence • Guaranteeing that all claims will be paid • Instilling an ethical culture
Cost optimisation	**Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all**	• Learnership programmes • Graduates and interns • Consumer education on the benefits of insurance
New growth opportunities	**Reduce inequality within and among countries**	• Contributing to transformation • Inclusive and affordable insurance
Collaboration	**Strengthen the means of implementation and revitalise the Global Partnership for Sustainable Development**	• Affordable insurance • Contributing to growth and transformation
Employee value proposition	**Achieve gender equality and empower all women and girls**	• Attracting and promoting women
Environment	**Take urgent action to combat climate change and its impacts**	• Maintaining a low carbon footprint

*More details regarding the SDGs can be found online at **www.un.org/sustainabledevelopment/sustainable-development-goals**.*

SUPPORTING SMALL AND MEDIUM ENTERPRISES

WHY THIS IS IMPORTANT

Small and medium enterprises (SMEs) represent a key sector for driving Botswana's economic diversification and sustainable growth plan. According to studies by the World Bank and the Organisation of Economic Cooperation and Development, SMEs make up a significant part of emerging market economies. Outside the agricultural sector, they account for 95% of all firms. In Botswana, they make up 35% of GDP and contribute 75% to formal sector employment.

VALUE CHAIN DEVELOPMENT

In support of SMEs, we worked closely with four fintechs during 2023. We collaborated with Digital Natives, Xavier Africa, PowerCircle Group and Angular on the proofs of concept for different business processes:

- Claims submission
- KYC submission
- Knowledge-based AI
- Arrears AI.

PowerCircle Group did development work on the Mosako mobile platform, enabling other paymodes as well as a life cover product.

Digital Natives have been working on the Bifm mobile app, a project from 2022 which was delayed and restarted in 2023.

The group's investment into these SMEs amounts to approximately P455 000.

BROKERS

Through Botswana Life, we work with brokers and corporate agencies. We support them by supplying systems, training, branding and merchandise.

During 2023, we collaborated with 93 brokers and corporate agencies on 6 772 cases and generated annual premium income of P60,4 million.

SME support through procurement in 2023

BIHL GROUP	P3,7 million
Botswana Life	P1,5 million
Bifm	P1,4 million

DRIVING FINANCIAL INCLUSION

BIHL accepts the important role it plays in driving financial inclusion. Two exciting group products aim to achieve this goal.

MOSAKO FUNERAL PLAN

The Mosako funeral plan targets the unbanked and is primarily for individuals who do not get paid their salaries through the banks. It caters for those individuals in the informal sector and self-employed persons.

A policyholder can cover up to 27 family members in a single policy. The main member, spouse and children that are 16 years and older may be covered for P15 000. The main member can also add life cover for up to P235 000.

Upon application, customers are issued with membership cards, which they are expected to present every time they pay their premiums. The premium payments can be done through:

- Orange Money
- Mascom Myzaka
- BTC Smega Kazang
- Employee stop order
- Government stop order
- Any Botswana post office.

Premiums, which are cash-based, are paid in advance and customers can choose to pay up to 12 months in advance.

All claim documents are submitted to the nearest Botswana Life office and payment is made within 24 hours.

Mosako statistics for 2023

Policies sold:
18 811

Total claims paid:
P16 170 855

Number of claims:
1 415

BOTSWANA LIFE LIFEREWARDS

Botswana Life launched Liferewards in 2013. This was the first product of its kind to be launched by an insurance company in Botswana.

The prepaid card, which is underwritten by Access Bank and supported by Visa, enables Botswana Life clients to be paid their claims and benefits into the card, then transact with it in the same way as a debit card.

The card can be reloaded with amounts up to P50 000 and be used to transact at automated teller machines, point-of-sale devices and for internet transactions.

Liferewards also has a rewards programme linked to it, which enables card holders to enjoy discounts with an array of retailers all over Botswana.

HOW WE CARE FOR THE ENVIRONMENT

ENVIRONMENT

The group has a low environmental footprint, but we are nevertheless committed to lowering our environmental impact by educating our staff and continuously implementing actions to reduce our consumption. As such, we actively track water, electricity and fuel usage.

BIHL GROUP

P32 808	P81 725	P15 000

Bifm

P32 532	P224 172	P29 225

BIC BOTSWANA INSURANCE COMPANY

P61 253	P585 817
P139 622	P704 508

Botswana Life

P196 847	P1 846 675
P88 300	P492 127

HOW WE CARE FOR THE ENVIRONMENT continued

BIHL supports the Paris Agreement goal to reduce global carbon emissions to limit average global temperature rise to well below two degrees Celsius. In doing so, the board has committed to addressing climate risk at the highest level to gain a better understanding of potential exposure to risks, gauge their impact on the business and identify meaningful mitigation responses.

We believe that a sustainable approach is not only good for the environment but makes good business sense. We recognise the role we have to play. We acknowledge the increasing risks related to a changing climate and the demand from investors to know how we are responding. We are committed to aligning our climate risk assessments and disclosures with the TCFD guidelines and commence this process with this statement, demonstrating the priority and importance we place on understanding and responding to the challenges presented by a changing climate.

The Task Force on Climate-related Financial Disclosures

The TCFD was created in 2015 by the Financial Stability Board to develop consistent climate-related financial risk disclosures for use by companies, banks and investors in providing information to stakeholders. Increasing the amount of reliable information on financial institutions' exposure to climate-related risks and opportunities will strengthen the stability of the financial system, contribute to greater understanding of climate risks and facilitate financing the transition to a more stable and sustainable economy.

Our TCFD statement is based on recommended disclosures under the four key pillars of the TCFD guidelines.

Governance	Strategy	Risk management	Metrics and targets
BIHL is committed to the highest standards of corporate governance and recognises that an effective corporate governance culture is critical to the long-term performance of the business. The board is responsible for overseeing the management of BIHL and providing strategic direction. The board established committees to assist it in the execution of its functions. *More information on BIHL's corporate governance is available on page 54.* The board is committed to addressing climate risk at the highest level, to gain a better understanding of potential impacts to the business and identify and deliver meaningful responses.	Our strategy is designed to actively respond to the current and projected impacts of climate change on our business and to meet increasing demand from investors for disclosure on our approach. Initially, we will focus on undertaking detailed analysis of both the physical and transition climate change risks posed to our business. BIHL completes an annual risk profiling process to identify its material business risks. Results are reported to the audit and risk committee and the board and published in the integrated annual report *(refer to page 19).* Our approach to managing climate risks is incorporated into BIHL's risk management framework including our investment management activities. Our responses and initiatives are strategic and based on long-term outcomes. These involve both mitigating identified risks and capitalising on business opportunities associated with using renewable energy, providing on-site energy solutions and achieving carbon-neutral operations.	BIHL has a robust and comprehensive risk management framework in place. As with our broader ESG priorities, climate risks will increasingly be integrated into our risk management programme and responsible investment structure. The risk management framework includes a clear disclosure strategy. The results of our climate-related assessments and progress with associated targets will be included in our climate disclosures – including voluntary reporting and the ESG and climate-related benchmarks in which we participate. Our approach to defining and managing climate risks has evolved over time. We are considering a scenario-based climate risk assessment to identify and assess our climate-related risks and opportunities, and we support using scenario analysis to improve consistency and transparency across our investment sector.	BIHL has disclosed its ESG performance consistently in its previous integrated annual reports, using it as its primary platform to reach its stakeholders. The extent of our disclosure has broadened over time. Going forward, we will gather and disclose such information on metrics and targets as our minority shareholding in and the abilities of our investees allow. We will explore information and targets regarding renewable and other energy use, greenhouse gas, carbon and other emissions as well as green building ratings.

DEVELOPING OUR PEOPLE

BIHL remains unwavering in its quest for excellence, continually adapting to the dynamic business environment to enhance our service to both employees and stakeholders. It is with pride that we report the substantial progress achieved in 2023.

ENHANCED LEARNING THROUGH COURSERA

We experienced a notable surge in the adoption of the Coursera platform – reflecting our commitment to cultivating an environment where continuous learning and self-development are paramount.

This initiative facilitated our employees in expanding their skills and knowledge base and resonated with the latest global trends in e-learning and professional advancement. The shift towards digital education platforms underscores a broader trend in the global workforce, emphasising the critical role of accessible, flexible and diverse learning opportunities in today's fast-paced and technology-driven world.

As industries worldwide continue to evolve at an unprecedented rate, fuelled by rapid technological innovations and changing market needs, the importance of lifelong learning becomes increasingly evident. Engaging with e-learning platforms like Coursera allows our employees to stay ahead of the curve, adapting to new technologies, methodologies and business strategies. This strategic embrace of digital learning tools prepares our workforce for the current challenges and positions them to lead and innovate in the future.

BIHL's commitment to leveraging e-learning aligns with our understanding of the transformative impact of education on personal growth, organisational development and competitive advantage. By investing in the development of our employees through cutting-edge platforms, we ensure that the group remains at the forefront of industry developments, ready to navigate the complexities of the global marketplace with agility and insight.

PROGRESS IN DIGITAL TRANSFORMATION

In 2023, we witnessed significant advancements in digital transformation, with AI systems and data analysis standing out as key achievements:

- Lesedi AI Assistant, a corporate knowledge base for staff to ask questions about the business' products, policies and processes and other general information by simply typing the questions. A chatbot then responds with the appropriate answer. Rather than sieving through policy documents, one only needs to ask the question and Lesedi will find the answer
- WhatsApp AI enhances the existing WhatsApp customer journey by enabling them to submit funeral claims without necessarily completing a claim form. The bot asks relevant questions and to attach required documents. It converts all that to a QR code and sends that to the name of the system for processing.

Ultimately, our target is to include AI validation of all documents.

Spearheaded by our IT and innovation department, these developments have set the stage for future innovations, positioning BIHL at the forefront of digital excellence as we explore further automation opportunities, enabling efficiencies for our employees.

STRENGTHENING ORGANISATIONAL FOUNDATIONS

Our efforts in 2023 have significantly bolstered our core strategies:

Rebranding values and purpose	We introduced four core values—care, innovation, integrity and collaboration—which serve as the bedrock of our organisational culture and guide our staff towards realising our purpose statement, 'Improving Livelihoods'.
Managers' retreat	This initiative provided a collaborative platform for management to enhance leadership skills and embrace continuous improvement.
Embedding the performance management system	The integration of our performance management system has promoted a culture of accountability and excellence, aligning employee performance with our organisational objectives.
Combined group Christmas party and long service awards ceremony	The ceremony was more than a celebration – it was a crucial acknowledgement of our employees' resilience and dedication. Through the long service awards, we highlighted our appreciation for the loyalty and contributions of long-serving staff, reinforcing the value of their continued commitment. This recognition not only celebrates individual achievements but also motivates and fosters teamwork, sense of belonging and engagement across the organisation, embodying our commitment to collaboration and appreciation.
Gentlemen's Day	The inaugural Gentlemen's Day addressed specific workplace challenges faced by men, promoting inclusivity and understanding across all employee demographics.
Crisis and risk management enhancement	A renewed focus on crisis and risk management in 2023, led by our dedicated Safety, Health and Environmental Officer, emphasised our commitment to employee safety through various initiatives and educational programmes.
Introduction of a new remuneration framework	The unveiling of a new remuneration framework sets a solid foundation for future enhancements in employee recognition and engagement, underscoring our dedication to rewarding our workforce for their valuable contributions. The process will inform the effective management of remuneration and also guide other human capital strategic focus areas like resourcing, talent management and retention. The framework aims to attract, retain, train, motivate and reward all BIHL employees to deliver outstanding performance and value creation.

COMMITMENT TO HEALTH AND SAFETY

Our commitment to employee health and safety remained a top priority in 2023. Through targeted projects and initiatives, we have empowered our workforce to prioritise their health and safety, with activities such as post-work physical training sessions and friendly competitions fostering a culture of wellness and camaraderie.

BIHL stands firm in its commitment to excellence and innovation. The accomplishments and initiatives of 2023 are a testament to our enduring dedication to our employees and stakeholders. Looking ahead with optimism and resolve, we are poised to embrace both the opportunities and challenges that the future holds, confident in our ability to prosper and excel.

AWARDS AND RECOGNITION

CSI is a vital part of the group's identity and we have a proud history of creating, maintaining and supporting developmental, social and environmental projects. As a group, we support local foundations and institutions by donating money, items or volunteering in the local community.

The group received numerous awards during the year. We, however, remain humble in our quest to improve livelihoods.

- PMR Diamond Arrow Award as the Best Short-term Insurer in Botswana for 2021, 2022 and 2023 as voted on by over 130 CEOs surveyed
- Chartered Institute of Customer Management winner of the Best General Insurer in Botswana 2021, 2022 and 2023 as voted on through 10 000 customer surveys
- Global Banking and Finance Award as the Best General Insurance Company Botswana for 2021, 2022 and 2023
- Global Brand Magazine Award as the Best Short-term Insurance Brand in Botswana 2021
- Global Business Review Magazine Award as the Best General Insurer in Botswana 2021

CATHERINE LESETEDI NAMED IN AFRICA.COM 2023 DEFINITIVE LIST OF WOMEN CEOs

Our CEO, Catherine Lesetedi, has once again been named as part of Africa.com's 2023 Definitive List of Women CEOs. This is the third time Catherine has been named on the illustrious platform.

This list, the only one of its kind in Africa, is a data-driven list that recognises the women who lead big business in Africa. Big business, for this purpose, is defined as being listed on one of Africa's stock exchanges and having revenue of over USD100 million, or a market cap of over USD150 million.

Harvard Business Review reports on the startling lack of diversity among CEOs of big business. To be the CEO of a large, listed company in Africa is an extreme rarity for women, which is why recognising them is so important. Research by Harvard Business School faculty recognises one important factor that all of the women who reach the CEO spot have in common – resilience.

AFRICA'S BEST BRANDS 2023 AWARDS

Botswana Life named most admired Botswana financial service brand

Botswana Life was honoured to have been named 'Most Admired Botswana Financial Service Brand' at the distinguished Brand Africa – Africa's Best Brands 2023 Awards, held in Gaborone on 11 August 2023 in association with BITC.

The prestigious recognition is a testament to Botswana Life's unwavering commitment to excellence, innovation and its profound impact on the financial services sector, looking to become a true partner to Batswana for life insurance and advisory services.

The recognition reinforces Botswana Life's position as a leading force in the financial services landscape of the nation. With a legacy spanning 48 years, Botswana Life has been a trusted partner in safeguarding the financial future of people and organisations across Botswana. This dedication to providing comprehensive protection and innovative financial solutions continues to garner the loyalty and trust of customers, the very inspiration for who Botswana Life is and what it strives to do.

INAUGURAL BOTSWANA LIFE BROKER CONNECT

Tackling sustainable insurance growth

In support of the critical role brokers play in the insurance industry, Botswana Life proudly hosted the inaugural Botswana Life Annual Broker Connect, bringing together key players in the industry to engage in insightful discussions to drive sustainable growth of the industry.

The Broker Connect was held at Avani Gaborone and Casino Resort on 22 November 2023 and convened over 45 broker fraternities and other key players and stakeholders.

Held under the theme 'The role of the broker in driving sustainable insurance growth', the forum worked to unpack the insurance sector as a whole, highlighting in particular pressures that arise from emerging unsustainable risk evaluation practices that adversely impact Botswana's insurance industry. Attendees also discussed issues regarding financial inclusion and long-term stability of both the insurance industry and wider economy of Botswana.

BIHL IN ACTION

BOTSWANA LIFE AND BROWN & COMPANY ATTORNEYS

Enlightening clients through a soft collaboration launch

Botswana Life remains steadfast in its commitment to being a reliable and trusted insurance partner for the people of Botswana. Emphasising this commitment, it recently joined forces with Brown & Company Attorneys in a partnership that sensitised business owners and affluent clientele on the importance of seeking assistance in estate planning, estate liquidation, trusts and wills to secure their loved ones' futures.

The collaboration also emphasised the importance to business owners of seeking estate planning assistance when it comes to securing themselves, their loved ones and their businesses.

The Botswana Life Affluent division offers initiatives such as key person insurance risk cover and buy and sell insurance; both offerings enable business continuity in the case of death or disability.

BOTSWANA LIFE LAUNCHES SEGMENTED AFFLUENT VALUE PROPOSITION AND SERVICE LOUNGE

Botswana Life reaffirms its commitment to continuously deliver innovative solutions in the form of products and services in line with the insurer's customer-centricity value to meet customers' complex financial goals and challenges that require tailor-made strategies and solutions.

It relaunched its Affluent division, offering a value proposition and esteemed service lounge, which caters for a niche market segment that has specific needs and preferences. As a first of its kind in the Botswana insurance market, the Affluent division within the multifaceted Botswana Life, seeks to provide bespoke solutions for high-net-worth individuals who require specialised wealth management advice and access to international investment opportunities. The offering is focused on addressing the complex needs of affluent customers such as investment strategies, risk profile, tax implications and estate planning.

Botswana Life, through its Affluent division, renews its commitment to providing excellent service to customers through efficient and effective financial management by leveraging technology and digital platforms to enhance customer experience and convenience. Premised on protecting and creating new value in new ways through collaboration and co-creation for stakeholders, Botswana Life's strategy informed the creation of the Affluent division. Botswana Life continues to enhance not simply the customer experience but the nation's journey towards sustainable economic development.

BOTSWANA LIFE INAUGURAL INSURANCE SYMPOSIUM

Tackling the insurance protection gap

The Botswana insurance industry celebrated a significant milestone with the successful inaugural edition of the Botswana Life Insurance Symposium. Held on 20 September 2023 in Gaborone, this landmark event brought together industry experts, thought leaders and stakeholders to delve into the critical theme of 'Understanding and Addressing the Insurance Protection Gap', successfully shaping insightful dialogue on the subject.

The symposium saw the subject dissected from both an operational and needs perspective, interrogating the depth of the insurance protection gap and the necessary measures, resources and infrastructure that may be required to close this gap for the socio-economic benefit of the nation and its people. This aligns with Botswana's Vision 2036 financial objectives, which focus on enhancing financial inclusion and security for all Batswana.

BIHL IN ACTION continued

BOTSWANA LIFE SUPPORTS THE NATIONAL PRIMARY SCHOOL HEADS CONFERENCE

Donates a house in Kachikau

In partnership with Botswana Life, the National Primary School Heads Conference (NPSHC) handed over a house in Kachikau village in the Chobe District on 9 March 2023.

The partnerships exist to support NPSHC's efforts in making an impact through various community projects that aim to uplift Batswana. The committee operates under the Government of Botswana through the Ministry of Education and Skills Development.

Botswana Life has supported the NPSHC for the past five years. The partnership has yielded positive outcomes, especially in the communities where it has executed CSI initiatives. This is in line with Botswana Life's CSR strategy as they aim to uplift the communities in which they operate.

ACTIVE PARTICIPATION IN THE BOTSWANA PENSIONS SOCIETY CONFERENCE

Building industry knowledge and shaping the future

Bifm and Botswana Life actively participated at the annual Botswana Pensions Society conference, a key event aimed at promoting retirement industry knowledge among pension fund members, trustees, service providers and the public.

The conference featured distinguished speakers, including Mbaki Mudlovu CFA, Bifm's Investment Analyst for Fixed Income. In his presentation, Mbaki emphasised the positive impact of a well-regulated environment on investment performance. Highlighting Bifm's commitment, he underscored our ongoing role in shaping the local pension fund industry. Recognising the evolving nature of the retirement landscape, such collaborations are crucial for a deeper understanding and effective service delivery.

This marks the 17th consecutive year of our support for this vital forum, providing an enlightening platform for our stakeholders and trustees. Our commitment to contributing to information-sharing platforms remains steadfast and we eagerly anticipate the 2024 conference.

THOUGHT LEADERSHIP EVENTS

Bifm's thought leadership initiatives illuminate the path forward

In a commitment to fostering knowledge exchange and catalysing intellectual growth, Bifm was an active participant in thought leadership events throughout 2023. These engagements not only showcase its expertise but also provide a platform for its experts to share valuable insights with a diverse audience, including small, medium and micro enterprises (SMMEs) and the general public.

At these events, Bifm's thought leaders have taken the stage to delve into industry trends, share innovative strategies and explore solutions to pressing challenges. The exchange of ideas has proven invaluable not only to peers in the business world but also to budding entrepreneurs and the wider public seeking a deeper understanding of various subjects.

One such event featured the Bifm CEO, Clair Mathe-Lisenda, where she captivated the audience with deep industry knowledge and forward-thinking perspectives. The interactive sessions spearheaded by BSE facilitated meaningful discussions, allowing participants to gain valuable insights and perspectives from Bifm's wealth of experience.

Our commitment to thought leadership goes beyond the boardroom, extending to support SMMEs and the general public in navigating the complexities of the business landscape. As we reflect on our participation in these thought leadership events, we recognise the importance of contributing to a culture of continuous learning and innovation.

BIHL IN ACTION continued

BIFM'S ANNUAL TRADITIONAL MUSIC EVENT

Bridging cultures and supporting local talent

Bifm proudly showcased its commitment to community and culture by hosting clients at its annual traditional music expo event. The evening, filled with rhythmic melodies and cultural resonance, not only celebrated its partnerships but also served as a platform to champion local talent.

The event was a harmonious blend of business and cultural appreciation. Clients were treated to an immersive experience that went beyond the typical corporate gathering, as traditional music filled the air, creating an ambiance that resonated with the rich tapestry of our local heritage.

The stage was graced by a lineup of exceptionally talented local musicians, each act carefully curated to showcase the diversity and vibrancy of our region's musical landscape. Bifm's support for these artists goes beyond a one-time performance, as it believes in providing a stage for local talent to shine and grow.

Promoting local talent aligns with Bifm's ethos of being an integral part of the communities it serves. This annual event is a testament to its belief in the transformative power of culture and the arts.

BIFM'S EXCLUSIVE CLIENT WINE ENGAGEMENT EVENT

In a celebration of partnership and shared success, Bifm proudly hosted its esteemed clients at a memorable wine engagement event, marking a significant highlight in our annual journey.

Clients were welcomed to an ambiance of sophistication, where the clinking of glasses echoed the shared victories and collaborative spirit that defines our associations. Each sip became an opportunity for clients to unwind, network and forge new bonds in a relaxed atmosphere.

Bifm's leadership took the opportunity to express gratitude for the trust clients place in us. In her address, Clair Mathe-Lisenda highlighted the significance of these relationships and the role they play in the continued success of the Bifm brand.

As glasses were raised and toasts made, it was evident that the wine engagement event was not just a celebration but a strategic endeavour to strengthen our partnerships. The connections forged during this event are a testament to the mutual respect, shared values and collaborative spirit that define the Bifm-client relationship.

This wine engagement event encapsulates our commitment to going beyond conventional business interactions and creating spaces where genuine connections can thrive. Bifm is grateful for the opportunity to host such an exceptional gathering and looks forward to continuing these traditions, building bridges and toasting to even greater successes in the years to come.

FREE MOTHUSI ACCIDENT ASSIST SERVICE

BIC unveils an innovative addition to its motor vehicle insurance policy

The service, exclusively provided to BIC policyholders, goes beyond traditional roadside assistance, embodying a strategic approach to redefine the landscape of insurance services.

The services provided by Mothusi include response to accident scenes ensuring immediate assistance when BIC policyholders need it the most. Mothusi does not stop there; it conducts on-the-spot accident assessments using advanced technology, instantly transmitting results to the BIC assessment centres. This not only expedites the claims process but also ensures accuracy.

Mothusi also extends support to the injured, embodying the company's dedication to the well-being of its policyholders. Emergency services are seamlessly coordinated, from police and ambulance calls to arranging tow truck services for the prompt transport of insured vehicles to BIC assessment centres. It even goes a step further by minimising disruption to BIC policyholders' lives, providing cab services to ensure they reach their intended destinations promptly.

BIHL IN ACTION continued

ANNUAL BIFM BREAKFAST SEMINAR

Bifm hosted institutional clients and stakeholders for yet another successful event

The theme for this year's seminar was 'Global Inflation and the Role of Alternative Investments within Client Portfolios'. The theme was necessitated by the high global inflation and interest rate environment and the challenge in generating positive real returns.

The event featured Patrick Buthelezi, economist from Sanlam Specialised Finance. He highlighted the key drivers of global inflation and why it is a major concern for central banks around the world. He noted that central banks' monetary policy faced the challenging trade-off between fighting soaring inflation and safeguarding the post-COVID-19 pandemic recovery. He believes that inflation was expected to peak in 2H2022. It was anticipated to slow down in 2023, and central banks were therefore likely to shift their priority to stimulating economic growth.

The event included a panel discussion, which unpacked the merits and potential risks of alternative investments to retirement funds. The panel discussion was facilitated by Neo Bogatsu (Bifm CEO) and comprised Mumba Musunga (Portfolio Manager: African Life Financial Services Zambia), Lame Botshoma (Chief Investment Officer Designate: Strategic Wealth), Ati Mannathoko (Chief Operations Officer: Alex Forbes) and Khalil Modarissi (Bifm Chief Investment Officer).

The morning was capped with a presentation by Botlhe Tshukudu (Portfolio Manager: Unlisted Investments), speaking to alternatives in the context of Botswana and the role played by Bifm.

Bifm is committed to participating and improving the brand, delivering on its mandate, and this is done through information-sharing platforms such as these events. The firm's efforts to engage with its trustees and broader stakeholders are vital.

BIFM HOSTS KIDS MONEY CAMP IN COLLABORATION WITH LIMA CONSULTING

Nurturing financial literacy among the youth

Bifm proudly collaborated with Lima Consulting to host the Kids Money Camp. This annual initiative reflects our commitment to empowering young minds with essential financial skills, setting the stage for a brighter and more secure future.

At Bifm, we understand that the journey towards financial independence starts at an early age. Through the Kids Money Camp, we provide a dynamic platform where children can learn, engage and grow in their understanding of money management. From budgeting basics to the principles of saving and investing, we equip participants with the tools they need to navigate the complexities of the financial world confidently.

Partnering with Lima Consulting has amplified the impact of the Kids Money Camp. Their expertise in financial education and innovative teaching methodologies complement our vision, enriching the learning experience for every participant.

Beyond imparting theoretical knowledge, the Kids Money Camp instils practical skills that empower children to make informed financial decisions. Through interactive workshops and games participants gain hands-on experience in managing money, fostering confidence and resilience in the face of financial challenges.

Bifm reaffirms its commitment to fostering financial empowerment among the next generation. Together, we embark on a journey to inspire, educate and empower young minds, shaping a future where financial literacy is not just a privilege but a fundamental right for all.

We continue to invest in the leaders of tomorrow, today.

BIHL IN ACTION continued

BIFM HOSTS FAREWELL EVENT FOR OUTGOING CEO

Warm welcome for the new CEO

Bifm gathered to bid a heartfelt farewell to its esteemed outgoing CEO, Neo Bogatsu, and extend a warm welcome to its new leader, Clair Mathe-Lisenda. This moment marked a significant chapter in its journey, one filled with gratitude for the past and anticipation for the future.

Under Neo's visionary leadership, Bifm has achieved remarkable milestones and cemented its position as a leader in the industry. Her dedication, passion and unwavering commitment have propelled the organisation to new heights, leaving an indelible mark on all who have had the privilege of working alongside her.

With the dawn of a new chapter, Bifm is delighted to welcome Clair as its new CEO. With a wealth of experience, a dynamic vision and a deep commitment to Bifm's values, she embodies the spirit of innovation and excellence that defines the organisation. Her leadership promises to steer Bifm toward continued growth, resilience and prosperity, inspiring everyone in the organisation to reach new heights of success together.

We embrace both continuity and change with the foundation laid by Neo as a strong platform to build upon, while Clair's fresh perspective and innovative ideas open doors to new possibilities and opportunities.

BIC THOUGHT LEADERSHIP CONFERENCE

BIC successfully organised its inaugural Thought Leadership Insurance Conference 2023, held at Cresta Lodge in Botswana.

The conference brought together insurance industry leaders, agents, brokers, legal experts, the Non-Bank Financial Institutions Regulatory Authority (NBFIRA), regulators, media practitioners and other thought leaders to explore the theme 'The Unquantifiable Power of Insurance: A New Botswana.'

BIC CEO Newton Jazire expressed his pleasure in having such a remarkable gathering of knowledgeable and experienced individuals. He emphasised the potential for groundbreaking solutions, ideas and innovations that could reshape the insurance industry and its regulations. He highlighted the importance of conversation and collaboration as the catalysts for transformative change.

The event featured engaging presentations by renowned experts who delved into various aspects of the insurance landscape and discussed topics such as intermediaries' liability exposure, policy interpretation and the impact of COVID-19 on business interruption claims.

BIHL IN ACTION continued

BIHL TRUST ACTIVITIES

The establishment of the BIHL Trust in 2007 formalised and streamlined the group's CSR activities. BIHL contributes 1% of its profit after tax every year to the Trust. Since inception, the BIHL Trust has invested more than P40 million in communities in Botswana.

The BIHL Trust has undertaken and contributed to many projects over the past 16 years. The Trust has four key focus areas, namely education, public health, conservation of the environment and social upliftment, each working to ensure more targeted and sustainable impact.

EDUCATION

MARU-A-PULA ORPHAN AND VULNERABLE CHILDREN PROGRAMME

The BIHL Trust continues to champion educational inclusivity through a P250 000 donation.

In its continuous commitment to education and sustainable development in Botswana, the Trust made a further donation of P250 000 to the Maru-a-Pula School Orphans and Vulnerable Children (OVC) scholarship fund.

Since 2010, the BIHL Trust has, in partnership with Maru-a-Pula School, provided transformative educational opportunities to orphans and vulnerable children in the country.

To date, the BIHL Group, through the Trust and on behalf of subsidiaries Botswana Life and Bifm, has donated a total of P2,6 million to the programme.

DELTA WATERS INTERNATIONAL SCHOOL OVC PROGRAMME

BIHL, through the BIHL Trust, continues to improve livelihoods by supporting education and donating to Delta Waters International School in Maun.

This donation is part of the Trust's commitment to the OVC programme, aimed at providing educational opportunities and support to children in need.

During a recent handover ceremony, the BIHL Trust team presented Delta Waters International School with a substantial donation of P150 000 for the second time.

This contribution underscores our dedication to making a positive impact in the communities we serve.

SOCIAL UPLIFTMENT

BOTSWANA POLICE SERVICE

In a commitment to positively impacting the communities it serves, the BIHL Trust proudly collaborated with the Botswana Police Service to initiate the '60 Days of Action on Crime and Road Safety'.

This partnership marks a significant milestone in the long-standing dedication of BIHL to the well-being and progress of Botswana, and with cognisance of the rising rates of crime and road safety especially around the festive holidays.

The impetus behind the collaboration is the mutual concern for rising road safety risks, especially during the December to January period. Road accidents are the leading cause of death in Botswana. They are brought about by factors such as speeding, driving under the influence of alcohol, improper safety belt usage, exhaustion, non-adherence to traffic signs or traffic lights and cellphone or gadget use while driving. Traffic accidents have severe social and economic implications for developing countries and the families of casualties.

BIHL IN ACTION continued

PUBLIC HEALTH

FIT FOR LIFE 2023

The Fit for Life Campaign is a public health campaign by the BIHL Trust and Bomaid that focuses on informing and encouraging the public to curb, control and reduce the effects of non-communicable diseases such as cancer, high blood pressure, high cholesterol and diabetes.

The campaign promotes holistic health by educating, informing and challenging participants and the public to better their health through participating in physical and mental health challenges as well as changing their eating habits for the better.

The challenge had 261 participants in 2023 across Botswana, with activations done in Francistown and Gaborone.

THE BIHL TRUST DONATES FOOTBALL KITS TO MARINA HOSPITAL

The BIHL Trust joined staff at Marina Hospital for a heartwarming moment of unity and support as the Trust heeded the call to support Marina Hospital's request for football kits for staff.

The donated kits comprised 50 football kit replicas and one complete kit.

Trustee Samson Setumo emphasised the profound impact achievable when individuals unite for a common cause, no matter how big or small.

The donation of football kits serves as a testament to the Trust's commitment to social upliftment and public health, recognising the importance of physical activity in preventing social ills and promoting well-being.

HANDS THAT GIVE 2023

Core to our mandate is ensuring that we deliver sustainable, positive and impactful projects through our staff across the BIHL Group and all of our subsidiaries – Botswana Life and Bifm.

Hands That Give is a volunteering initiative which allows staff to choose their CSR project from the BIHL Trust focus areas of (public) health and conservation of the environment.

Our staff are privileged to have the opportunity to truly make a difference, change lives and restore to some extent hope and joy in the lives of our fellow Batswana. To participate, staff grouped themselves into groups of 10 and identified their chosen cause or project, making sure it was within the Trust's focus areas.

BIHL IN ACTION continued

The projects included:

Group name (from)	Description of their project	Focus
Innovation Sedimo (ICOON)	The school management organises an annual student boot camp which, among other things, intends to boost the academic performance of the students, instil a positive mindset, teach and train learners other life skills, sensitise learners on issues of crime and drug abuse and get them to walk.	Health promotion
Eagles Eye (Tied Agents Botswana Life)	Fencing a burrow pit in Molepolole.	Conservation of the environment
Runner Club (Various)	Supporting young talent by donating running gear.	Health promotion
Chobe Angels (Botswana Life Kasane)	Donation of pyjamas and gowns to Kasane Primary Hospital for better health of patients. The hospital is located on the edge of a river and becomes very cold in winter.	Health promotion
CRL Group (Compliance, Risk and Legal Department)	Donation of the national tree to a designated area in Botswana to prevent desertification and reduce the effects of global warming.	Conservation of the environment
North Champions (Francistown)	Dustbins, shade area, tree planting and toiletry hamper donations to the Centre for the Deaf in Francistown.	Conservation of the environment
Joyful Givers (Selebi Phikwe)	Donating a holistic environmental and healthcare outdoor area for Re ka Kgona School for the disabled in Phikwe.	Health and conservation of the environment
Maitlamo Group (Contact Centre)	Providing urn kettles, toiletries, thermometers, mattresses, blankets and bedding for the paediatric ward at Marina Hospital. We believe the ones we have selected to buy are the most needed for a comfortable hospital stay and will make a profound impact on the lives of countless young patients and their families who visit the ward.	Health promotion
Team Boroku (Benefits and Claims – Head Office)	A youth group comprising University of Botswana students and unemployed youth embarked on a project named Bubuya drive which is dedicated to propelling Botswana into a fully sustainable and circular economy through sustainable waste management. The team organised an inaugural green pop-up market to raise awareness about sustainable waste management.	Conservation of the environment
Botswana Life (Tied Agents)	Assisting a young mother with a two-year-old baby girl and other family members, including the elderly grandmother, by cleaning their backyard and establishing a garden that will help to feed this family of nine. A sustainable garden will be of benefit to the environment and improve the family's health by providing much-needed nourishment. It will also empower the young lady to become self-employed by selling produce from the garden to fund her child's schooling.	Health

CORPORATE GOVERNANCE OVERVIEW

The board supports the highest standards of corporate governance and the development of best practice.

BIHL is fundamentally committed to good corporate governance and strives to ensure business integrity and professionalism in all activities, and that all aspects of its business conform to all relevant guidelines and regulations.

The board ensures that our strategy remains relevant, in line with current and emerging investor and stakeholder requirements, making adjustments and changes to maintain short-, medium- and long-term value-focused objectives. Good corporate governance forms part of this and helps us to build an environment of trust, transparency and accountability necessary to facilitate long-term investment, financial stability and business integrity, thereby supporting stronger growth and a society that is more inclusive.

The board supports the highest standards of corporate governance and the development of best practice. The board is of the opinion that the BIHL Group currently complies with the governance principles of King IV™ and the BSE Listings Requirements. BIHL's corporate governance practices are continually reviewed and improved by benchmarking against accepted best practice.

The King IV™ application register is set out on pages 69 to 72.

The board is committed to continuous improvement of our corporate governance principles, policies and practices, and does so through awareness of evolving regulation and best practices, engagement with regulators and industry bodies and regular feedback from other stakeholders.

ETHICS AND CULTURE

The board is committed to the highest standards of ethical behaviour. Directors strive to uphold the standards of conduct required of them by law, regulation and policies, while demonstrating behaviours that are consistent with the group's values.

BIHL recognises that financial crime and unlawful conduct conflict with the principles of ethical behaviour, as set out in the Code of Ethical Conduct, and undermine the organisational integrity of BIHL. The commitment to combating financial crime is designed to counter the threat of white collar crimes, including fraudulent acts and malicious intentional acts that damage BIHL's good standing. A zero-tolerance approach is applied to these matters and all alleged offenders are prosecuted. BIHL has in place an anonymous hotline that stakeholders can use for reporting any wrongdoing in the business. The anonymous hotline ensures independence and good practice.

CORPORATE CITIZENSHIP

The board acknowledges the role of the group in:

- contributing to the growth and development of the societies in which we operate
- being accountable for our impact on the environment, and
- evolving as our communities change. Compliance with laws and regulations is a critical aspect of our citizenship efforts.

Governance structure

The board

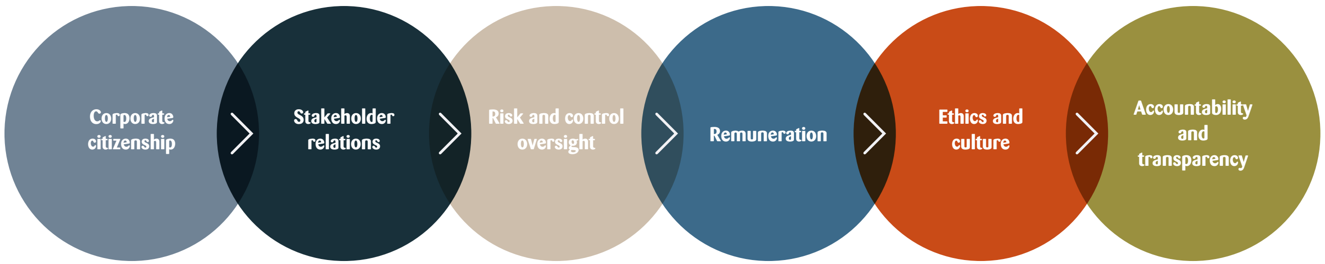
Dr Keith Jefferis *(Group Chairman)*[1]
Catherine Lesetedi *(Group Chief Executive Officer)*
Kudakwashe Mukushi *(Group Chief Financial Officer)*
Andrew Cartwright *(Audit and risk committee Chairman)*[1]
Robert Dommisse[2]
Edwin Elias[1] (appointed on 22 August 2023)
John Hinchliffe *(Bifm and Bifm Unit Trusts Chairman)*[1]
Kate Maphage[1] (appointed on 20 September 2023)
Lieutenant General Tebogo Masire[1]
Mustafa Sachak[1] *(Botswana Life Chairman)* (appointed on 29 July 2023)
Nigel Suliaman[2]
Kobus Vlok *(Acting Botswana Life Chairman)*[1]
Chandrakant Chauhan[1] (resigned on 6 March 2023)
Mahube Mpugwa[1] (resigned on 11 August 2023)

[1] Independent non-executive
[2] Non-executive

CORPORATE GOVERNANCE OVERVIEW continued

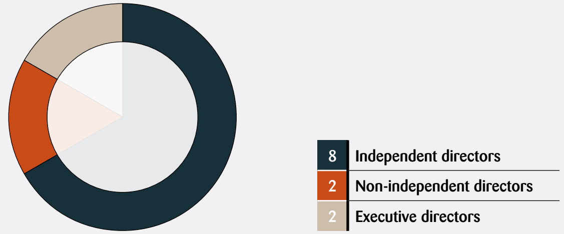
	Audit and risk committee	Human resources committee	Nominations committee	Investment committee	Independent review committee
	Refer to pages 73 and 74 for the full report	*Refer to page 75 for more details*	*Refer to page 75 for more details*	*Refer to page 75 for more details*	*Refer to page 75 for more details*
Members	Andrew Cartwright *(Chairman)* John Hinchliffe Philip Van Rooijen Robert Dommisse Edwin Elias Kopanang Thekiso	Kate Maphage *(Chairman)* Robert Dommisse Dr Keith Jefferis Mustafa Sachak	Robert Mpabanga *(Chairman)* Dr Keith Jefferis Robert Dommisse	Robert Mpabanga *(Chairman)* Dr Keith Jefferis Nigel Suliaman Robert Dommisse	Edwin Elias *(Chairman)* John Hinchliffe Dr Keith Jefferis Robert Mpabanga
Independent	4 of 6	3 of 4	2 of 3	2 of 4	3 of 3
Focus areas	• Reporting (financial and integrated) • Audit matters (internal and external) • Risk and compliance management, information and technology governance • Information and cybersecurity	• Remuneration strategy and policy • Human capital management	• Succession planning • Board evaluations • Nomination matters (structure, size and composition)	• Determines and monitors appropriate investment strategies	• Related party transactions

Oversight priorities

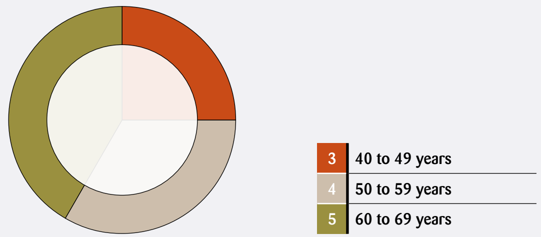


THE BOARD

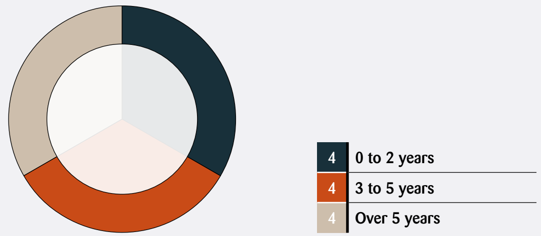
Board independence



Board age diversity



Board tenure



The unitary board consists of 12 directors of whom eight are independent non-executives. The Chairman is committed to ensuring the overall effectiveness of the board and that it achieves the appropriate composition and balance of directors.

The magnitude and complexity of the group influence our board's composition and we strive to have an appropriate balance of diversity to ensure robust governance, keen commercial decision-making and strong technical inputs. We assess diversity against skills and expertise, independence, gender and age as well as tenure.

CORPORATE GOVERNANCE OVERVIEW continued

Board charter

The board operates in terms of a formal charter that is reviewed and adopted annually, the purpose of which is to regulate the conduct of its business in accordance with sound corporate governance principles. The objectives of the charter are to ensure that all directors acting on BIHL's behalf are aware of their duties and responsibilities and the legislation and regulations affecting their conduct. Further, it seeks to ensure that sound corporate governance principles are applied in all dealings by directors in respect of and on behalf of BIHL. The charter sets out the specific responsibilities to be discharged by the directors collectively and individually. The charter is available upon request from the BIHL Group.

Skills and expertise

Board members are required to have the highest levels of integrity, a deep understanding of governance, appropriate technical, financial and non-financial knowledge and interpersonal skills, in particular, skills and experience in the areas of insurance, risk, capital management, technology, finance, auditing, accounting, legal and human resources (HR). The board is collectively responsible for the long-term success of the group and for ensuring leadership within a framework of effective controls.

The board sets the strategic direction of the group, approves the strategy and takes the appropriate action to ensure that the group is suitably resourced to achieve its strategic aspirations. The group considers the impact of its decisions and its responsibilities to all our stakeholders, including the group's employees, shareholders, regulators, clients, suppliers and communities in which it operates.

Board focus areas for 2023 and 2024

What kept the board busy this year	What will keep the board busy in 2024
• Tracked the five-year strategy • Reviewed and scrutinised the strategic and operational performance of the business • Approved the group's Code of Ethical Conduct, conflict of interest policy and price-sensitive policy • Received regular risk reports • Reviewed the risk appetite statement • Monitored the group's financial performance • Approved the group's budget • Approved the full and half-year results and considered the key internal and external factors in determining payment of a final and interim dividend • Approved the group's risk assurance framework • Approved the group's risk management policy • Approved the group's internal control policy • Received an update on the macroeconomic headwinds and tailwinds in the global economy including an assessment of their impact on the key drivers of the group's financial performance • Approved the job evaluation exercise • Approved the BIHL Group anti-bribery and corruption policy, the BIHL Group outsourcing policy, the BIHL group financial crime combating policy, the BIHL group data privacy policy and the BIHL group policy in respect of giving and receipt of gratifications	• Monitor the application of the IFRS 17 standard • Monitor the efficiency of the new BIHL Group structure • Review of the BIHL Group five-year strategy • Key focus areas of the business

Board independence

Through the appointment of independent directors and the separation and clear definition of the roles and responsibilities of the Chairman and CEO, BIHL has a clear balance of power and authority at board level. The group ensures that the interests of all stakeholders are protected.

The board's primary responsibilities

The Group CEO is responsible for the management of all aspects of the group's businesses, developing the strategy in conjunction with the Chairman and the board and leading its implementation. The management team comprises the Group CEO, the Group CFO and the heads of functions.

To enable the board to use its time effectively and efficiently, supported by the Group Company Secretary, it maintains a scheduled programme of meetings and a rolling agenda. There is sufficient flexibility in the programme for specific items to be added to any particular agenda to ensure that the board can focus on key matters at the appropriate time. The board also schedules informal sessions and interactions, which allows board members to discuss areas of the business strategy and the external environment with members of the management team.

Members of the management team and other senior executives attend board and subcommittee meetings to ensure effective interaction with the board. The Group CEO comments on current trading conditions, business performance, the market, employees, relevant stakeholders and regulatory and external developments at each meeting.

CORPORATE GOVERNANCE OVERVIEW continued

BOARD AND COMMITTEE MEETING ATTENDANCE

The board meets at least four times per annum to consider business philosophy and strategic issues, set risk parameters, approve financial results and budgets and monitor the implementation of delegated responsibilities. Special board meetings are convened when necessary. Where appropriate, decisions are taken by way of circulated resolutions.

The board and committee meetings during the year are set out below.

	Board	Audit and risk committee	Human resources committee	Nominations committee
Dr Keith Jefferis[1] *(Chaiman)*	2/4	n/a	2/4	2/8
Catherine Lesetedi[3] *(Group Chief Executive Officer)*	4/4	4/4	4/4	n/a
Kudakwashe Mukushi[3] *(Group Chief Financial Officer)*	4/4	4/4	n/a	n/a
Andrew Cartwright[1]	4/4	4/4	n/a	n/a
Robert Dommisse[2]	4/4	4/4	4/4	8/8
Edwin Elias[1, 4]	2/4	2/4	n/a	n/a
John Hinchliffe[1] *(Bifm and Bifm Unit Trusts Chairman)*	4/4	4/4	n/a	7/8
Kate Maphage[1, 4]	1/4	n/a	4/4	n/a
Lieutenant General Tebogo Carter Masire[1]	4/4	n/a	n/a	n/a
Mustafa Sachak[1] *(Incoming Botswana Life Chairman)* [4]	2/4	n/a	2/4	n/a
Nigel Suliaman[2]	4/4	n/a	n/a	n/a
Philip Van Rooijen[2]	n/a	4/4	n/a	n/a
Kobus Vlok[1]	4/4	n/a	n/a	n/a
Chandrakant Chauhan[1, 5] *(Outgoing Botswana Life Chairman)*	1/4	1/4	n/a	1/8
Mahube Mpugwa[1, 5] *(Outgoing Group Acting Chairman)*	2/4	n/a	2/4	6/8

[1] *Independent non-executive*
[2] *Non-executive*
[3] *Executive*
[4] *Member appointed during the course of the year.*
[5] *Resigned during the course of the year.*

BOARD COMMITTEES

In the course and scope of discharging their mandate, the directors are empowered to delegate part of their duties. Certain functions of the board are facilitated through the main subcommittees including the audit and risk, human resources, nominations and independent review committees. These subcommittees have formal charters and report to the board at regular intervals and are chaired by independent non-executive directors. Reappointment to the subcommittees is not automatic and is subject to the approval of BIHL's nominations committee. When BIHL directors retire by rotation, they automatically retire from the subcommittees on which they serve.

The terms of reference for all board subcommittees have been confirmed by the board. There is full disclosure from these subcommittees 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.

Information on the board of directors and their committee memberships is included in this report on pages 64 to 66.

BOARD APPOINTMENTS AND SUCCESSION PLANNING

Directors are selected and appointed in a formal and transparent manner to achieve the necessary balance of skills, experience and professional and industry knowledge to meet BIHL's strategic objectives. We follow broad principles to maintain an independent and vibrant board that constructively challenges management's strategies and evaluates performance against agreed benchmarks and applicable codes of conduct. The majority of the non-executive directors are independent.

The board gives strategic direction to BIHL, appoints the CEO and ensures that succession planning is in place and reviewed regularly. The group seeks to promote independent judgement, diverse mindsets and all directors are subject to an annual performance evaluation. Nomination and approval of appointees to the board and its committees is carried out in accordance with the remuneration and nomination charter.

We maintain a balance among non-executive directors that ensures that the majority of these are independent directors. The re-election of directors will be dealt with via individual resolutions. BIHL's company Constitution requires that one-third of the directors of the group retire by rotation and offer themselves for re-election by shareholders at the AGM, with the exception of the executive directors.

RISK AND CONTROL

The group's enterprise risk management framework incorporating the principal and key risks is approved by the board. The board also approves the group's risk appetite and then monitors the implementation of both, including the approval of key risk frameworks through its committee and receives reports on under- and over-utilisation of risk appetite together with triggers, limits and management actions.

Refer to the risk management report on page 19 for further details.

STAKEHOLDER RELATIONS

The board and management proactively engage with material stakeholders and address their concerns in the best way possible. Collaboration is important to the group's approach and strategic partnerships are driven with like-minded stakeholders. In addition, personal meetings with analysts and fund managers/trustees are arranged when appropriate. BIHL publishes its interim and annual results in the media when finalised and, in addition, mails its integrated annual report to all shareholders.

Refer to stakeholder engagement on page 21 for further details.

CORPORATE GOVERNANCE OVERVIEW continued

Where there is an item of special business included in the notice of the AGM, it is accompanied by a full explanation of the implications of the proposed resolution. In the course of the AGM, as at other shareholder meetings, the Chairman provides reasonable time for discussion.

Shareholders are always encouraged to attend the AGM.

ACCOUNTABILITY AND TRANSPARENCY

The board commits to providing credible and comprehensive financial and non-financial reporting accompanied by constructive stakeholder engagement. With respect to the public and other stakeholder interests, we align with best practice relating to disclosures and are subject to internal and/or external assurance and governance procedures.

IT AND INFORMATION GOVERNANCE

The BIHL Group's IT charter represents the board's and group senior management's expectations regarding the governance of the utilisation of information across the BIHL Group. The information governance framework provides guidance on the use of information and it is key due to the growing importance placed on information by enterprises, clients and regulators and is supported through formalisation of the underlying information management practices. Information management refers to our capabilities in managing various types of information or aspects related to information. The application of these management practices can improve the value and quality of information. Our information governance is ultimately the responsibility of the board and senior management of the BIHL Group.

The company has an IT internal control framework in place. Our IT internal control framework is aligned with the IT control frameworks that include ITIL and CobiT 5. Sanlam IT internal audit, and an independent external entity conduct annual audits on the effectiveness of the IT internal controls and provide feedback through reports communicating gaps identified and controls required to mitigate and improve the security position of the group or minimise the risk exposure to the group information assets.

There is board oversight for all IT activities. The group has an IT governance structure with forums and committees formed to provide feedback on IT progress monthly.

Projects undertaken to increase/improve operational efficiencies:

- **Enhancement of the sales platform portal:** To include among other things the offline capability for sales agents to be able to onboard clients even in areas where there is no connectivity
- **Kenna KYC management system:** A centralised system that enables management of KYC requirements across businesses, streamlining and digitising the risk assessment, screening and management of KYC documentation with customer and business alerts. Businesses are able to share customer KYC documents across the group provided clients have granted consent
- **Implementation of a customer complaints system:** For businesses to track and monitor resolution of customer complaints, including reporting to the Regulator
- **Enhancement of the Mosako platform:** To include other premium payment channels as well as a life cover offering to Mosako clients
- **Help desk system migration:** To improve the quality and ownership of tickets logged with IT for quicker and seamless resolution of system issues
- **Rollout of the single-page encashment process:** Highly optimised process reduced from 48 steps to just six, with screens reduced from 18 to just one screen, reducing the encashment process from 36 hours to just under 12 hours
- **Project 17:** Implementation of the new reporting standard (IFRS 17).

Projects/initiatives to minimise IT risk:

- **Replacement of core switches:** Renewal of core networking equipment that had reached its end of life
- **CURA:** Implementation of a centralised risk management platform across the group
- Upgrade of core business platforms (Oracle, policy administration systems)
- POC of an AI cybersecurity management tool (called Dark Trace) which was successful. The tool implementation was in 2024
- **Adoption and implementation of two critical data policies:** The data and information governance policy as well as the data privacy policy, to augment implementation and compliance with the new Data Protection Act of 2018.

Management provides the board with quarterly reports on the progress of the IT function's objectives and whether it adequately protects the company from IT risk. The report details progress on key IT activities, challenges and risks. IT risks are reviewed monthly and the register is updated accordingly. There are programmes in place to manage these risks in line with the group's cyber-resilience framework.

A business continuity and disaster recovery plan is in place, governed by the business continuity management policy. The policy stipulates that biannual rehearsals to test business readiness against any form of disaster be performed with gaps identified documented in an activity report for resolution and tracking purposes. A detailed business continuity and disaster recovery test report is then prepared and shared with the IT steering committee, the executive committee and the board. During the year, there were no incidents of cybersecurity breaches.

REMUNERATION PHILOSOPHY

The board recognises that appropriate remuneration for executive directors, members of the BIHL executive committee and other employees is inextricably linked to the attraction, development and retention of top-level talent and intellectual capital within the group. BIHL's operating environment is characterised by a tough economic climate, changing regulatory requirements and ongoing skills shortages. Therefore, it is essential that adequate measures are in place to attract and retain the required skills. In order to meet the strategic objectives of a high-performance company, the remuneration philosophy is positioned to reward exceptional performance and to maintain that performance over time.

The primary objectives of the policy are to:

- attract, motivate, reward and retain key talent
- promote the company's strategic objectives, within its risk appetite
- promote positive outcomes across the capitals which the group uses or affects
- promote an ethical culture and behaviour that are consistent with our values and which encourage responsible corporate citizenship.

BIHL's remuneration philosophy aims to:

- inform stakeholders of BIHL's approach to rewarding its employees
- identify those aspects of the reward philosophy that are prescribed and to which all businesses should adhere
- provide a general framework for all the other elements of the reward philosophy
- offer guidelines for short-term incentive (STI), long-term incentive (LTI) and retention processes
- offer general guidelines about how the businesses should apply discretion in their own internal remuneration allocation and distribution.

The principle of management discretion, with regard to individual employees, is central to the remuneration philosophy on the basis that all rewards are based on merit. However, the overarching principles and design of the remuneration structure are consistent, to support a common philosophy and to ensure good corporate governance, with differentiation where appropriate. The BIHL remuneration philosophy implies that the businesses are mandated to apply their own discretion, given the role that their own remuneration or human resources committees play in ensuring good governance. The group continues to apply a total reward strategy for

CORPORATE GOVERNANCE OVERVIEW continued

its employees, as far as practicable. This offering comprises remuneration (which includes cash remuneration, STIs and LTIs), benefits (retirement funds, group life, etc.), learning and development, an attractive working environment and a range of lifestyle benefits.

PAY PRINCIPLES

In applying the remuneration philosophy and implementing the total reward strategy, a number of principles are followed.

Pay for performance

Performance is a key guiding principle of the remuneration philosophy and, as such, all remuneration practices are designed to create clear differentiation between individuals with regard to performance. Remuneration practices are also designed to create a clear alignment between performance hurdles and the achievement of the group's strategy.

Competitiveness

A key objective of the remuneration philosophy is that remuneration package levels should enable the group and its businesses to attract and retain highly talented employees in order to ensure the group's performance, growth and sustainability.

Leverage and alignment

The reward impact for individual employees is, as far as possible, aligned with and influenced by:

- the interests of BIHL shareholders
- the performance of the group as a whole
- the performance of any region, business unit or support function
- the employee's own performance contribution.

Consistency and fairness

The reward philosophy strives to be consistent and transparent. Where there is differentiation between employees performing similar work, the differentiation is fair, rational and explainable. Differentiation in terms of market comparison for specific skills groups or roles is necessary and differentiation concerning performance is imperative. Unfair differentiation is unacceptable.

Attraction and retention

Remuneration practices are recognised as a key instrument in attracting and retaining the required talent to meet the group's objectives and ensure its sustainability over the long term.

Shared participation in relevant components of remuneration

Employee identification with the success of BIHL is important owing to its direct link to BIHL's and individuals' performance. All employees should be recognised and rewarded for their contribution and the value they add to BIHL, and, in particular, for achieving excellent performance and results in relation to BIHL's stated strategic objectives. The performance management process contributes significantly towards obtaining this level of participation and towards lending structure to the process.

Best practice

Reward packages and practices reflect local and international best practice, where appropriate and practical.

Market information

Accurate and up-to-date market information, information on best practice and trend information from reputable sources are crucial in determining the quantum of remuneration packages.

EXECUTIVE REMUNERATION

BIHL executive directors and executive committee members are contracted as full-time, permanent employees for employment contracting purposes. Notice periods regarding termination of employment range from one month to three months' written notice. Bonus payments and the vesting of LTIs that are in place at the time of an individual's termination of service are subject to the rules of the relevant scheme with some discretion being allowed by the human resources committee based on the recommendations of the CEO.

The different components of remuneration applied for all group employees are:

- Total guaranteed package (TGP)
- STIs
- LTIs.

The quantum of the different components of the package is determined as follows:

- The STI component of remuneration is based on individual and business performance during the performance measurement period (January to December)
- The LTI allocations are based on the individual's performance, potential and strategic contribution to the group and/or business, and on market benchmarks for the employee's role.

Total guaranteed package

TGP is the guaranteed component of the remuneration offering. It forms the basis of the group's ability to attract and retain the required skills. The guaranteed package is market-related and based on the individual's performance, competence and potential. TGP is normally positioned at the 50th percentile of the market for general staff and, for the high-skilled area, at the 75th percentile.

As an integral part of TGP, BIHL provides a flexible structure of benefits that can be tailored, within certain limits, to individual requirements. These include:

- retirement funding
- group life cover
- medical aid/insurance.

Average TGP is normally set by reference to the average paid by a comparator group of similarly sized companies which BIHL considers to be appropriate. The comparator group is made up of a sizeable and representative sample of companies that are in the insurance sector (but not limited to this sector), have similar market capitalisation and turnover in terms of revenue. The process followed for benchmarking TGP against these comparator companies is data obtained and analysed from several local salary surveys. In addition to this benchmarking process, BIHL considers the skills, potential and performance of the individual concerned and the current consumer price index of the country. TGP levels are positioned on average around the median of the comparator market. Where specific skills dictate, TGP levels may be set in excess of the average.

Short-term incentives

The purpose of the annual bonus plan is to align employees' performance with the group's goals and to motivate and reward employees who outperform the agreed performance hurdles. The focus is on operational matters to optimise returns to the shareholders. The design and quantum of the annual performance bonus are regularly reviewed against best market practice and the quantum is benchmarked against the market using a relevant comparator group. However, gaining access to this market data has been a challenge due to limited information published in the market.

The annual bonus plan is a cash-based bonus scheme. Where the annual business and individual bonus targets are achieved in full, up to 20% of the TGP will be paid to employees. For certain senior management (and specifically executive directors), up to 45% of the TGP will be paid on achievement of targets. Where the bonus targets are not achieved in full, a reduced bonus, based on a sliding scale, will be paid. Lower-level staff

CORPORATE GOVERNANCE OVERVIEW continued

receive a guaranteed bonus equal to one month.

The annual bonus targets at business unit level incorporate financial and non-financial performance measures that are directly linked to the group strategy and key performance indicators, including the operating profit result, new business revenue growth, management expense ratio and transformation targets. The specific performance targets and relative weighting are determined per business unit based on the business unit's strategic initiatives. The support functions' targets reflect the group's overall performance.

Long-term incentives

BIHL currently grants awards under the following LTI plans:

- The BIHL conditional share plan
- The BIHL share option scheme
- The Bifm citizen economic empowerment (CEE) share-based scheme.

These LTI plans are equity-settled except for the Bifm CEE plan which is cash-settled. The purpose of the BIHL share plans is to attract, retain and reward selected employees of the group who are able to contribute to the business and to stimulate personal involvement of the employees thereby encouraging their continued service with the group.

BIHL's general policy is that awards are made annually to ensure that the total face value of outstanding awards (calculated on their face value at date of grant) is equal to a set multiple of the individual's TGP. The set multiples are determined by reference to the individual's job grade and performance impact on the group. In addition, transformation considerations and the role and performance of an individual and the need to attract and retain key talent are considered when determining the total multiple. In general, the total multiple for award ranges from 20% to 150% of TGP but may exceed this in specific circumstances as referred to previously.

Limits

The aggregate number of shares at any one time which may be allocated under the share schemes shall not exceed 10% of the issued shares. The maximum number of shares allocated in respect of all unvested conditional awards granted to any participant that have been allocated in respect of all unvested options granted shall not exceed two million or 1% of the issued shares.

The share scheme awards are eligible for vesting after year three.

REMUNERATION DETAILS FOR EXECUTIVE DIRECTORS

Remuneration earned by the executive directors was as follows:

Remuneration for the year ended 31 December

Individual	Months in service	Salary P	Gratuity fund P	Subtotal guaranteed package P	Performance bonus P	Long-term incentive P	Total remuneration P
2023							
C Lesetedi	**12**	**2 894 969**	**535 040**	**3 430 009**	**1 864 447**	**2 147 117**	**7 441 573**
K Mukushi	**12**	**2 223 827**	**360 773**	**2 584 600**	**1 265 406**	**1 524 580**	**5 374 586**
Total		**5 118 796**	**895 813**	**6 014 609**	**3 129 853**	**3 671 697**	**12 816 169**
2022							
C Lesetedi	12	2 633 400	501 600	3 135 000	1 500 000	760 695	5 395 695
K Mukushi	12	1 817 959	338 225	2 156 184	961 478	–	3 117 662
Total		4 451 359	839 825	5 291 184	2 461 478	760 695	8 513 357

REMUNERATION FOR NON-EXECUTIVE DIRECTORS

Fee structures are reviewed every three years based on data from independent service providers and, where applicable, external advice. Recommendations are reviewed for reasonableness by the human resources committee and the board and are then proposed to shareholders for approval at the AGM (refer to details of proposed fees in the AGM notice).

The fee structure will remain in place for two years, until 30 June the following year. Non-executive directors receive board seating fees and retainers. BIHL pays for all travel and accommodation expenses in respect of board meetings. The Chairman receives a fixed annual fee that is inclusive of all board and committee meeting attendance, as well as all other services performed on behalf of the group.

CORPORATE GOVERNANCE OVERVIEW continued

Disclosure of individual directors' emoluments, as required in terms of the BSE Listings Requirements, is detailed below.

Non-executive directors' emoluments

	Retainer P	Board meeting P	Audit and risk committee P	Human resources committee P	Investment committee P	Nominations committee P	Subsidiary boards P	Credit committee P	Other P	Total P
Year ended 31 December 2023										
Dr K Jefferis *(Chairman)*	–	249 376	–	–	–	–	–	–	–	249 376
A Cartwright	100 000	82 580	287 644	–	–	–	132 000	–	–	602 224
R Dommisse[1]	100 000	82 580	126 404	63 845	–	2 800	125 900	–	9 800	504 184
E Elias	–	41 290	63 202	–	–	–	53 200	–	–	157 692
J Hinchliffe	100 000	82 580	126 404	–	–	30 800	275 000	–	7 000	621 784
K Maphage	–	20 645	–	78 135	–	–	132 000	–	–	237 925
Lieutenant General T Masire	100 000	82 580	–	–	–	–	–	–	–	182 580
M Sachak	–	41 290	–	28 350	–	–	66 000	–	–	135 640
N Suliaman[1]	100 000	82 580	–	–	143 076	–	125 900	107 276	9 800	568 632
K Vlok[1]	100 000	82 580	–	–	–	–	303 000	–	–	485 580
C Chauhan	–	20 645	31 601	–	–	–	90 000	–	–	142 246
M Mpugwa	–	270 020	–	14 175	–	19 500	–	–	–	303 695
Total	600 000	1 138 746	635 255	184 505	143 076	58 700	1 303 000	107 276	26 600	4 191 558
Year ended 31 December 2022										
M Mpugwa *(Acting Chairman)*	–	498 751	–	–	26 819	–	20 000	35 769	–	581 339
C Chauhan	100 000	82 580	126 404	–	–	68 250	360 000	–	–	737 234
J Hinchliffe	100 000	82 580	126 404	–	–	–	275 000	–	–	583 984
Lieutenant General T Masire	100 000	82 580	–	–	–	–	–	–	–	182 580
A Cartwright	100 000	82 580	287 644	–	–	–	132 000	–	–	602 224
R Dommisse[1]	100 000	82 580	126 404	56 700	–	–	125 900	–	–	491 584
N Suliaman[1]	100 000	82 580	–	–	143 076	–	125 900	107 276	–	558 832
K Vlok[1]	100 000	82 580	–	–	–	–	132 000	–	97 500	412 080
Total	700 000	1 076 811	666 856	56 700	169 895	68 250	1 170 800	143 045	97 500	4 149 857

[1] *The fees are paid to the Sanlam Group and not individual directors.*

CORPORATE GOVERNANCE OVERVIEW continued

PERFORMANCE EVALUATION

The directors complete board self-assessment questionnaires on an annual basis to evaluate the effectiveness of the board as a whole. This mechanism is used to ensure that the responsibilities of the board and of individual directors in terms of the board charter, the Constitution and significant governance principles of King IV™ are adhered to, and that adequate attention is paid to matters of both performance and conformance. The results of the self-assessments 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 reviewed during individual discussions between each respective director and the Chairman. The Chairman's performance is, in turn, reviewed by the other directors.

The board conducted a self-evaluation exercise in November 2023. An area marked for improvement was the gender balance of board membership, utilising the effectiveness of the various committees and building on capacity at committee levels in order to improve its decision-making process.

Committee evaluations were also conducted in November 2023. There were various findings from each committee, which were shared by the respective Chairmen. The main issue is in spending less time on routine matters so there is more time for complex decisions in order to enhance the decision-making process of the committees.

SHARE DEALINGS AND CONFLICTS OF INTEREST

Directors are required to inform the board timeously of conflicts of interest or potential conflicts of interest that may exist in relation to particular aspects of BIHL's business. Directors are obliged to recuse themselves from discussions on 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, other directorships and their interests in contracts that BIHL 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 the CEO in the case of executive directors with regard to appointments to the boards of other companies. The directors have declared their interests and are free from any business or other relationships which could reasonably be said to interfere with the exercise of their judgement.

The BIHL Group complies with the BSE Listings Requirements in respect of share dealings by its directors. In terms of BIHL's closed-period policy, all directors and staff are precluded from dealing in BIHL securities during closed periods. These are typical while half-year and full-year financials are being finalised and during other price-sensitive transactions such as a period covered by a cautionary announcement. A preapproval policy and process for all dealings in BIHL securities by directors and selected key employees is strictly adhered to. Similar trading policies regarding personal transactions in all financial instruments are enforced at BIHL's portfolio investment companies.

All directors have access to the advice and services of the Company Secretary, Kagiso Mokgothu, and are entitled to obtain independent and professional advice at BIHL's expense.

STATUTORY ACTUARY AND FORENSICS

Daan du Plessis is an independent Statutory Actuary who is not in the employ of BIHL. He is responsible for assisting the board in all actuarial matters and conducts the actuarial valuation of Botswana Life. He is also responsible for all regulatory reporting to the Regulator or the NBFIRA and for safeguarding the interests of policyholders. The Statutory Actuary attends the interim and year-end board meetings and audit and risk committee meetings.

The report of the Statutory Actuary is set out on pages 78 to 80 of this integrated annual report.

COMPANY SECRETARY

The Company Secretary, Kagiso Mokgothu, plays a vital role in the corporate governance of the group and is responsible for ensuring that the board complies with statutory regulations and procedures. She is accessible to the board and provides guidance and assistance in line with the requirements outlined in King IV™ and the BSE Listings Requirements. The board has considered and satisfied itself with the competence, qualifications and experience of the Company Secretary.

She is accountable to the board for ensuring that prescribed procedures are complied with and that sound corporate governance and ethical principles are adhered to. Directors are entitled to seek independent professional advice concerning the discharge of their responsibilities at BIHL's expense, although the encouraged practice is for this to be done through the Company Secretary.

The board is also satisfied that an arm's-length relationship is maintained between the Company Secretary, the board and its subcommittees and confirms that Kagiso Mokgothu is not a director or public officer of the group or any of its subsidiaries.

STRATEGIC RISK MANAGEMENT

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

A detailed risk management report is included on pages 19 and 20.

EMPLOYMENT EQUITY AND LOCALISATION

Employment equity and localisation remain high-priority business imperatives. All BIHL businesses have localisation plans which are reviewed annually to ensure they remain aligned with BIHL's business objectives and industry needs.

FINANCIAL REPORTING

The minimum financial reporting standards for BIHL's annual financial statements are compliant with IFRS® and the Companies Act (CAP 42:10).

INTERNAL AUDIT

BIHL's internal audit function is coordinated at Sanlam Group level, assisted by two locally appointed resources who sit at a BIHL level. Regular risk-focused reviews of internal control and risk management systems are carried out throughout the BIHL Group. The authority, resources, scope of work and effectiveness of this function are reviewed regularly by the audit and risk committee.

EXTERNAL AUDIT

The external auditor provides an independent assessment of BIHL's systems of internal financial control and expresses an independent opinion on the annual financial statements. The external audit function provides reasonable but not absolute assurance of the accuracy of the financial disclosures within disclosed thresholds of materiality. The external auditor's plan is reviewed by the audit and risk committee to ensure that significant areas of concern are covered without infringing on the external auditor's independence and right to the audit.

There exists close cooperation between the internal and external auditors to ensure that there is adequate coverage of all material areas of BIHL's business, sharing of information and minimisation of duplicated effort.

LEGAL COMPLIANCE

BIHL considers compliance with applicable laws, industry regulations, codes and its own ethical standards and internal policies to be an integral part of doing business. The group ascribes to the BSE Listings Requirements and is required to provide a compliance certificate annually and the Botswana Accountancy Oversight Authority issues BIHL with a compliance certificate.

CORPORATE GOVERNANCE OVERVIEW continued

During the year, there have been no compliance issues or any legal actions for anti-competitive behaviour or anti-trust and monopoly practices at the group.

BIHL's compliance function facilitates the management of compliance through the analysis of statutory and regulatory requirements, drafting compliance management plans and subsequently implementing the plans throughout the group and monitoring the implementation of suggested controls to ensure compliance with applicable statutory and regulatory requirements.

The compliance framework manual which was rolled out to the businesses covers dissemination of new legislation, handling of regulatory visits, development/review of the compliance universes, customer due diligence procedures and suspicious activity reporting procedures.

Considered an integral part of the decision-making process in BIHL, the primary objective of BIHL's strategy with respect to risk management is to optimise BIHL's risk-adjusted return on capital and embedded value. To ensure an optimal return, BIHL 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, although not necessarily avoid or eliminate every risk, and ensure that the overall risk profile remains within approved risk limits and tolerance limits. This may involve various risk responses or combinations 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. The risk appetite and tolerance limits have been in place during this financial year and cover all material business activities of BIHL.

The strategy is regularly reviewed and updated where necessary, evaluating risk as a combination of impact and likelihood. Amendments to risk policies require board approval. The assessment of the various risks in BIHL is evaluated on both a quantitative and a qualitative basis. Risks characterised by a low likelihood of occurrence, but with a potentially catastrophic impact, are regarded as unacceptable and are avoided as far as practically possible.

Business continuity management plans have been put in place to ensure that the business is resilient. The risk assurance framework provides tools to define the risks and the level at which risks should be reported in terms of the risk escalation matrix.

The compliance framework outlines the compliance process and responsibilities. Policies, procedures and methodologies have been adopted and implemented throughout BIHL that enable effective identification and management of risks. All processes and procedures have been designed to provide reasonable assurance that risks are adequately managed.

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 2024 financial year. There are no specific material risks or uncertainties regarding future cash flows and operational results which would impact the company's continuity for the period of 12 months after the preparation of the report.

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

KING IV™

With the updated King IV™, organisations have had to make adjustments to align with best practice. BIHL has been very proactive on this, with the result being that we are a lot further down the road to King IV™ alignment than many other organisations of similar size.

At the BIHL Group, the application of best practice corporate governance protocols and processes has been a practice for many decades. The King IV™ guidelines have been, for the most part, applied by our group. King IV™ aims to better align and modernise the codes to global best practice, and to align it to shifts in the approach to capitalism which are towards inclusive, integrated thinking that seek long-term sustainability of the organisation over short-term gains.

It further takes into account specific corporate governance developments in relation to effective governing bodies, increased compliance requirements, new governance structures, emerging risks and opportunities from new technologies and new reporting and disclosure requirements e.g. integrated reporting.

While King IV™ is voluntary, it is envisaged that it will be applicable to all organisations irrespective of their form or manner of incorporation. We are happy to disclose that we are well down the path of alignment to King IV™. We have taken this position because of our strong belief that a sustainable organisation is one that is well run, profitable and also plays its part within the organisations and ecosystems it operates in. For that reason, best practice in governance will always be a priority for us at BIHL.

Refer to pages 69 to 72 for our application of King IV™.

Governing body responsibilities at BIHL

OUR BOARD OF DIRECTORS

DR KEITH JEFFERIS (67)

Chairman

Nationality: Motswana
Appointed: July 2023

BSc Economics (Bristol), MSc Economics (London), PhD (UK Open University)

Skills brought to BIHL: Economics, board experience, Government relations and strategic communications

Keith is a development macroeconomist and financial sector specialist. He is Managing Director of Econsult Botswana, a consultancy firm specialising in economic and financial sector development. Previously, he worked as Senior Policy Advisor in the Botswana Ministry of Finance. He was also Deputy Governor of the Bank of Botswana, the central bank, with responsibilities covering monetary and exchange rate policy, payments system development, reserve management and liaison with Government on policy issues. His vast experience also includes consulting in Africa, Asia and the Caribbean and working for international organisations such as the World Bank, the African Development Bank, USAID, the South African Development Community, the United Nations Industrial Development Organisation and the United Nations Development Programme. He has served on boards in Botswana, Kenya, Mauritius and Nigeria.

He is committed to capacity building for young economists and improving the quality of policy analysis. He is originally from the UK and is now a naturalised Botswana citizen, having lived in Botswana since 1989.

CATHERINE LESETEDI (57)

Group Chief Executive Officer

Nationality: Motswana
Appointed: March 2016

BA Statistics and Demography (University of Botswana), Management Development Programme (UCT Graduate School of Business), Advanced Insurance Practice, Diploma in Insurance Studies (UNISA), Sanlam Executive Leadership Programme (GIBS), AIISA Associate

Skills brought to BIHL: Board experience, entrepreneurship, finance, insurance and investment

Catherine first joined the BIHL Group in June 1992 as a supervisor and was subsequently promoted to the position of Assistant Manager in 1998 and later Divisional Manager Corporate Business in 2000. She spent three years with AON Botswana between 2004 and 2007 as Senior Accounts Executive and then General Manager of Life and Employee Benefits before returning to Botswana Life as Head of Corporate and High Value Business. In 2010, she was appointed Acting CEO and then CEO of Botswana Life, a position she held until February 2016, when she was appointed to her current board position.

Catherine serves on the boards of BIHL, Bifm Capital Investments Fund 1, BIC, Nico Holdings PLC, Sanlam Namibia Group and Letshego Africa Holdings Limited.

KUDAKWASHE MUKUSHI (48)

Group Chief Financial Officer

Nationality: Zimbabwean
Appointed: April 2019

Chartered Financial Analyst Charterholder, Association of Certified Chartered Accountants Fellow

Skills brought to BIHL: Board experience, banking, life insurance, pension funds, reinsurance, retail and energy solutions

Kudakwashe joined the BIHL Group in 2013 as the CFO of Botswana Life and was promoted to the position of Group CFO in April 2017.

He has over 20 years of experience across various industry sectors including banking, reinsurance, pension funds, life insurance and the retail and energy sectors. This gives him a broad view to strategy and business management.

Kudakwashe represents the BIHL Group on various boards and board committees in investee companies.

ANDREW CARTWRIGHT (65)

Board member – Botswana Life

Nationality: South African
Appointed: May 2019

BBusSci (Cape Town), Senior Management Programme (Stellenbosch), Old Mutual Leadership Programme (London Business School), Financial Planning Institute, Fellow of the Institute and Faculty of Actuaries (UK), Fellow of the Actuarial Society of SA, Fellow of the Institute of Actuaries (India)

Skills brought to BIHL: Board experience, client services, group schemes, insurance pricing and risk management

Andrew's influential career at Old Mutual began in corporate planning. He became a product development actuary responsible for new product development and support for the retail middle-income segment and later Customer Solutions Executive responsible for finance, customer offerings, new initiatives and risk management. As Chief Operating Officer for Group Schemes, he was responsible for risk management, IT and client services. He was General Manager of Protection Solutions from 2013 to his retirement from the corporate world in 2015.

He served on various industry and professional bodies in both South Africa and India.

Currently, Andrew volunteers at LEAP science and maths schools and is assisting with an insurance start-up.

Executive | Independent non-executive | Non-executive | Audit and risk committee | Investment committee | Nominations committee | Human resources committee | Independent review committee

OUR BOARD OF DIRECTORS continued

ROBERT DOMMISSE (56)

Board member – Bifm and Bifm Unit Trusts

Nationality: South African
Appointed: December 2020

BAcc Hons, MBA cum laude (Stellenbosch), CA(SA), EDP (Manchester), Diploma in Investment Management (Johannesburg), Executive Programme in International Management (Stanford)

Skills brought to BIHL: Board experience, financial, insurance and accounting

Robert has more than 25 years' experience in the financial services industry. Since September 2023, he is the Chief Executive: Life Insurance for SanlamAllianz. Before that, he was the Chief Executive of Life Insurance for Sanlam Pan Africa.

He has worked across the Sanlam Group in various roles including the finance, IT, operations, distribution and tax areas. He was instrumental in the expansion of the Sanlam Group into the rest of Africa and Malaysia. He has represented Sanlam on numerous boards of subsidiaries and associated companies.

EDWIN ELIAS (49)

Board member

Nationality: Motswana
Appointed: August 2023

BSc Metallurgical Eng (Missouri), EMBA (Rotman), ELP (London Business School)

Skills brought to BIHL: Business strategy, stakeholder management, business excellence and people development

Edwin was appointed to the BIHL board in August 2023.

He has more than 20 years of experience in the mining industry and is currently the CEO of Morupule Coal Mine.

He is also Chairman of Morupule Rehabilitation Trust, Board Chair of the Botswana Institute for Technology Research and Innovation, Acting Board Council Chairman of the Botswana International University of Science and Technology and board member of FutureCoal.

Edwin is a strategic and visionary leader. He is a member of the Institute of Directors South Africa and the Canadian Institute of Mining, Metallurgy and Petroleum.

JOHN HINCHLIFFE (67)

Board Chairman – Bifm

Nationality: British
Appointed: June 2010

BA (Econ) Honours Degree (Manchester University), Fellow (BICA), Fellow (Institute of Chartered Accountants in England and Wales)

Skills brought to BIHL: Board experience, consulting and finance

John heads John Hinchliffe Consultants, an accounting and consulting practice in Gaborone. He was appointed to the BIHL board on 1 June 2010.

He is also a director of various other organisations, including Development Securities Proprietary Limited, Nsenya Proprietary Limited, Portion 84 Mokolodi Sanctuary Proprietary Limited, Botswana Insurance Company Limited, Mokolodi Utilities Proprietary Limited and Camphill Community Trust. John began his career as an accountant at Coopers and Lybrand in London, before being seconded to the firm's Botswana office in 1982. Thereafter, he worked for two other Botswana companies before establishing his own consultancy in Gaborone. He then joined DCDM Botswana, a multidisciplined professional services firm, as Managing Director before re-establishing his consulting firm in 2005.

He is the Chairman of the board of Bifm and is a member of the BIHL audit and risk committee. John is also the Chairman of the audit and risk committee of BIC, a member of the BIC board, Chairman of Legal Guard and a member of the Legal Guard audit committee. He has a BA (Econ) Honours degree from Manchester University and is a Fellow of BICA as well as a Fellow of the Institute of Chartered Accountants in England and Wales.

KATE MAPHAGE (62)

Board member – Botswana Life

Nationality: Motswana
Appointed: September 2023

BCom (Swaziland), MBL (University of South Africa)

Skills brought to BIHL: Strategic planning, finance and accounting, HR management and business development

Kate was appointed to the Botswana Life board in February 2018 and now to the BIHL board effective 20 September 2023.

She is a businessperson who is invested in a variety of industries including alternative energy, transport, travel and tourism and property. She has held directorships at many listed companies since 2009. Her role in some of these companies included managing the investments and realigning and implementing the investment strategies to ensure optimisation of their performance.

She has a wealth of experience in leadership and business management gained at Mascom Wireless, which established the first mobile network in Botswana, and as part of the executive teams at De Beers and Anglo American in Botswana.

Executive | Independent non-executive | Non-executive | Audit and risk committee | Investment committee | Nominations committee | Human resources committee | Independent review committee

OUR BOARD OF DIRECTORS continued

LIEUTENANT GENERAL TEBOGO MASIRE (68)

Board member

Nationality: Motswana
Appointed: August 2015

Diploma in Science (Troy State University), BSc (Troy State University), MBA (University of Southern Queensland, Australia)

Skills brought to BIHL: Board experience and leadership

Tebogo is the former Commander of the Botswana Defence Force. He is one of the founding members of the Southern African Development Community standing aviation committee and also a founding board member of the Civil Aviation Authority of Botswana.

He is a board member of House Maintenance, BelServest and THC Foundation, member of the Vision 2036 Council and a patron of the Botswana Sports Foundation Trust. Tebogo previously served as the Chairman on the Air Botswana board and Chairman of the BSE Limited.

MUSTAFA SACHAK (66)

Board Chairman – Botswana Life

Nationality: American
Appointed: July 2023

BSc Chem Eng (University College London), BSc Electrical Eng (Florida Atlantic), MBA (Florida International)

Skills brought to BIHL: Project management, strategic planning and business development

Mustafa was appointed to the BIHL board in July 2023 and to the Botswana Life board in August 2023.

He has over 37 years of work experience in the engineering and financial services industries including the management and operational leadership of publicly listed regional conglomerates. He has championed expansion of struggling businesses in very difficult environments resulting in growth, profitability and market-leading positions.

NIGEL SULIAMAN (58)

Board member – Bifm and Bifm Unit Trusts

Nationality: South African
Appointed: June 2020

BCom (Accounting) (University of Cape Town), CA(SA), CFA, Management Development Programme (Harvard Business School)

Skills brought to BIHL: Board experience, financial, insurance and accounting

Nigel is a chartered accountant with over 30 years' work experience. He currently holds the position of Portfolio Manager at Sanlam Investment Management.

KOBUS VLOK (65)

Board member – Botswana Life

Nationality: South African
Appointed: May 2019

BCom (Pretoria), MBL Strategic Planning and Business Leadership (University of South Africa), Post Graduate and Advanced Post Graduate Diploma in Financial Planning (Free State)

Skills brought to BIHL: Board experience, life distribution, financial and research

Kobus was Sanlam Pan African Life's Executive of Distribution Support from January 2019 until his retirement from full-time employment at the end of 2022. He was previously CEO of MCIS Life (Sanlam subsidiary in Malaysia) and Sanlam Personal Finance distribution.

Kobus has more than 25 years' experience as the head of distribution channels and divisions in the South African financial services industry. He has served on the boards of public and private companies in life insurance, linked investments and unit trusts, health insurance, home loans, distribution services and brokerage businesses in various capacities such as executive director, non-executive director and Chairman.

Executive | Independent non-executive | Non-executive | Audit and risk committee | Investment committee | Nominations committee | Human resources committee | Independent review committee

OUR MANAGEMENT TEAM

CATHERINE LESETEDI (57)

Group Chief Executive Officer

Nationality: Motswana

Refer to page 64 for her full CV.

KUDAKWASHE MUKUSHI (48)

Group Chief Financial Officer

Nationality: Zimbabwean

Refer to page 64 for his full CV.

JOHAN VAN SCHALKWYK (50)

Group Chief Operating Officer

Nationality: South African

BCom (University of South Africa), National Diploma in Internal Auditing (Nelson Mandela Metropolitan University), Executive MBA (University of Stellenbosch Business School)

Johan was appointed as Group Chief Operating Officer (COO) in May 2023. He brings with him over 20 years of experience from the insurance industry.

He began his professional career at Boland PKS in South Africa. Two years later, he took on the role of Operations Manager for Sanlam Life South Africa. He joined NICO Life Malawi for two years as COO and later moved to Sanlam Nigeria for four years. Before joining Botswana Life, he was with Sanlam Emerging Markets (SEM), working to support SEM growth in 10 African markets, as well as to improve operational efficiency and system performance across markets.

THOMAS MASIFHI (57)

Group Executive: Business Development and Stakeholder Management

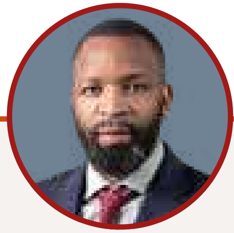
Nationality: Motswana

Diploma in Sales and Marketing Management (Damelin Business School), MDP (University of Stellenbosch), ICBS in Insurance (IISA), EDM (LIMRA), Diploma in Insurance (LCII), Associate (Insurance Institute of South Africa), Post Graduate Certificate in Enterprise Risk Management (BAC), Managing Managers for Results (GIBS), Senior Executive Development Program (Harvard Business School)

Thomas joined the BIHL Group in June 1992 as an insurance broker with Botswana Life. He left to become the Broker Manager at Southring Insurance Brokers in 1994 and later registered his own independent insurance agency. In 1997, he returned to Botswana Life as Regional Sales Manager, Senior Manager Operations, Head of Business Support and Head of Client Services and Business Support before being appointed to head the new Liferewards and loyalty programme business unit.

He was appointed to his current position in February 2017.

He also serves on the committees of various sporting organisations such as the Botswana Football Association.



FRANK DALO (45)

Group Chief Actuary

Nationality: Malawian

BSc Physics and Mathematics (University of Malawi), MSc Actuarial Science (Heriot-Watt University UK), SMDP (University of Stellenbosch)

Frank was appointed as Group Chief Actuary in May 2023. Frank joined Botswana Life in May 2023. He is a seasoned senior executive with over 15 years of extensive experience in actuarial insurance management.

He began his career as an Actuarial Analyst trainee at Royal London Mutual Insurance in the UK. He subsequently was an Actuarial Trainee at Standard Life Assurance Limited and Actuarial Manager (Consulting) at Deloitte MCS in London.

Frank has a UK Life Insurance Actuarial Practice Certificate and is a Fellow of the Institute and Faculty of Actuaries UK.

OUR MANAGEMENT TEAM continued

HAIG NDZINGE (47)

Group Executive Finance

Nationality: Motswana

Chartered Institute of Management Accountants (ACMA, CGMA), EDP (University of Stellenbosch), IISA Certificate of Proficiency (CoP), Senior Executive Program Africa (Harvard Business School)

Haig is a chartered accountant with extensive knowledge of the life insurance industry. His career with the group started in 2000 and, since then, he has held several important roles, including Company Secretary and Finance Manager for both Botswana Life and the group. His background includes finance, risk management and governance.

Apart from his present position, he is a trustee of the BIHL DC Retirement Fund, a member of the Nico Group risk committee and a director on the Nico pension board.

NEO NDWAPI (51)

Head of Human Capital and Culture

Nationality: Motswana

B Social Work (University of Botswana), HR Management Diploma (Damelin), MBA (University of Demont Fort)

Neo joined the group as the Head of Human Capital and Culture in 2022 bringing to the group a wealth of strategic leadership experience spanning more than 20 years in different industries. She joined the group from Access Bank, formerly known as BancABC, where she worked as the Head of Human Capital.

She started her HR career at Standard Chartered Bank where she worked in different roles in administration, service delivery and business partnering. Prior to that, she did developmental work with the United Nations.

NEO BOGATSU (50)

Botswana Life Insurance Limited Executive Director: Retail

Nationality: Motswana

BCom Accounting (University of Botswana), MBA (University of Chicago Booth School Of Business), Association of Certified Chartered Accountants (Fellow), Senior Executive Program Africa (Harvard Business School)

Neo joined Botswana Life in 2023, having joined the group in 2011 as CFO of Bifm, and was later promoted to the position of CEO of Bifm.

Prior to joining the group, she was with Barclays Bank of Botswana for more than 10 years, working in the finance and business analytics departments and holding different positions from middle to senior management level.

She started her career with Ernst & Young in 1996, where she trained and qualified as a chartered accountant.

CLAIR MATHE-LISENDA (44)

Bifm Chief Executive Officer

Nationality: Motswana

BCom Hons (University of the Witwatersrand, South Africa), MSc Business with Finance (University of Essex, UK), CFA, Chartered Alternative Investment Analyst (CAIA) Charterholder

Clair was appointed CEO effective 1 April 2023 after joining Bifm in 2022. She plays an instrumental role in driving and executing the Bifm strategy. She is also charged with the overall responsibilities for Bifm functions, investments, client relationship management, finance accounting and operations.

She has over 18 years of experience in investment management as, among others, Managing Director at iPro Botswana, General Manager: Investments at Botswana Public Officers Pension Fund and Portfolio Manager at African Alliance.

KING IV™ APPLICATION REGISTER

Principle from King IV™	Application of the principle
OUTCOME: PROMOTING AN ETHICAL CULTURE	
Principle 1 The governing body should lead ethically and effectively	The board is responsible for BIHL's performance by steering and setting the direction for the realisation of BIHL's core purpose and values through its adopted strategy. The board performs its duties in good faith and in the best interests of BIHL and is committed to actively promoting BIHL as a transformed, inclusive, vibrant and globally competitive financial sector company. In addition to continuously practising and demonstrating effective leadership, the board possesses the necessary skills and competencies to fulfil and discharge its duties as the governing body of BIHL in an ethical manner. The board's role and responsibilities are outlined in BIHL's Constitution and the board charter. Furthermore, the members of the board act in good faith and in the best interests of BIHL and all its stakeholders. It executes its responsibility and accountability for steering and setting the strategic objectives of the company by approving policies and procedures, overseeing the monitoring and execution thereof by management as well as ensuring accountability of organisational performance. The board charter and its annual work plan, which are both reviewed on an annual basis, guide the board in a structured manner to ensure that each of its core deliverables are attended to. The board charter also outlines the process for policies and practices on board matters such as dealing in securities, the declaration of conflicting interests and matters which are delegated to management. The board, through the office of the Group Company Secretary, duly considers and deliberates on declarations at every meeting when there is a conflict of interest identified. BIHL's directors, its executives and employees are, furthermore, prohibited from dealing in BIHL securities during specified periods. The Group Company Secretary regularly informs directors, executives and employees of the regulatory requirements relevant to insider trading and advises them of closed periods.
Principle 2 The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture	The BIHL Group abides by tight principles in ensuring that business is conducted in a responsible manner. During the period under review, the board reviewed the Code of Ethics to ensure it is still relevant in terms of addressing any emerging ethical risks including issues of dealing with price-sensitive information. An external service provider has been engaged to manage the group's hotline where issues of breach are anonymously reported. Through the human resources committee, the group carried out a culture survey among staff to gather insights and ensure all aspects of culture are aligned at group level.

Principle from King IV™	Application of the principle
Principle 3 The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen	The board acts as the custodian of corporate governance for the group and manages the interrelationships with management, the shareholders and other stakeholders of the group in accordance with sound corporate governance principles. The board ensures that BIHL is and is seen to be a responsible corporate citizen by having regard not only to the financial aspects of the business but also to the impact that business operations have on natural resources and the society within which it operates. The board, through the audit and risk committee, continues to ensure that the group complies with all issues of regulation. The policies and standard operating procedures continue to be revised to ensure relevance and alignment with the law. Through its human resources committee, the board ensures that issues of employment equity, fair remuneration, health and safety are continuously addressed.
OUTCOME: PERFORMANCE AND VALUE CREATION	
Principle 4 The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value-creation process	BIHL's short-, medium- and long-term strategy is delegated to management and approved by the board having considered that the strategy and business plans do not give rise to risks that have not been thoroughly assessed by management. The board provides ongoing oversight and monitors, with the support of its committees, the implementation and execution of the group's strategy within agreed timelines. It also ensures that BIHL's core purpose, risks and opportunities that the company is exposed to, its strategy, business model, performance and sustainable development are all inseparable in creating value for all its stakeholders on a continuous basis. In managing risk, the board, through its audit and risk committee, has implemented a combined assurance model. The purpose of the model is to give the board an idea of the type of assurance for major processes and risks in the organisation and to also provide the board with the comfort that the business has enough assurance providers in place to mitigate a particular risk. The board is satisfied that it has fulfilled its primary role and responsibilities in relation to corporate governance in alignment with the approved terms of reference.

KING IV™ APPLICATION REGISTER continued

Principle from King IV™	Application of the principle
Principle 5 The governing body should ensure that reports issued by the company enable stakeholders to make informed assessments of the organisation's performance and its short-, medium- and long-term prospects	The board, through the audit and risk committee, ensures that the necessary controls are in place and that the requisite assurance is provided, where necessary, to verify and safeguard the integrity of BIHL's integrated annual report including any other disclosures. In this regard, the board continues to be accountable for overseeing BIHL's response to applicable disclosure requirements. The board ensures that through the integrated annual report, BIHL's response to the King IV™ 'apply and explain' disclosure requirements, BIHL's annual financial statements, as well as any other relevant information to stakeholders, are published as is appropriate. In addition, the current and future outlook information for the BIHL Group is contained in the integrated annual report.
OUTCOME: ADEQUATE AND EFFECTIVE CONTROL	
Principle 6 The governing body should serve as the focal point and custodian of corporate governance in the organisation	The board operates in accordance with clearly defined terms of reference which are regularly reviewed to guide its effective functioning. The terms of reference are detailed in the board charter and define among other things, its role, responsibilities, membership requirement and procedural conduct. The board, as well as any director or committee member, may obtain independent, external professional advice at the company's expense concerning matters within the scope of their duties. Similarly, the directors may request documentation from management and set up meetings with management as and when required. *The number of meetings held during the year and attended per each member are disclosed on page 57.* The board carried out annual assessments on its effectiveness and is satisfied that it has fulfilled its responsibilities in accordance with its charter.

Principle from King IV™	Application of the principle
Principle 7 The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively	The board assesses the adequacy of its composition annually to ensure that it is still fit for purpose, has the right balance of skills, experience, diversity, independence and knowledge and that it can still effectively discharge its role and responsibilities. A process of formulating a policy that details procedures for recruiting directors and which promotes board diversity is being developed. The majority of members of the board are non-executive independent directors. The Group CEO and the Group CFO are the executive members of the board. Independent members of the board are allowed to serve on the board for nine years and thereafter, they are assessed for independence every two years and can serve up to nine years upon which they retire. At least one-third of non-executive directors should retire by rotation at the AGM or other general meetings. The retiring directors may be re-elected, provided they are eligible and they offer themselves up for re-election. Rotation of directors is structured so as to retain valuable skills, to have continuity of knowledge and experience and to introduce persons with new ideas and expertise. The Chairman of the board is an independent non-executive member. The Chairman's role and responsibilities are documented in the board charter and the tenure of the Chairman is aligned to those of independent members. The board has appointed an independent non-executive member as the Lead Independent member.
Principle 8 The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties	The board has established the following committees to assist with particular roles and responsibilities in order to achieve its objectives. The committees are governed by their own charters which deal with the composition of each respective committee, its overall role and responsibilities, the decision-making process, how the committee reports to the board, meeting procedures and evaluation of committee performance. The following are the current committees of the board: • Audit and risk committee • Human resources committee • Independent review committee • Investment committee • Nominations committee. The committees meet at least quarterly. The Chairman of each of the committees or a member nominated by the Chairman makes a presentation to the board on issues submitted for discussion at the committee meetings. The committees are appropriately constituted and each member is appointed by the board as per the recommendations made by the nominations committee.

KING IV™ APPLICATION REGISTER continued

Principle from King IV™	Application of the principle
Principle 9 The governing body should ensure that the evaluation of its own performance and that of its committees, its Chairperson and its individual members, support continued improvement in its performance and effectiveness	The effectiveness of the performance of the board and respective committees is assessed annually by the Group Company Secretary through a survey. The results of the survey are compiled and shared with the Chairman. A consolidated summary of the results of the process is reported to the full board by the Chairman. If a deficiency has been identified, a plan is developed and implemented for the board to acquire the necessary skills or behaviour patterns. This also forms the basis for the group to identify key objectives for the effective functioning of the board for the subsequent year. The board sets aside time for consideration, reflection and discussion of the results of these formal performance evaluations as part of its consideration of its annual work plan. The board is satisfied with the outcome of the board evaluation process that was conducted during the 2023 financial year. It has been confirmed that the board continued to operate effectively and efficiently in creating value for BIHL's stakeholders. Consensus has been reached on the continuous commitment, competence and experience exercised at board and committee level.
Principle 10 The governing body should ensure that the appointment of, and delegation to, management contributes to role clarity and the effective exercise of authority and responsibilities	The board sets certain specific targets directed at achieving BIHL's goals and business objectives and an appropriate delegation of authority to the Group CEO to ensure that the targets are achieved. The Group CEO acts within the specific authorities delegated to her by the board. The board approves and regularly reviews the governance policy and framework and the top-level delegation of authority in terms of which matters are delegated to the Group CEO. The board agreed to the manner in which the delegated authority is exercised by the Group CEO which includes the development and implementation of the BIHL strategy. The Group Company Secretary has been duly appointed by the board in accordance with the Companies Act. The board considers and evaluates the competence, qualifications and experience of the Group Company Secretary annually and is satisfied that she is competent and has the appropriate qualifications and experience to fulfil her role and responsibilities. The Group Company Secretary has a direct channel of communication to the Chairman of the board, while maintaining an arm's-length relationship with the directors as far as is reasonably possible. The role and responsibilities of the Group Company Secretary are described in the board charter as well as summarised in the governance report.

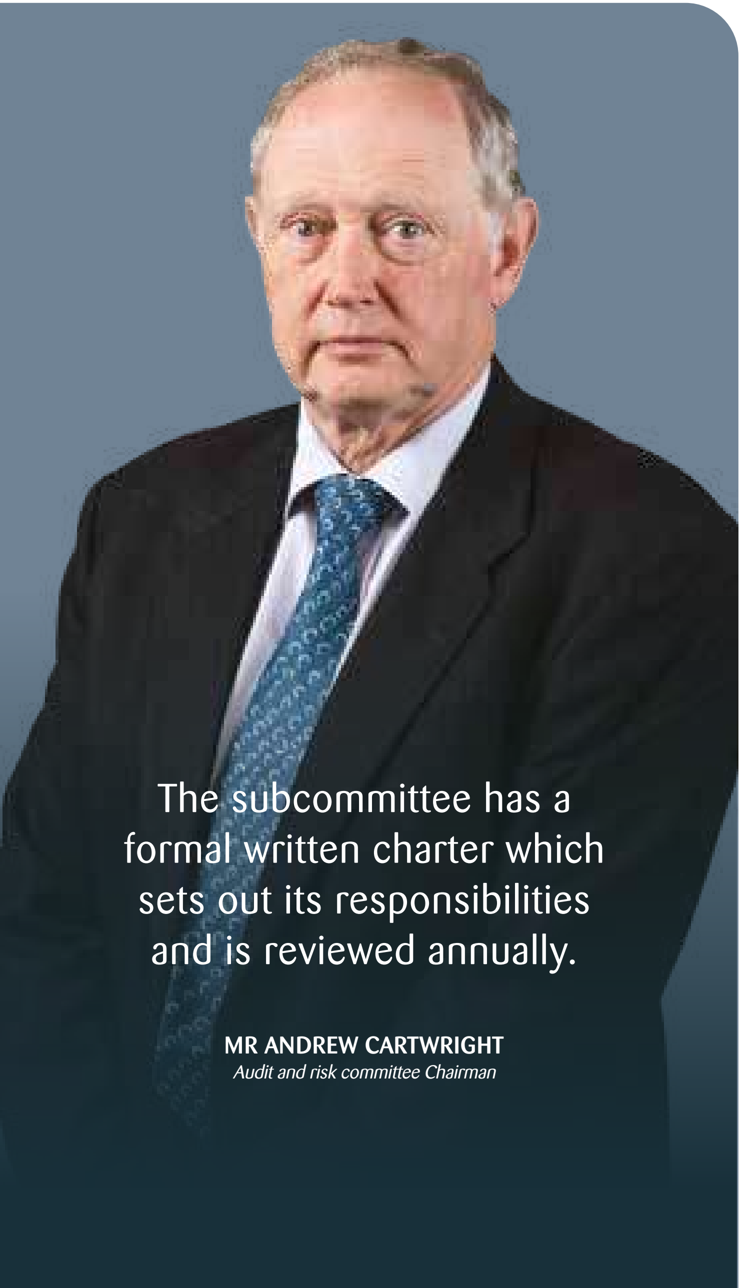
Principle from King IV™	Application of the principle
Principle 11 The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic direction	The board ensures that governance of risk is done through formal processes and that the appropriate building blocks for risk management are put in place through the combined assurance model. The board ensures that the risk assessments that identify all risks are performed on an annual basis. Risk identification is defined by the BIHL risk assurance framework, which has been implemented to increase the probability of anticipating risks and ensure that management considers and implements appropriate risk responses. The board ensures continuous risk monitoring by management through receipt of quarterly reports on risk, assurances regarding the effectiveness of the risk management processes and by ensuring that there are processes in place to enable complete, timely, relevant, accurate and accessible risk disclosures to stakeholders. The board has delegated the responsibility to the audit and risk committee to oversee that the combined assurance model effectively covers BIHL's significant risks and material matters through a combination of the following assurance service providers and functions: • First line functions that own and manage risks • Specialist functions that facilitate and oversee risk management and compliance • The internal auditor, forensic fraud examiners and auditors and statutory actuaries • Independent external assurance service providers such as the external auditor.
Principle 12 The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives	IT has become an integral part of the business in the sense that information systems are the core of the business of the group. As a strategic asset of the group, IT presents significant risks which are governed and controlled. The board therefore exercised its duties during the year under review to ensure that prudent and reasonable steps are taken in respect to the governance of IT. The board, through the audit and risk committee, ensured that information systems are aligned with the long-term strategic direction of the group, delegating the responsibility for the implementation of an IT governance framework to management and by monitoring and evaluating significant IT investments and expenditure. The board have satisfied itself that IT governance is effective and that due care and diligence has been exercised through an IT governance framework. The framework was reviewed for its effectiveness during the year; it was found to be relevant.

KING IV™ APPLICATION REGISTER continued

Principle from King IV™	Application of the principle
Principle 13 The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen	The board, through the audit and risk committee, reviewed the group's compliance with mandatory corporate governance principles and the Companies Act, BSE Listings Requirements, King IV™ and all applicable laws and adopted non-binding rules, codes and standards. The committee evaluated the appropriateness and effectiveness of the corporate governance structures, processes, practices and instruments and the approval framework and found them to be working satisfactorily. The group's design and implementation of sound compliance management practices and procedures are aimed at detecting and mitigating compliance risks. The audit and risk committee receives regular reports on compliance-related matters through the Group CFO who is suitably skilled and experienced.
Principle 14 The governing body should ensure that the organisation remunerates fairly, responsibly and transparently to promote the achievement of its strategic objectives and positive outcomes in the short, medium and long term	The board is ultimately responsible and accountable in terms of ensuring that BIHL remunerates fairly, responsibly and transparently for the achievement and promotion of BIHL's strategic objectives over the short, medium and long term. BIHL's remuneration philosophy and policy support the group's strategy by incentivising the behaviour required to meet and exceed predetermined strategic goals. Both short- and long-term strategic objectives are measured and rewarded. This blended approach mitigates excessive risk taking and balances longer-term strategic objectives with short-term operational performance. The human resources committee has been delegated this responsibility. The human resources committee is responsible for matters relating to developing an appropriate remuneration policy, monitoring the implementation of the policy and regularly reviewing the suitability of the policy. Over and above matters relating to reward, matters pertaining to the attraction and retention of skilled resources, the fit and proper requirements relevant to the status of directors and the management of material HR-related risks are covered in the policy and the human resources committee charter.
Principle 15 The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports	The board assumes overall responsibility for assurance and the integrity of information reported. The audit and risk committee is delegated the responsibility for overseeing the group's approach towards combined assurance in order to ensure that it incorporates and optimises the various assurance services and functions across the business. This includes, holistically, that the requisite assurance objectives of effective internal control and integrity of reported information are achieved. The audit and risk committee ensures that appropriate assurance that covers the significant risks and material matters is obtained. This is done through a combination of reporting by first line management functions that own and manage risks, specialist risk functions that oversee risk management and compliance as well as independent assurance providers such as internal and external audit.

Principle from King IV™	Application of the principle
Principle 15 continued	The board is responsible for the quality and integrity of the information disclosed in BIHL's integrated annual report. The board, with the support and assistance of the audit and risk committee, satisfies itself that the quality and integrity of the combined assurance model is effective and sufficiently robust. The latter continues to assist and enable the board to place reliance on the group's response to combined assurance, which underpins the statements that the board makes concerning the integrity of BIHL's external reports. Based on the results of the review of BIHL's systems of internal control, risk and opportunities management, the audit and risk committee concluded during the reporting period that BIHL's systems of internal control and risk management were effective.
OUTCOME: TRUST, GOOD REPUTATION AND LEGITIMACY	
Principle 16 In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time	The board assumes responsibility for the governance of stakeholder relationships by setting the direction for how stakeholder relationships should be approached and conducted by BIHL. The group recognises that the sustainability of the business is dependent on successful interaction with its stakeholders. A stakeholder engagement plan sets out the strategies and objectives behind the group's engagement with material stakeholders, with an important objective that the company be recognised as a responsible corporate citizen. The board has delegated the duty to proactively deal with stakeholder groupings and, where necessary, to provide feedback to management. The board considers the balance of engagement with each stakeholder grouping and endeavours to achieve a climate of respect with constructive debate. Interaction with BIHL stakeholders happens during the normal course of business at multiple levels across the group and management strives to resolve any disputes with its stakeholders effectively and expeditiously.
Principle 17 The governing body ensures that responsible investment is practised by the organisation to promote good governance and the creation of value by the companies in which it invests	BIHL ensures, through active participation and representation, that it exercises its rights and obligations with regard to its investee companies.

AUDIT AND RISK COMMITTEE REPORT



MEMBERS

Andrew Cartwright (Chairman)
John Hinchliffe
Philip Van Rooijen
Robert Dommisse
Kopanang Thekiso
Edwin Elias

The internal and external auditors attend the audit and risk committee meetings and have unrestricted access to the Chairman of the committee. The audit and risk committee met four times during the financial year.

Meeting attendance is set out on page 57.

The main responsibility of the audit and risk committee is to assist the board in discharging its responsibilities under the Companies Act (CAP 42:10), the NBFIRA Act, other relevant legislation and common law relating to the business of the BIHL Group. It monitors financial controls, accounting systems and reporting, compliance with legal and statutory requirements, evaluation and the management of risk areas and internal control systems and the effectiveness of the external and internal auditors and the finance function. The subcommittee also evaluates BIHL's exposure and response to significant risks, including sustainability issues.

AREAS OF FOCUS DURING 2023

The subcommittee focused on the following key areas:

Compliance management

- The new Data Protection Act: The committee noted and reviewed reports from management showing the roadmap and implementation progress for the group companies to comply with the legislative requirements by the extended transition period deadline of September 2024.
- Compliance with anti-money laundering/combating financial terrorism and proliferation (AML/CFT and P) requirements across the group's subsidiaries. The revised Financial Intelligence Act and Regulations of 2022 commenced in February 2022, and, in 2023, the committee continued to oversee implementation of initiatives to close any gaps identified by management. Risk-based Know Your Customer procedures continue to be the bedrock of the group's compliance work on AML/CFT and P.
- Compliance with the Retirement Funds Act: The committee reviewed the progress that management has made in setting up the appropriate structures to comply with the Act. The committee noted the challenges that management is facing in implementing the new Act for insurance-related retirement annuity policies. Overall, the committee is satisfied that the engagements with the Regulator regarding compliance efforts will yield the best outcome for members of the fund while allowing the business to comply with the requirements of the Act.
- Review of the group's compliance maturity status: The annual risk maturity assessment continues to reveal focus areas that should assist management in improving the risk management environment within the group. The maturity scores continue to show that all subsidiaries meet the basic requirements of a functioning risk management environment, however, the businesses identified areas of focus to improve the 2023 scores.

Risk management

During the year, the subcommittee reviewed:

- The risk profiles and risk appetite reports of the various subsidiaries
- The ratings and the effectiveness of mitigating factors through quarterly monitoring of the key risks that faced the group
- Unlisted investments with a focus on credit assets which required attention from a risk management perspective – albeit the credit risk showed significant signs of reduction with a lot of counterparties' operations restored post the COVID-19 restrictions
- Management's strategy and actions to improve risk maturity in subsidiaries and associates.

Audits

The committee considered various audit reports from the internal and external auditors and is satisfied that the group has a healthy control environment. The key audit matters highlighted by the external auditor during the year include the following:

- Adoption of the new IFRS 17 accounting standard
- Valuation of policyholder liabilities under insurance contracts
- Valuation of material investments in associates
- Valuation of unlisted investments.

The committee is satisfied that all material matters brought to its attention received adequate attention from management.

AUDIT AND RISK COMMITTEE REPORT

continued

IFRS 17 *Insurance Contracts*

- The group implemented IFRS 17 *Insurance Contracts* for the first time in 2023. The standard requires a restatement of financial results as if the standard has always been in use (fully retrospective approach) and where this is not possible, a fair value approach is applied. The implementation of the standard resulted in significant changes including a day one increase in shareholders' equity of P408 million.
- Management focused on the implementation of IFRS 17 and the committee is satisfied that the work done thus far has produced an acceptable set of results. The committee noted some areas requiring refinement in the future and management will be working on these improvements in 2024.

Chief Financial Officer and the finance function

The committee is satisfied that the CFO, Kudakwashe Mukushi, continues to discharge his duties in a satisfactory manner and that he is supported by an able team of professionals in the finance department. The board also reviews the finance function as part of the board assessment, and the scores showed that the board is satisfied with the finance function.

Integrated annual report

The committee evaluated the integrated annual report for the 2023 financial year and assessed its consistency with operational, financial and other information available to the committee.

The committee ensured that the report was prepared in accordance with appropriate reporting standards and conforms to the BSE Listings Requirements. The committee reviewed the integrity of the sustainability disclosures and confirmed that they are reliable and do not conflict with financial information.

Based on the processes and assurances obtained, the committee recommends the 2023 integrated annual report to the board for approval.

Andrew Cartwright
Audit and risk committee Chairman

ACTIVITIES OF THE OTHER BOARD COMMITTEES

Refer to pages 73 and 74 for the audit and risk committee report.

COMMITTEES

		Activities during 2023	Focus for 2024
Human resources			
Members Kate Maphage *(Chairman)* Robert Dommisse Dr Keith Jefferis Mustafa Sachak	The subcommittee is responsible for monitoring and advising on the status of BIHL's human and intellectual capital and the transformation processes regarding employees. In particular, the subcommittee approves executive appointments and reviews succession planning. The subcommittee is also responsible for the remuneration strategy within the BIHL Group and for the approval of guidelines for incentive schemes and the annual determination of remuneration packages for BIHL's executive committee. The subcommittee takes cognisance of local and international industry benchmarks, ensures that incentive schemes are aligned with good business practice and that a robust performance management culture is in place. It also makes recommendations to the board regarding directors' remuneration. The CEO, the subsidiary CEOs and the Executive Head: People Management attend the meetings by invitation. Non-executive directors do not participate in an incentive bonus nor do they receive share options. The subcommittee meets on a quarterly basis and has a formal charter that sets out its responsibilities and is reviewed annually.	• Ensuring adherence to best practice in light of corporate governance for tenure of members of the board • Monitoring of the job evaluation exercise • Fostering training of members of the board and committees • Executive recruitment and succession planning	• Talent management • Succession planning of HR within the group • Skills development of board members and committee members
Independent review			
Members Edwin Elias *(Chairman)* Dr Keith Jefferis Robert Mpabanga	In order to enhance the governance structures within the BIHL Group, and any other matters referred to it by the board or any of its subcommittees, the board established an independent review committee. The committee is responsible for reviewing all related party transactions. The committee meets as and when appropriate and has adopted a formal charter that is reviewed on an annual basis.	• None	• Observation of best practice in light of related party transactions
Investment			
Members Robert Mpabanga *(Chairman)* Dr Keith Jefferis Nigel Suliaman Robert Dommisse	The committee reviews all material investment opportunities prior to making recommendations to the board. It meets as and when appropriate and has a formal charter that is reviewed on an annual basis.	• None	• Arising opportunities
Nominations			
Members Robert Mpabanga *(Chairman)* Robert Dommisse Dr Keith Jefferis	The nominations committee meets on an *ad hoc* basis to appoint, identify and evaluate suitable candidates for possible appointments to the board. The subcommittee makes recommendations to the board regarding the appointment of non-executive and independent non-executive directors. The subcommittee regularly reviews the structure, size and composition of the board and its committees and makes recommendations to the board. The subcommittee meets as and when appropriate.	• Consideration of the appointment of suitable candidates as members of the board and subcommittees including the board Chair • Consideration of the appointment of suitable candidates as board members of group subsidiaries	• Ensuring balanced skillsets in light of the composition of the board and committees • Appointment of board members of group subsidiaries to replace those who are due to retire


Success
is not driven by he, she or we,
it's driven by US.
It's about the sum of efforts
– repeated day in day out.
IMPROVING
LIVELIHOODS

DIRECTORS' REPORT

The board of directors of Botswana Insurance Holdings Limited (BIHL or the company) has pleasure in submitting its integrated annual report and the audited annual financial statements of BIHL and its subsidiaries for the year ended 31 December 2023.

NATURE OF THE BUSINESS

The company and its subsidiaries (the group) underwrite all classes of long-term insurance, administer deposit administration schemes, manage investments and administer life and pension funds. The company also provided microlending through its associated companies and funeral services in the prior year. The company is listed on the Botswana Stock Exchange (BSE).

RESULTS FOR THE YEAR

The group reported a net profit, after tax, for the year to 31 December 2023 of P782 million (2022 restated: P449 million) largely due to good investment returns, profit on the sale of an associate and a positive impact from assumption changes. Shareholders' equity as at 31 December 2023 was P3,614 billion (2022 restated: P3,773 billion). Further details regarding the group's results and prospects are included in the financial review in the integrated annual report.

STATED CAPITAL

The issued and fully paid share capital as at 31 December 2023 was 284 870 652 ordinary shares (2022: 282 370 652). Refer to note 6.

DIVIDENDS

A net interim dividend of 70 thebe (2022: 65 thebe) per share and a special dividend of 7 thebe per share (2022: nil) was declared and paid during the year. The directors propose a final dividend of 110 thebe (2022: 101 thebe) per share and a special dividend of nil thebe (2022: 89 thebe) per share bringing the total dividend for the year to 187 thebe per share (2022: 255 thebe per share) not subject to tax.

DIRECTORS' SHAREHOLDINGS

The aggregate number of BIHL shares held directly or indirectly by directors of the company was 404 022 (2022: 396 444). Details of the holding of these shares are disclosed in note 22.2.

EVENTS SUBSEQUENT TO THE REPORTING DATE

Refer to note 29 to the annual financial statements for the disclosures on events subsequent to the reporting date.

DIRECTORATE

- Dr K Jefferis *(Chairman)* (appointed 10 July 2023)
- J Hinchliffe (retired 25 March 2024)
- K Vlok (resigned 25 March 2024)
- A Cartwright
- Lieutenant General T Masire
- N Suliaman
- R Dommisse
- K Maphage (appointed 20 September 2023)
- E Elias (appointed 22 August 2023)
- M Sachak (appointed 28 July 2023)
- C Chauhan (resigned 6 March 2023)
- M Mpugwa (resigned 17 August 2023)
- K Mukushi *(Group Chief Financial Officer)*
- C Lesetedi *(Group Chief Executive Officer)*

COMPANY SECRETARY AND REGISTERED ADDRESS

K Mokgothu
Plot 66458, Block A, Fairgrounds Office Park, Gaborone, Botswana

INDEPENDENT AUDITOR

PricewaterhouseCoopers Botswana
Plot 64289, Tlokweng Road, Gaborone, Botswana

STATUTORY ACTUARY

Daan du Plessis
Sanlam Group Office
2 Strand Street, Bellville, 7530
South Africa

BANKERS

- Absa Bank of Botswana Limited
- Access Bank
- Bank Gaborone Limited
- Bank of Baroda (Botswana) Limited
- Capital Bank Limited
- First National Bank of Botswana Limited
- Stanbic Bank Botswana Limited
- Standard Chartered Bank Botswana Limited

STATEMENT OF RESPONSIBILITY OF THE BOARD OF DIRECTORS

The directors of the group are responsible for the condensed group annual financial statements and all other information presented therewith.

Their responsibility includes the maintenance of true and fair financial records and the preparation of condensed group annual financial statements in accordance with IFRS® Accounting Standards (previously International Financial Reporting Standards or IFRS).

The group and company maintain systems of internal control, which are designed to provide reasonable assurance that the records accurately reflect transactions and provide protection against serious misuse or loss of company assets. The directors are also responsible for the design, implementation, maintenance and monitoring of these systems of internal financial control. Nothing has come to the attention of the directors to indicate that any significant breakdown in the functioning of these systems has occurred during the year under review.

The going concern basis has been adopted in preparing the annual financial statements. The directors have no reason to believe that the group or company will not be a going concern in the foreseeable future based on forecasts and available cash resources.

Our external auditor conducts an examination of the annual financial statements in conformity with International Standards on Auditing, which includes tests of transactions and selective tests of internal accounting controls. Regular meetings are held between management and our external auditor to review matters relating to internal controls and financial reporting. The external auditor has unrestricted access to the board of directors.

The annual financial statements set out on pages 85 to 204 were authorised for issue by the board of directors on 7 June 2024 and were signed on its behalf by:

Dr Keith Jefferis
Chairman

Catherine Lesetedi
Group Chief Executive Officer

REPORT OF THE STATUTORY ACTUARY

LIFE BUSINESS

The results presented in this integrated annual report are based on the requirements of the Companies Act, which uses the basis set out below, referred to as the published basis. For reporting under the Botswana Insurance Act, the results are prepared according to Botswana Insurance Prudential Regulations and referred to as the prescribed basis. As at 31 December 2023, the liabilities under the two approaches are the same.

	2023 P'000	2022 P'000
Statement of actuarial values of assets and liabilities		
Total assets	**14 467 683**	13 915 831
Current liabilities and deferred tax	**730 545**	884 601
Net assets	**13 737 138**	13 031 230
Actuarial value of policy liabilities	**11 532 484**	10 511 596
Excess of assets over liabilities	**2 204 654**	2 519 634
Capital adequacy requirement	**228 706**	223 995
Capital adequacy requirement cover	**9,64**	11,25
Analysis of change in excess of assets over liabilities		
Excess assets as at the beginning of the reporting period as previously reported	**2 519 634**	2 420 932
Excess assets as at the end of the reporting period	**2 204 654**	2 519 634
Change in excess assets over the reporting period	**(314 980)**	98 702
This change in the excess assets is due to the following factors:		
Investment return generated by excess assets over liabilities	**194 474**	36 563
Changes in valuation methods or assumptions	**(89 865)**	(46 408)
Operating profit	**553 515**	445 831
Taxation	**(161 329)**	(105 062)
Ordinary shareholders' surplus for the period	**496 796**	330 923
Share of profit from an associate company	**(97 403)**	125 028
Changes in reserves of associates	**(2 868)**	16 776
Capital raised and dividends paid	**(711 504)**	(374 025)
Total change in excess assets	**(314 980)**	**98 702**

REPORT OF THE STATUTORY ACTUARY continued

Changes in valuation methods or assumptions of assets and liabilities

Changes in the basis and methodology had the effect of increasing the total value of policyholder liabilities by P80,7 million as at 31 December 2023 (31 December 2022: increased by P46,4 million). The impact of valuation assumption and methodology changes on policyholder liabilities is summarised below.

	2023 P'million	2022 P'million
Assumptions and model change	**89,9**	46,4
Mortality	**51,1**	7,9
Lapses	**17,7**	(5,6)
Expenses	**19,9**	(12,8)
Economic	**(0,2)**	(20,5)
Other	**1,4**	77,3
Total	**89,9**	46,4

Valuation methods and assumptions

The valuation was performed using the gross valuation method for insurance contracts and for investment contracts with participation in profits on a discretionary basis as per the Non-Bank Financial Institutions Regulatory Authority (NBFIRA) IPR1L: Prescribed Valuation Method for Long-term Insurance and IFRS 4. No contracts are classified as investment contracts and valued under IFRS 9 *Financial Instruments* as all our investment contracts offer the policyholder the option to add a risk rider in the future and are therefore life insurance contracts. This will change under IFRS 17 as some of our investment contracts that do not have insurance risk will be reclassified as IFRS 9.

Instruments: Recognition and measurement

The outcome of the valuation methods and assumptions is that profits for insurance contracts and for investment contracts with participation in profits on a discretionary basis are released appropriately over the term of each policy to avoid the premature recognition of profits that may give rise to losses in later years.

Assets and policyholder liabilities have been valued using methods and assumptions that are consistent with each other. A gross premium valuation gives a statement of the financial position of a life assurance company, according to a realistic or best estimate set of assumptions regarding future investment returns, bonus rates, expenses, persistency, mortality and other factors that may impact the financial position of the company. Assumptions are based on past experience and anticipated future trends. The liability calculations also make allowance for the reasonable benefit expectations of policyholders, which may exceed the minimum contractual obligations of the company.

Liability valuation methods and assumptions: Insurance contracts and investment contracts with participation in profits on a discretionary basis

The actuarial value of the policy liabilities is determined using the method as described in Botswana's Insurance Prudential Rule IPR1L issued by the NBFIRA. Assets are valued at fair value as described in the accounting policy for investments. The underlying philosophy is to recognise profits prudently over the term of each contract consistent with the work done and risk borne. In the valuation of liabilities, provision is made for:

- the best estimate of future experience
- the compulsory margins prescribed in IPR1L
- discretionary margins determined to release profits to shareholders consistent with policy design and company policy.

The value of policy liabilities at 31 December 2023 exceeds the minimum requirements in terms of IPR1L.

The application of guidance is described below in the context of the company's major product classifications.

Best estimate of future experience

The best estimate of future experience is determined as follows:

- Future investment return assumptions are derived from the risk-free Government bond yield curve, with appropriate risk and return gaps for different asset classes. The appropriate asset composition of the various asset portfolios, investment management expenses and taxation at current tax rates is also considered
- Unit expenses are based on next year's budgeted expenses and escalated at estimated expense inflation rates per annum. The allocation of initial and renewal expenses is based on functional cost analyses
- Assumptions regarding future mortality, morbidity and disability rates are consistent with the company's recent experience or expected future experience if this would result in a higher liability. Annuity mortality rates are adjusted for expected mortality improvements
- Persistency assumptions regarding lapse, surrender and paid-up rates are consistent with the company's recent experience or expected future experience if this would result in a higher liability.

For the market-related portion of the unbundled business (e.g. those where a portion of the premium is allocated to an accumulation account), the market-related liability was taken as the market value of the units notionally credited to the policies. The non-market-related portion of the liability was calculated as the present value of future charges required for risk benefits and renewal expenses (the 'Pula' reserves). For calculating the Pula reserves, the discount rates as supplied below were used.

Appropriate reserves for the unexpired risk portion and for claims incurred but not reported were held for group life and credit life risk premium benefits. The unexpired premium reserve assumes that premiums are earned uniformly for the term of the policy and the reserve is subject to a minimum of the surrender value on the policy. These reserves are calculated using standard actuarial methods and assume that current claims reporting experience is an indicator of future experience.

Liabilities for life and term annuities were valued on a discounted cash flow (DCF) basis at interest rates based on the bond yield curve at the valuation date.

Where policyholders participate on a discretionary basis in the proceeds of the business, their reasonable benefit expectations have been interpreted as their share in the funds accumulated to them as a group over their in-force lifetime. To achieve a steady build-up via bonus declarations, it is necessary to apply some smoothing of investment returns experienced by these funds. For this purpose, a bonus stabilisation reserve (BSR) is held that represents the difference between the funds set aside and the value of policy liabilities based on declared bonuses, ensuring that excess investment returns are held back to provide for future payment of policy benefits. It is possible in difficult investment times for the BSR to be negative. No BSR for any class of business was more negative than -7,5% of corresponding liabilities at the valuation date.

For reversionary bonus policies, a gross premium valuation was done. Future bonuses were provided for at the latest declared reversionary bonus rates and at final bonus rates supported by the assumed investment return of 10,24% per annum (2022: 8,06%). The economic basis methodology used is market-consistent and a risk-free yield curve is used as a base to discount liabilities. A BSR was held to equate the liabilities to the market/fair value of the corresponding assets.

In the case of policies for which the bonuses are stabilised, the liabilities are equal to the balances of the investment accounts plus the corresponding BSR. The BSR held equates the liabilities to the market value of the corresponding assets.

Where relevant, liabilities include provisions to meet maturity, mortality and disability guarantees and for losses in respect of potential lapses and surrenders.

REPORT OF THE STATUTORY ACTUARY continued

The significant discretionary margins held on individual life products are as follows:

- A margin of 15% on surrender rates for the Mompati product (2022: 15%)
- Additional reserves are created to ensure that no policy is treated as an asset. No other discretionary margins are held on individual life products.

For annuities, discretionary reserves are created through a methodology approved by the actuarial committee and the Statutory Actuary. An explicit discretionary reserve of P333,6 million (2022: P387,8 million) was held at the end of the current period.

A more detailed description of the individual elements of the basis follows below.

Economic parameters

The best estimate assumptions for the major investment parameters are based on a risk-free yield curve. Fixed gaps are added to the reference rate on the yield curve to determine the investment return assumptions for the different asset classes. The estimate for future expected Botswana inflation is set by deducting a fixed gap from the yield curve. The assumptions quoted below are before the allowance for compulsory and discretionary margins and tax.

	2023 %	2022 %
Gilt return	**6,7**	8,2
Equity return	**10,2**	11,7
Property return	**7,7**	9,2
Cash return	**5,7**	7,2
Average return	**7,5**	9,0
Expense inflation	**3,7**	5,2

Bonus rates

Bonus rates on smoothed bonus policies have been assumed at a self-supporting rate.

POLICY DECREMENTS

The assumptions (before adding margins) for future surrender, lapse, disability payment termination, mortality, medical claims and morbidity rates were consistent with the company's recent experience. Provisions have also been made for the expected occurrence of AIDS-related claims. The most recent lapse investigation was done as at the end of October 2023. The most recent mortality investigations for annuity and the individual life retail book were done in November 2023.

EXPENSES

The provision for expenses (before adding margins) starts at a level consistent with next year's budgets and allows for inflation of 3,7% (2022: 5,2%) escalation per annum.

Valuation basis of policy liabilities for investment contracts without discretionary participation features (DPF)

In the calculation of liabilities for investment contracts that provide investment management services e.g. market-related investment contracts, the account balance has been held as the value of the liability. Either a negative Pula reserve or a deferred acquisition cost asset is also held for these contracts.

Valuation of assets

The assets (including the excess of assets over liabilities) are valued at fair value, as per the accounting policies in the financial statements. Goodwill has been excluded from the value of the assets.

Prescribed capital target (PCT)

The PCT is the minimum level of capital that is necessary to provide for more extreme adverse deviations in future experience than those assumed in the calculation of policy liabilities. The PCT has been calculated on two bases in accordance with the NBFIRA's IPR3L: Prescribed Capital Target for Long-term Insurers with the maximum of the two bases being used.

For Botswana Life Insurance Limited, the maximum capital target is on the ordinary capital target basis at 31 December 2023 and 31 December 2022. The ratio of accumulated surplus to PCT of P228,7 million (December 2022: P223,9 million) under the prescribed basis is 11,25 times (December 2022: 10,01 times).

I hereby certify that:

- The valuation of the liabilities of Botswana Life as at 31 December 2023, the results of which are summarised above, has been conducted in accordance with the Botswana Insurance Industry Act (Chapter 46:01), the Botswana Insurance Prudential Rule IPR1L: Prescribed Valuation Method for Long-term Insurance Liabilities and IPR2L: Prescribed Valuation Method and Admissibility Restrictions for Long-term Insurance Assets
- This valuation report has been produced in accordance with Botswana Insurance Prudential Rule LR3: Valuator's Annual Report. The company was financially sound as at the valuation date and, in my opinion, is likely to remain financially sound for the foreseeable future.

Daan du Plessis
Statutory Actuary
Fellow of the Actuarial Society of South Africa

7 June 2024

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Botswana Insurance Holdings Limited

OUR OPINION

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of Botswana Insurance Holdings Limited (the Company) and its subsidiaries (together the Group) as at 31 December 2023, and of its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with IFRS® Accounting Standards.

What we have audited

Botswana Insurance Holdings Limited's consolidated and separate financial statements set out on pages 85 to 204 comprise:

- the consolidated and separate statements of financial position as at 31 December 2023;
- the consolidated and separate statements of profit or loss for the year then ended;
- the consolidated and separate statements of comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the financial statements, including material accounting policy information.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated and separate financial statements section of our report.

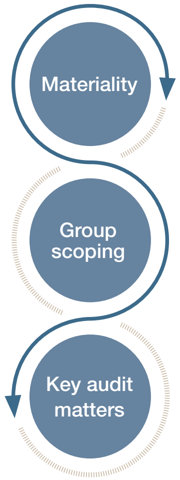
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) issued by the International Ethics Standards Board for Accountants and other independence requirements applicable to performing audits of financial statements in Botswana. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and other ethical requirements applicable to performing audits of financial statements in Botswana.

OUR AUDIT APPROACH

Overview



Overall group materiality

- Overall group materiality: BWP54 090 050, which represents 5% of consolidated profit before tax.

Group audit scope

- We performed full scope audits, in accordance with determined materiality, on all significant components in terms of their financial significance to the consolidated results. Components with specific associated risks were subject to either audit procedures over specific account balances or review procedures. Analytical review procedures were performed over insignificant components.

Key audit matters

- Valuation of insurance contract liabilities and assets (including reinsurance contract assets and liabilities), specifically with respect to transitioning from IFRS 4 to IFRS 17 and
- Measuring the year-end balances of insurance contract liabilities and assets.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall group materiality	BWP54 090 050
How we determined it	5% of consolidated profit before tax.
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this industry.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Our scoping assessment included consideration of the financial significance of the Group's components as well as taking into consideration the sufficiency of work planned to be performed over material financial statement line items in the consolidated financial statements.

We performed full scope audits on the Company and all financially significant subsidiaries (that is, Botswana Life Insurance Limited and Botswana Insurance Fund Management Limited). Specific audit procedures were performed over the material account balances of unit trusts consolidated into the consolidated financial statements. Review procedures were performed at Nico Holdings Limited. Analytical review procedures were performed on insignificant subsidiaries and associates.

INDEPENDENT AUDITOR'S REPORT continued

With the exception of the review procedures performed at Nico Holdings Limited, all audit work was performed by the group engagement team and did not require involvement of component auditors.

These procedures, together with additional procedures performed at the Group level, including testing of consolidation journals and intercompany eliminations, provided us with the audit evidence we needed for our opinion on the consolidated financial statements as a whole.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined that there are no key audit matters to communicate in our report on the separate financial statements.

Key audit matter	How our audit addressed the key audit matter
Valuation of insurance contract liabilities and assets (including reinsurance contract assets and liabilities) At 31 December 2023, the Group held insurance contract assets, reinsurance contract assets, insurance contract liabilities and reinsurance contract liabilities as a result of its insurance operations. The Group applied IFRS 17 (Insurance Contracts) (IFRS 17) in the recognition and measurement of these insurance contract liabilities and assets for the first time in the current financial year. In doing so, the Group made use of the specific transition guidance contained in IFRS 17 for changing the recognition and measurement basis from what was previously followed under IFRS 4 (Insurance Contracts) (IFRS 4). **Transitioning from IFRS 4 to IFRS 17** In retrospectively applying IFRS 17, the Group has restated its consolidated statements of financial position as previously reported at 1 January 2022 and 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income and the statement of cash flows for the year ended 31 December 2022 in accordance with the transition guidance, recognition and measurement requirements of IFRS 17. The key judgements applied on transition were: • The determination of the transition approach (fully retrospective or fair value approach) based on impracticability assessments. • Where the fair value transition approach was selected, the key assumptions used in determining the fair value for the respective cohorts of policies included: – Required capital; – Adjustment for diversification of required capital; and – Hurdle rate (or required rate of return); • The assumptions applied in calculating the opening contractual service margin (CSM) where the fully retrospective approach has been applied. Refer to Accounting policies and basis of preparation.	Our audit of the insurance contract liability and asset balances included the following audit procedures that were executed with the assistance of our actuarial specialists. **Transition from IFRS 4 to IFRS 17** • We assessed whether the Group's chosen accounting policies and methodologies were in compliance with IFRS 17 and were consistent with the policy elections made on transition. • We tested the impracticability assessments prepared by management for a sample of cohorts where the fully retrospective approach was not followed. • We tested, on a sample basis, the accuracy of insurance contract data utilised as inputs into the measurement models used on 1 January 2022 and 31 December 2022. • We tested, on a sample basis, to ensure that data inputs into the measurement models used on 1 January 2022 and 31 December 2022 were complete. • We assessed the appropriateness of the assumptions used in determining the contractual service margin (CSM) of cohorts where the fair value approach was selected. • We challenged the judgements applied by management in assessing whether contracts transferred significant insurance risk. • We tested that the levels of aggregation used for measuring and reporting on groups of contracts were in compliance with IFRS 17. • We assessed the appropriateness of management's assumptions applied in calculating the CSM on the transition date (being 1 January 2022) including assessing – the appropriateness of the coverage units used to amortise the CSM and – reasonableness of the impact of assumption changes unlocking the CSM. • We tested the IFRS 17 transition models and methodologies for internal consistency and compliance with the requirements of IFRS 17.

INDEPENDENT AUDITOR'S REPORT continued

Key audit matter	How our audit addressed the key audit matter
Measuring year-end balances of insurance contract liabilities and assets In valuing insurance contract liabilities and assets balances, the Group applies significant judgement. Various assumptions are made including assumptions regarding the expected claims and lapses, expected premiums on insurance contracts, expected directly attributable expenses, commission and charges. Changes to these assumptions may result in material changes to the valuation. The most significant assumptions made in the valuation of policy liability balances arising from the Group's insurance contracts relate to: • Future mortality and disability; • Persistency assumptions with regard to lapse, surrender and paid-up rates; • Future maintenance expenses; • Discount rates; • Inflation; and • Risk adjustment for non-financial risk. Refer to note 5 – Significant accounting judgements, estimates and assumptions to accounting policies and basis of preparation and notes 8, 11 and 18 to the consolidated financial statements. We considered the valuation of insurance contract assets and liabilities balances (including the transition from IFRS 4 to IFRS 17) to be a key audit matter in our audit of the financial statements because of the following: • The judgements applied in determining the transition approach and balances as a consequence of the transition from IFRS 4 to IFRS 17; • The significant judgements applied and high degree of estimation uncertainty relating to the magnitude and timing of the projected cash flows and the use of significant unobservable assumptions applied in valuing them; • The use of complex actuarial methods, together with significant judgements and assumptions; and • The materiality of the insurance contract balances on the Group's statement of financial position and resultant impact on the statement of comprehensive income for the year ended 31 December 2023.	**Procedures over year-end balances** We tailored our testing of the insurance contract balances with reference to the various portfolios of contracts and the various measurement models applied, as audited as part of the transition, and performed testing on a disaggregated basis. Our procedures over the year-end balances included using our actuarial expertise to: • assess the valuation methodology and assumptions for compliance against the latest actuarial guidance and the Group's accounting policy in accordance with IFRS 17; • challenge key assumptions and the methodologies and processes used to determine and update these assumptions through comparison with externally observable data and our assessment of the Group's analysis of experience to date and allowance for future uncertainty. Our challenge focused on the following assumptions: – future mortality, longevity and morbidity changes; – persistency assumptions; – future maintenance expense assumptions; and – discount rates and inflation; • assess the reasonableness of the amortisation of the CSM by performing an analysis and reperformance of the CSM build-up on a sample basis; • evaluate the accuracy of the risk adjustment for non-financial risk, including the calculation method, and its related release; and • test the reasonability of the build-up and changes in the probability-weighted estimate liabilities, risk adjustment and CSM, by comparing expected changes to previous periods and unexpected changes to our knowledge of changes in the business and assumptions, based on the experience investigation results and assumption changes approved by management/governance structures. We also: • tested the effectiveness of management controls over models, including that any changes to models have been appropriately tested and the impacts quantified by management; • tested, on a sample basis, the accuracy of insurance contract data utilised as inputs into the measurement models at 31 December 2023; • tested to ensure that data inputs into the measurement models at 31 December 2023 were complete; and • reconciled the outputs from the Group's measurements models to the consolidated financial statements. Our audit procedures did not identify unaddressed exceptions, which could have a material impact on reported balances and amounts.

INDEPENDENT AUDITOR'S REPORT continued

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the document titled "Botswana Insurance Holdings Limited Consolidated and Separate Financial Statements for the year ended 31 December 2023" which we obtained prior to the date of this auditor's report, and the document titled "Botswana Insurance Holdings Limited Integrated Annual Report 2023", which is expected to be made available to us after that date. The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation of the consolidated and separate financial statements that give a true and fair view in accordance with IFRS Accounting Standards and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers
Firm of Certified Auditors

Practising Member:
Rudi Binedell (CAP003 2024)

7 June 2024
Gaborone

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2023

		GROUP			COMPANY	
	Note	2023 P'000	Restated[1, 2] 2022 P'000	Restated[1, 2] 1 January 2022 P'000	2023 P'000	2022 P'000
ASSETS						
Property and equipment	2	**170 052**	173 158	183 232	**2 457**	3 153
Intangible assets	3	**97 247**	101 197	107 076	**174**	289
Right-of-use assets	2.1	**11 879**	14 713	8 112	**2 532**	4 266
Investment property	4.4	**26 480**	12 260	10 160	**–**	–
Investments in associates and joint ventures	4.5	**1 758 469**	1 910 194	1 972 698	**266 711**	266 711
Reinsurance contract assets	11.1	**17 874**	10 271	11 882	**–**	–
Insurance contract assets	8.1	**612 935**	553 701	582 812		
Interest in subsidiaries	4.5.2	**–**	–		**129 555**	87 633
Non-current asset held for sale	4.6	**–**	99 988	–	**–**	–
Financial assets at fair value through profit or loss		**14 935 316**	15 411 628	15 385 244	**–**	–
Bonds (Government, public authority, listed and unlisted corporates)	4.1	**8 543 705**	8 426 652	8 663 449	**–**	–
Investment in property funds and companies	4.1	**1 277 962**	1 205 650	1 173 325	**–**	–
Equity investments (local and foreign)	4.2	**3 040 954**	2 589 245	2 403 845	**–**	–
Money market instruments	4.1	**2 072 695**	3 190 081	3 144 625	**–**	–
Loans at amortised cost	4.3	**–**	–	31 957	**–**	–
Other receivables	5	**135 632**	186 940	135 798	**20 053**	311
Tax receivable	19.1	**–**	–	–	**767**	271
Related party balances	22.2	**–**	–	–	**1 493**	1 825
Cash and cash equivalents	24.1	**170 583**	400 711	137 418	**20 556**	66 126
Total assets		**17 936 467**	18 874 761	18 566 389	**444 298**	430 585

[1] *Restated for transition to IFRS 17. Refer to the changes in accounting policies table on page 92.*
[2] *Restated for correction of error in the prior period. Refer to note 28.4 and the table on page 92.*

STATEMENTS OF FINANCIAL POSITION continued

As at 31 December 2023

		GROUP			COMPANY	
	Note	2023 P'000	Restated[1, 2] 2022 P'000	Restated[1, 2] 1 January 2022 P'000	2023 P'000	2022 P'000
EQUITY AND LIABILITIES						
Equity attributable to equity holders of the parent						
Stated capital	6	**204 936**	154 936	154 936	**204 936**	154 936
Non-distributable reserves	7	**106 375**	350 208	395 716	**36 837**	40 649
Retained earnings		**3 302 730**	3 267 691	3 189 765	**162 772**	199 724
Total equity attributable to equity holders of the parent		**3 614 041**	3 772 835	3 740 417	**404 545**	395 309
Non-controlling interests	12	**23 751**	22 428	18 728	**–**	–
Total equity		**3 637 792**	3 795 263	3 759 145	**404 545**	395 309
Liabilities						
Insurance contract liabilities	8.1	**8 004 121**	7 551 386	7 304 508	**–**	–
Investment contract liabilities	8.6	**3 598 953**	3 298 512	3 341 397	**–**	–
Reinsurance contract liability	11.1	**54 222**	55 757	9 228	**–**	–
External investors in consolidated funds	10	**2 082 020**	3 619 273	3 635 183	**–**	–
Derivatives instrument	9	**25 429**	37 259	42 366	**–**	–
Deferred tax liability	13	**141 908**	73 545	138 900	**–**	–
Lease liability	2.2	**12 707**	16 210	9 234	**3 738**	5 808
Other payables	14	**353 824**	398 121	321 398	**32 514**	28 775
Tax payable	19.1	**18 624**	26 246	3 441	**–**	–
Related party balances	22.2	**6 867**	3 189	1 589	**3 501**	693
Total equity and liabilities		**17 936 467**	18 874 761	18 566 389	**444 298**	430 585

[1] *Restated for transition to IFRS 17. Refer to the changes in accounting policies table on page 92.*
[2] *Restated for correction of error in the prior period. Refer to note 28.4 and the table on page 92.*

STATEMENTS OF PROFIT OR LOSS

For the year ended 31 December 2023

		GROUP		COMPANY	
	Note	2023 P'000	Restated[1, 2] 2022 P'000	2023 P'000	2022 P'000
Net result from life insurance operations		**585 751**	143 194	**–**	–
Result from life insurance contracts		**601 726**	156 445	**–**	–
Net insurance service result	8.5	**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	18	**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 insurance operations		**(15 975)**	(13 251)	**–**	–
Result from other operations		**541 111**	468 744	**846 350**	485 203
Revenue from contracts with customers	15	**295 546**	259 591	**–**	–
Investment income	16.3	**284 903**	125 819	**845 129**	484 112
Interest income using the effective interest rate (EIR)	16.1	**4 395**	4 127	**1 221**	1 091
Other interest income from external investors in consolidated funds	10	**202 721**	245 282	**–**	–
Fair value losses from derivative instrument	9	**(11 830)**	(5 107)	**–**	–
Change in fair value of investment contract liabilities	16.4	**(31 903)**	84 314	**–**	–
Change in fair value of external investors' liabilities	16.4	**88 254**	36 538	**–**	–
Net changes in external investors in consolidated funds	10	**(290 975)**	(281 820)	**–**	–
Other expenses		**(252 324)**	(269 199)	**(68 321)**	(50 507)
Administration expenses	17	**(214 495)**	(204 535)	**(68 015)**	50 985
Sales remuneration	17.2	**(37 067)**	(63 588)	**–**	–
Finance cost on leases (IFRS 16)	2.2	**(762)**	(1 076)	**(306)**	(478)
Impairments	17.3	**(10 881)**	(4 974)	**(8 078)**	(2 782)

[1] Restated for correction of error in the prior period. Refer to note 28.2.

[2] Restated for transition to IFRS 17. Refer to accounting policies and basis of preparation.

STATEMENTS OF PROFIT OR LOSS continued

For the year ended 31 December 2023

		GROUP		COMPANY	
	Note	2023 P'000	Restated[1, 2] 2022 P'000	2023 P'000	2022 P'000
Profit before share of profit of associates, joint ventures and other income		**863 657**	337 765	**769 951**	431 436
Profit on sale of associate	4.6	**141 669**	–	**–**	–
Equity-accounted earnings	4.5	**78 934**	216 456	**–**	–
Profit before tax		**1 084 260**	554 221	**769 951**	431 436
Income tax expense	19	**(302 737)**	(105 419)	**(61 953)**	(20 555)
Profit for the year		**781 523**	448 802	**707 998**	410 881
Profit attributable to:					
– Equity holders of the parent		**773 953**	442 578	**707 998**	410 881
– Non-controlling interests	12	**7 570**	6 224	**–**	–
Profit for the year		**781 523**	448 802	**707 998**	410 881
Earnings per share (thebe) (attributable to ordinary equity holders of the parent)					
– Basic	20	**274**	158		
– Diluted[3]	20	**272**	157		

[1] *Restated for correction of error in the prior period. Refer to note 28.2.*

[2] *Restated for transition to IFRS 17. Refer to accounting policies and basis of preparation.*

[3] *Restated for corrections of prior year period. Refer to note 28.3.*

STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

		GROUP		COMPANY	
	Note	2023 P'000	Restated 2022 P'000	2023 P'000	2022 P'000
Profit for the year		**781 253**	448 802	**707 998**	410 881
Items that are or may be reclassified subsequently to profit or loss (net of tax):					
Exchange differences on translation of foreign operations	7	**(170 662)**	(13 951)	**–**	–
Total comprehensive income for the year		**610 861**	434 851	**707 998**	410 881
Total comprehensive income attributable to:					
– Equity holders of the parent		**603 291**	428 627	**707 998**	410 881
– Non-controlling interests		**7 570**	6 224	**–**	–
Total comprehensive income for the year		**610 861**	434 851	**707 998**	410 881

STATEMENTS OF CASH FLOWS

For the year ended 31 December 2023

		GROUP		COMPANY	
	Note	2023 P'000	Restated 2022 P'000	2023 P'000	2022 P'000
Cash (utilised in)/generated from operations		**(458 823)**	244 493	**(43 354)**	43 752
Cash generated from/(utilised in) operations[1]	24	**58 971**	244 688	**(71 990)**	(34 772)
Interest received		**269 716**	295 056	**1 221**	1 091
Dividend received from equity investments		**56 851**	70 791	**–**	–
Dividend received from subsidiaries		**–**	–	**731 757**	437 997
Dividend received from associates and joint ventures		**144 928**	149 844	**51 246**	24 968
Interest paid		**(762)**	(1 076)	**(306)**	(478)
Tax paid	19.1	**(228 350)**	(109 846)	**(1 352)**	(1 030)
Dividend paid		**(760 177)**	(404 964)	**(753 930)**	(384 024)
Net cash flows generated from/(utilised in) investing activities[1]		**235 145**	23 464	**(146)**	(599)
Purchase of property and equipment	2	**(8 953)**	(6 652)	**(146)**	(599)
Purchase of computer software	3	**(5 902)**	(5 201)	**–**	–
Proceeds from sale of investment in associates	4.6	**250 000**	–	**–**	–
Receipts from loans receivable at amortised cost		**–**	35 317	**–**	–
Net cash flows from financing activities		**(3 991)**	(4 664)	**(2 070)**	(1 795)
Payment of principal portion of lease liabilities (IFRS 16)		**(6 450)**	(5 781)	**(2 070)**	(1 795)
Disposal of treasury shares		**2 459**	1 117	**–**	–
Net (decrease)/increase in cash and cash equivalents		**(230 128)**	263 293	**(45 570)**	41 358
Cash and cash equivalents at the beginning of the year		**400 711**	137 418	**66 126**	24 768
Cash and cash equivalents at the end of the year	24.1	**170 583**	400 711	**20 556**	66 126

[1] *The prior year has been restated due to the error classification of cash movements in investments held as part of operating activities. Refer to note 28.1.*

The money market instruments on the face of the statement of financial position amounting to P1,489 million (2022: P2,264 million) are policyholder assets and are not available for use by BIHL. As a result, the change in cash flows of the money market instruments has been included in the net cash flows from investing activities on the statement of cash flows.

STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2023

GROUP

	Stated capital P'000	Treasury shares P'000	Share-based payment reserve P'000	Capital reserve account P'000	Foreign currency translation reserve P'000	Consoli-dation reserve P'000	Total non-distributable reserves P'000	Retained income P'000	Total P'000	Non-controlling interest P'000	Total equity P'000
Balance as at 31 December 2021	154 936	(71 658)	104 350	481 899	(81 810)	(37 065)	395 716	2 781 611	3 332 263	18 728	3 350 991
IFRS 17 transition adjustment[1]	–	–	–	–	–	–	–	408 154	408 154	–	408 154
Balance as at 1 January 2022 restated[1]	154 936	(71 658)	104 350	481 899	(81 810)	(37 065)	395 716	3 189 765	3 740 417	18 728	3 759 145
Total comprehensive income	–	–	–	–	(13 951)	–	(13 951)	442 578	428 627	6 224	434 851
Profit for the year[2]	–	–	–	–	–	–	–	442 578	442 578	6 224	448 802
Foreign currency translation	–	–	–	–	(13 951)	–	(13 951)	–	(13 951)	–	(13 951)
Share-based payment expense (note 7)	–	–	5 215	–	–	–	5 215	–	5 215	–	5 215
(Transfer to statutory reserve)/transfer from retained income	–	–	–	(33 948)	–	–	(33 948)	33 948	–	–	–
Cost of treasury shares (acquired)/disposed	–	(4)	–	–	–	1 121	1 117	–	1 117	–	1 117
Dividends paid	–	–	–	–	–	–	–	(402 440)	(402 440)	(2 524)	(404 964)
Other movements in reserves	–	–	(3 941)	–	–	–	(3 941)	3 840	(101)	–	(101)
Balance as at 31 December 2022 restated	154 936	(71 662)	105 624	447 951	(95 761)	(35 944)	350 208	3 267 691	3 772 835	22 428	3 795 263
Total comprehensive income	**–**	**–**	**–**	**–**	**(170 662)**	**–**	**(170 662)**	**773 953**	**603 291**	**7 570**	**608 402**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**773 953**	**773 953**	**7 570**	**779 064**
Foreign currency translation	**–**	**–**	**–**	**–**	**(170 662)**	**–**	**(170 662)**	**–**	**(170 662)**	**–**	**(170 662)**
Share-based payment expense (note 7)	**–**	**–**	**5 168**	**–**	**–**	**–**	**5 168**	**–**	**5 168**	**–**	**5 168**
Transfer from retained income/(transfer to statutory reserve)	**–**	**–**	**–**	**9 461**	**–**	**–**	**9 461**	**(9 461)**	**–**	**–**	**–**
Transfer to retained income from share-based reserve	**–**	**–**	**(29 199)**	**–**	**–**	**–**	**(29 199)**	**29 199**	**–**	**–**	**–**
Cost of treasury shares (acquired)/disposed	**–**	**(11 060)**	**–**	**–**	**–**	**2 459**	**(8 601)**	**(2 459)**	**(8 601)**	**–**	**(8 601)**
New shares issued	**50 000**	**(50 000)**	**–**	**–**	**–**	**–**	**(50 000)**	**–**	**–**	**–**	**–**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(753 930)**	**(753 930)**	**(6 247)**	**(760 177)**
Treasury shares movement	**–**	**44 758**	**(44 758)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Other movements in reserves	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(2 263)**	**(2 263)**	**–**	**(2 263)**
Balance as at 31 December 2023	**204 936**	**(87 964)**	**36 835**	**457 412**	**(266 423)**	**(33 485)**	**106 375**	**3 302 730**	**3 614 041**	**23 751**	**3 637 792**
Note	6	7	7	7	7	7	7	7			

[1] *Restated for correction of error in the prior period. Refer to note 28.2.*

[2] *Restated for transition to IFRS 17. Refer to accounting policies and basis of preparation.*

STATEMENTS OF CHANGES IN EQUITY continued

For the year ended 31 December 2023

	COMPANY					
	Stated capital P'000	Share-based payment reserve P'000	Total non-distributable reserves P'000	Retained income P'000	Total P'000	Total equity P'000
Balance as at 31 December 2021	154 936	35 434	35 434	172 867	363 237	363 237
Profit for the year	–	–	–	410 881	410 881	410 881
Share-based payment expense	–	5 215	5 215	–	5 215	5 215
Dividends paid	–	–	–	(384 024)	(384 024)	(384 024)
Balance as at 31 December 2022	154 936	40 649	40 649	199 724	395 309	395 309
Profit for the year	**–**	**–**	**–**	**707 998**	**707 998**	**707 998**
Share-based payment expense	**–**	**5 168**	**5 168**	**–**	**5 168**	**5 168**
Transfer to retained income from share-based reserve	**–**	**(8 980)**	**(8 980)**	**8 980**	**–**	**–**
New shares issued	**50 000**	**–**	**–**	**–**	**50 000**	**50 000**
Dividends paid	**–**	**–**	**–**	**(753 930)**	**(753 930)**	**(753 930)**
Balance as at 31 December 2023	**204 936**	**36 837**	**36 837**	**162 772**	**404 545**	**404 545**
Note	6	7	7	7		

BASIS OF PREPARATION AND ACCOUNTING POLICIES

For the year ended 31 December 2023

1. GENERAL INFORMATION

The company and its subsidiaries (the group) underwrite all classes of long-term insurance, manage investments and administer life and pension funds. It is also exposed to legal insurance, short-term insurance and microlending through its associated companies.

The company is a limited liability company incorporated in Botswana. The company is listed on the BSE. The group's parent company, SanlamAllianz, holds 58% of the company's stated capital. SanlamAllianz is one of the leading financial services groups in Africa.

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

The group and company annual financial statements have been prepared in accordance with IFRS® Accounting Standards and in the manner required by the Companies Act (CAP 42:01), the Insurance Industry Act, 2015 and the Botswana Stock Exchange Act. The annual financial statements have been prepared on the historical cost convention, modified by measurement at fair value for financial assets, policyholder liabilities and investment properties.

The accounting policies of the group are the same as the accounting policies for the company, except for accounting policies regarding the investments in subsidiaries, associates and joint ventures.

The consolidated annual financial statements are presented in Pula (P'000), which is the company's functional currency and the group's presentation currency. All values are rounded to the nearest thousand, unless otherwise stated.

3. BUSINESS COMBINATIONS

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, the amount of any non-controlling interest in the acquiree and the fair value of any previously held interest. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed an asset or liability, will be recognised in accordance with IFRS 9 either as fair value through profit or loss or as fair value through other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

4. CHANGES IN ACCOUNTING POLICIES

4.1 New and amended standards and interpretations

The group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023. The group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and impact of each new standard and amendment are described below.

New or revised standards	Effective period beginning on or after
IFRS 17 *Insurance Contracts* and IFRS 17 *Insurance Contracts* amendments	1 January 2023
Amendments to IAS 12 *Income Taxes:* Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors:* Definition of accounting estimates	1 January 2023
Amendments to IAS 1: *Presentation of Financial Statements:* Disclosure of accounting policies	1 January 2023

The impact of the above new standards and amendments to existing standards is noted as follows:

4.1.1 IFRS 17 *Insurance Contracts* and IFRS 17 *Insurance Contracts* amendments

IFRS 17 is effective for reporting periods starting on or after 1 January 2023, with comparative figures required. The standard has resulted in a profound change to the accounting in IFRS financial statements for insurance companies. This has had a significant impact on data, systems and processes used to produce information for financial reporting purposes.

IFRS 17 *Insurance Contracts* replaces IFRS 4 *Insurance Contracts* for annual periods beginning on or after 1 January 2023. The group commenced the application of the standard on 1 January 2023 and has restated 2022 comparatives when reporting on 2023 financial periods.

The group applies IFRS 17 *Insurance Contracts* to insurance contracts it issues and reinsurance contracts it holds. The group does not presently issue reinsurance contracts nor investment contracts with discretionary participating features. All references to insurance contracts apply to insurance contracts issued or acquired and reinsurance contracts held, unless specifically stated otherwise.

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and aims to ensure that the group provides relevant information that faithfully represents the insurance contracts of the group. This will provide a basis for users of the financial statements to assess the effect that the insurance contracts have on the group's financial position, performance and cash flows.

IFRS 17 requires new disclosures about the amounts recognised in the financial statements, including detailed reconciliations of insurance liabilities, the measurement impact of recognising new contracts and disclosures about significant estimates and judgements made when applying the standard. Disclosures will be expanded with additional detail on the nature and extent of risks related to insurance contracts.

The group has assessed the impact of the initial application of IFRS 17 on the statement of financial position as at 1 January 2022.

Transition

The IFRS 17 standard is applicable to annual periods beginning on or after 1 January 2023. However, the requirement for 2023 comparative information means that the IFRS 17 transition statement of financial position is required at 1 January 2022.

BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

For the year ended 31 December 2023

4. CHANGES IN ACCOUNTING POLICIES continued

4.1 New and amended standards and interpretations continued

4.1.1 IFRS 17 *Insurance Contracts* and IFRS 17 *Insurance Contracts* amendments continued

Transition continued

When determining the insurance liabilities at transition, the IFRS 17 standard should be applied retrospectively as if it had always been applied unless it is 'impracticable' to do so based on the requirements in IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* (also referred to as the full retrospective approach (FRA)), the group applied the fair value approach (FVA). The modified retrospective approach has not been applied to any groups of insurance contracts in the group.

Impracticability has been determined by assessments of the availability of:

- historical expense, lapse and mortality data to perform a risk adjustment calibration
- actual historical premiums and charges to calculate actual versus expected premiums, which unlocks the contractual service margin (CSM)
- historical expense cash flows at a portfolio level to calculate the CSM at initial recognition for historical new business cohorts
- historical discount rates at an entity level to calculate liabilities at historical points in time
- credible and complete raw data from the policy administration system or raw data from a different source.

These variables were built into a decision tree which allowed an efficient way to determine which products would be required to follow a fully retrospective approach and which products would be impracticable and therefore could follow an FVA.

The transition approach has been determined at a group of insurance contracts level. The high-level distribution of transition approaches across the group is summarised below:

- The FRA has been applied to groups of contracts measured under the premium allocation approach (PAA)
- For contracts measured under the general measurement method (GMM), the FRA has not been applied to any groups of contracts issued before 1 January 2019. The retrospective calculation start date varies depending on the availability of historical data, assumptions and models
- The FVA will be applied to the remaining groups of contracts, including closed books of business (old policies that are no longer being sold by the group).

Full retrospective approach

Under the FRA, the company has recognised and measured each group of insurance contracts as if IFRS 17 had always applied. The CSM at initial recognition for a group of insurance contracts was based on initial assumptions when the contracts were recognised and rolled forward to the transition date as if IFRS 17 had always applied. The company has derecognised any existing balances that would not exist had IFRS 17 always applied, and recognised any resulting net difference in equity.

Fair value approach

The FVA has been applied if the FRA is impracticable. Under this approach, the CSM (or loss component) is calculated as the difference between the fair value of a group of insurance contracts and the IFRS 17 fulfilment cash flows at the transition date. The fair value is determined in accordance with IFRS 13 *Fair Value Measurement*. IFRS 13 defines fair value as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date". The transaction price is therefore based on a general market participant's view of the fair value of the relevant group of insurance contracts. The income approach is used in determining the fair value of a group of insurance contracts. This approach converts a stream of future expected cash flows to a current single amount, reflecting market participants' expectations of the future amounts.

The estimates of future cash flows within the contract boundary are included in the fair value estimation. Cash flows related to future renewals and new business contracts are therefore outside the boundaries of the insurance contracts measured under the FVA. However, expense cash flows not directly attributable to the fulfilment of the insurance contracts (and therefore not included in the IFRS 17 fulfilment cash flows) are allowed for in the fair value estimation. No other material adjustments are made to the future estimates of cash flows when compared to the estimates included in the IFRS 17 fulfilment cash flows.

There will be an initial capital outlay for the buyer of a group of insurance contracts on the transaction date. The capital outlay is the sum of:

- the transaction price agreed between the buyer and the seller on the transaction date
- the total required capital that the buyer of the insurance contracts expects to set up on the transaction date.

In determining the transaction price, the required capital is treated as an outflow for the buyer on transaction date, with the subsequent investment returns on and releases of the required capital included as inflows, with the net effect of allowing for the cost of recognising the total required capital at the transaction date.

The transaction price is determined such that the buyer earns the required rate of return (hurdle rate) on the initial capital outlay. The buyer earns the hurdle rate on the transaction if the transaction price is determined such that the future returns on the initial capital outlay, discounted to the transaction date at the hurdle rate, is equal to the initial capital outlay.

The group used significant judgement to reflect a market participant's view in determining the following:

- Estimates of future cash flows were determined on a prospective basis at the transition date as described previously, with no allowance for acquisition cash flows that occurred before the transition date
- Locked-in discount rates related to a group of insurance contracts measured under the FVA are based on the discount rates applicable at the transition date
- groups of contracts include contracts that were initially recognised more than one year apart. The group has used reasonable and supportable information to assess at the transition date that)
  - insurance contracts issued are allocated to groups of contracts in a non-onerous position, with a significant possibility of becoming onerous in subsequent periods
  - reinsurance contracts held are allocated to groups of contracts in a net cost position, with a significant possibility of a net gain arising in subsequent periods.

Furthermore, the group applied significant judgement in assessing and estimating the following key inputs used in determining the fair value of a group of insurance contracts:

- The hurdle rates were based on the group's view of the returns that a general market participant could reasonably expect to achieve on the insurance business being transferred. Hurdle rates within each cluster were consistent with the group's hurdle rate-setting framework used for purposes of corporate transactions or internal budgeted returns on group equity value and are based on a weighted average cost of capital approach, with possible adjustments to align to market participants' views where relevant. The hurdle rate was determined as the sum of the following components:
  (a) A risk-free interest rate based on a representative point on the yield curve, consistent with the economic assumptions used in the calculation of embedded value for covered business, plus
  (b) A risk premium reflecting the return in excess of risk-free rates required by the buyer as part of the hypothetical transaction. The average risk premium included in the hurdle rates fell within a range of 12% to 13%.

BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

For the year ended 31 December 2023

4. CHANGES IN ACCOUNTING POLICIES continued

4.1 New and amended standards and interpretations continued

4.1.1 IFRS 17 *Insurance Contracts* and IFRS 17 *Insurance Contracts* amendments continued

Fair value approach continued

For the material lines of insurance business applying the FVA at the transition date, the aggregate CSM was expected to increase/(reduce) by between 6% to 7% for a 1% increase/(reduction) in the hurdle rate.

- The total required capital was based on the group's view of the capital basis expected to apply within each territory, with any relevant market information available at the transition date being applied where possible. The total required capital was based on the assets held in respect of IFRS 4 liabilities plus additional required capital allocated to the insurance contracts for embedded value calculations, subject to a minimum amount of nominal required capital if prescribed by the local regulatory authority in the relevant territory.
- The effect of any diversification in the required capital was determined such that the transaction price was not expected to be biased towards either the buyer or the seller. The allowance for diversification was consistent with the group's view of what an average market participant would be willing to price into the transaction.

The required capital for each portfolio of insurance contracts was assumed to be aligned with the prudential solvency requirements before any allowance for the effect of diversification of capital between products. The allowance for correlations between risks in the required capital was aligned with the correlation factors as prescribed in the local solvency standards. In determining the total required capital for an average market participant, a haircut (ranging between 5% to 10%) was applied to the stand-alone solvency capital requirement and risk margin to adjust for the effect of diversification of required capital between products. This allowance for diversification assumed that only a proportion of the expected synergies in respect of the full diversification benefit would be priced into the transaction.

- The future investment returns on the total required capital assumed that:
  - (a) the future investment returns on the assets backing insurance liabilities were aligned with the valuation discount rates
  - (b) the future investment returns on the assets backing additional required capital allocated to the insurance contracts were either based on the risk-free yield curve at the transition date.

Contract boundaries

There was no significant impact on the initial recognition date of contract boundaries of insurance contracts issued and reinsurance contracts held for the insurance business within the group.

Liability for remaining coverage on reinsurance held

There is no significant impact on the liability for remaining coverage for insurance contracts issued (or asset for remaining coverage for reinsurance contracts held) for contracts measured under the PAA.

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

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

	Gross balance P'000	Reinsurance P'000	Net of reinsurance P'000	
Insurance 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				
Credit life and credit life	597 765	(10 855)	586 910	
	597 765	(10 855)	586 910	
Total	6 624 987	53 995	6 678 972	(a)
Balances as reported at 1 January 2022 under IFRS 4				
Policyholder liabilities as reported at 1 January 2022 under IFRS 4			10 447 441	
Less: Investment contract liabilities (refer to note 28.4)			(3 234 340)	
Insurance contract liabilities under IFRS 4			7 213 102	
Reinsurance asset			(10 855)	
Net insurance contract liabilities under IFRS 4			7 202 246	(b)
Transition adjustment to retained earnings (before tax impact)			(523 274)	
Deferred tax impact at 22%			115 120	
Transition adjustment to retained earnings (net of tax impact)			(408 154)	(a) – (b)

BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

For the year ended 31 December 2023

4. CHANGES IN ACCOUNTING POLICIES continued

4.1 New and amended standards and interpretations continued

4.1.1 IFRS 17 *Insurance Contracts* and IFRS 17 *Insurance Contracts* amendments continued

Restated statement of financial position due to correction of prior period errors and adoption of IFRS 17 *Insurance Contracts*

	Note	Audited 2022 As previously reported P'000	Correction of prior period error[1] P'000	Correction of prior period error[2] P'000	Adoption of IFRS 17 P'000	Restated 2022 P'000	Audited 2021 As previously reported P'000	Correction of prior period error[1]	Adoption of IFRS 17 P'000	Restated 2021 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	–	–	2 716	10 271	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

[1] *Refer to note 28.4 for additional information on the correction of the prior period error – Separate presentation of investment contract liabilities.*

[2] *Refer to note 28.2 for additional information on the correction of the prior period error – Investment in associate.*

BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

For the year ended 31 December 2023

4. CHANGES IN ACCOUNTING POLICIES continued

4.1 New and amended standards and interpretations continued

4.1.1 IFRS 17 *Insurance Contracts* and IFRS 17 *Insurance Contracts* amendments continued

Restated statement of financial position due to correction of prior period errors and adoption of IFRS 17 *Insurance Contracts* continued

	Note	Audited 2022 As previously reported P'000	Correction of prior period error[1] P'000	Correction of prior period error[2] P'000	Adoption of IFRS 17 P'000	Restated 2022 P'000	Audited 2021 As previously reported P'000	Correction of prior period error[1]	Adoption of IFRS 17 P'000	Restated 2021 P'000
EQUITY AND LIABILITIES										
Equity attributable to equity holders of the parent										
Stated capital		154 936	–	–	–	154 936	154 936	–	–	154 936
Non-distributable reserves		350 208	–	–	–	350 208	395 716	–	–	395 716
Retained earnings	4	3 021 413	–	(20 218)	266 497	3 267 691	2 781 611	–	408 154	3 189 765
Total equity attributable to equity holders of the parent		3 526 557	–	(20 218)	266 497	3 772 835	3 332 263	–	408 154	3 740 417
Non-controlling interests		22 428	–	–	–	22 428	18 728	–	–	18 728
Total equity		3 548 985	–	(20 218)	266 497	3 795 263	3 350 991	–	408 154	3 759 145
LIABILITIES										
Long-term policyholder liabilities	5	10 511 760	(3 177 051)	–	(7 334 709)	–	10 447 441	(3 234 340)	(7 213 101)	–
Insurance contract liabilities	5	–	–	–	7 551 386	7 551 386	–	–	7 304 508	7 304 508
Investment contract liability		–	3 298 512	–	–	3 298 512	–	3 341 397	–	3 341 397
Reinsurance contract liabilities	6	–	–	–	55 757	55 757	–	–	9 228	9 228
External investors in consolidated funds		3 619 273	–	–	–	3 619 273	3 635 183	–	–	3 635 183
Derivatives instrument		37 259	–	–	–	37 259	42 366	–	–	42 366
Deferred tax liability	7	–	–	–	73 545	73 545	23 780	–	115 120	138 900
Lease liability		16 210	–	–	–	16 210	9 234	–	–	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

[1] *Refer to note 28.4 for additional information on the correction of the prior period error – Separate presentation of investment contract liabilities.*

[2] *Refer to note 28.2 for additional information on the correction of the prior period error – Investment in associate.*

BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

For the year ended 31 December 2023

4. CHANGES IN ACCOUNTING POLICIES continued

4.1 New and amended standards and interpretations continued

4.1.1 IFRS 17 *Insurance Contracts* and IFRS 17 *Insurance Contracts* amendments continued

Annotations with respect to the adoption of IFRS 17

1. IFRS 17 requires an entity to separately present 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 separately present 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 forms 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 of 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 the Introduction of a CSM representing the future profits the insurer stands to earn as it provides future service. These valuation changes are adjusted against retained earnings. Refer to the table on page 94 summarising the impact of transition impact to the retained earnings based on the measurement model.
5. IFRS 17 requires an entity to separately present 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 separately present 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 forms part of insurance/reinsurance contract assets or liabilities.

4.1.2 Amendments to IAS 12 *Income Taxes*: Deferred tax related to assets and liabilities arising from a single transaction

The amendments clarify how entities account for deferred taxes on certain transactions, such as leases and decommissioning obligations, with a focus on reducing diversity in practice. The amendments narrow the scope of the initial recognition exemption. Entities will need to recognise a deferred tax asset and a deferred tax liability arising from transactions that give rise to equal and offsetting temporary differences.

Impact: The group adopted the amendments during the year, and the amendments had no significant impact on the group in the current year.

4.1.3 Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*: Definition of accounting estimates

The amendments clarify how entities distinguish changes in accounting policies from changes in accounting estimates, with a primary focus on the definition and guidance on accounting estimates. The distinction between the two is important because changes in accounting policies are applied retrospectively, whereas changes in accounting estimates are applied prospectively.

The amendments clarify that accounting estimates are monetary amounts in the financial statements subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an entity develops an accounting estimate to achieve the objective set out by an accounting policy.

Impact: The group adopted the amendments during the year, and the amendments had no significant impact on the group in the current year.

4.1.4 Amendments to IAS 1 *Presentation of Financial Statements*: Disclosure of International Accounting Standards Board (IASB) accounting policies

The amendments continue the IASB clarifications on applying the concept of materiality. These amendments help entities provide useful accounting policy disclosures by:

- requiring entities to disclose their material accounting policies instead of their significant accounting policies
- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and do not need to be disclosed
- clarifying that not all accounting policies relating to material transactions, other events or conditions are themselves material.

The IASB also amended IFRS Practice Statement 2 to include guidance and examples on applying materiality to accounting policy disclosures.

Impact: The group adopted the amendments during the year, and the amendments had no impact on the group in the current year.

BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

For the year ended 31 December 2023

4. CHANGES IN ACCOUNTING POLICIES continued

4.2 Standards issued but not yet effective

Standards issued but not effective up to the date of issuance of the group's consolidated annual financial statements are listed below. This listing is of standards and interpretations issued which the group reasonably expects to be applicable at a future date. The group intends to adopt these standards when they become effective.

New or revised standards	Effective period beginning on or after
Classification of liabilities as current or non-current with covenants (amendments to IAS 1)	1 January 2024
Lease liability in a sale and leaseback (amendments to IFRS 16)	1 January 2024
Supplier finance arrangements (amendments to IAS 7 and IFRS 7)	1 January 2024

The above new standards are not expected to have any material impact on the group or the company.

Classification of liabilities as current or non-current and non-current liabilities with covenants (amendments to IAS 1 *Presentation of Financial Statements*)

The amendments published in 2020 and 2022, respectively, clarify that the classification of liabilities as current or non-current is based solely on an entity's right to defer settlement for at least 12 months at the reporting date. The right needs to exist at the reporting date and must have substance. Only covenants with which an entity must comply on or before the reporting date may affect this right. Covenants to be complied with after the reporting date do not affect the classification of a liability as current or non-current at the reporting date. However, disclosure about covenants is now required to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date. The amendments also clarify that the transfer of an entity's own equity instruments is regarded as settlement of a liability. If a liability has any conversion options, they generally affect its classification as current or non-current, unless these conversion options are recognised as equity under IAS 32 *Financial Instruments: Presentation*.

Lease liability in a sale and leaseback (amendments to IFRS 16 *Leases*)

The amendments require a seller-lessee to account for variable lease payments that arise in a sale and leaseback transaction as follows:

- On initial recognition, include variable lease payments when measuring a lease liability arising from a sale and leaseback transaction
- After initial recognition, apply the general requirements for subsequent accounting of the lease liability such that no gain or loss relating to the retained right of use is recognised.

Sellers-lessees are required to reassess and potentially restate sale and leaseback transactions entered into since the implementation of IFRS 16 in 2019.

Supplier finance arrangements (amendments to IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures*)

The amendments require an entity to disclose qualitative and quantitative information about its supplier finance arrangements, such as terms and conditions – including, for example, extended payment terms and security or guarantees provided. The IASB decided that, in most cases, aggregated information about an entity's supplier finance arrangements will satisfy the information needs of users of financial statements. Among other characteristics, IAS 7 explains that a supplier finance arrangement provides the entity with extended payment terms, or the entity's suppliers with early payment terms, compared to the related invoice payment due date.

A glossary of insurance-specific terminology

Insurance contract	A contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.
Investment contract	Investment contracts are those contracts that transfer significant financial risk. Financial risk is the risk of a possible future change in one or more specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.
Life insurance	Contract under which the term of insurance covers a period longer than 12 months e.g. whole life or term insurance.
Investment management services	Managing an investment, for which a service fee will be charged.
Reinsurance contract	An insurance contract issued by one entity (the reinsurer) to compensate another entity for claims arising from one or more insurance contracts issued by that other entity (underlying contracts).
Liability adequacy test	Reassessment of the sufficiency of the insurance liability to cover future insurance obligations.
Present value of in-force business	Present value of the entity's interest in the expected pre-tax cash flows of the in-force business acquired.
Deferred revenue	Initial and other front-end fees for rendering future investment management services, which are deferred and recognised as revenue when the related services are rendered.
Assumptions	Underlying variables and uncertainties, which are taken into account in determining values, which could be insurance contract liabilities or financial assets at fair value.
Benefit experience variation	Difference between the expected benefit payout and the actual payout.
Embedded value	This is an estimate of the economic worth of a life insurance business. The measurement principles, however, do differ from the measurement principles under IFRS® Accounting Standards.

BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

For the year ended 31 December 2023

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of annual financial statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Critical judgements in applying accounting policies

Management did not make critical judgements in the application of accounting policies, apart from those involving estimations, which would significantly affect the financial statements.

Key sources of estimation uncertainty

The group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and assumptions are regularly evaluated and are based on historical and other related factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas involving a higher degree of complexity, or where assumptions are significant to the financial statements, are:

5.1 Liability for life insurance contracts

This disclosure should be read in conjunction with the valuation methodology as described in basis of presentation.

5.1.1 Classification

Assessing significance of insurance risk and discretionary amounts for investment contracts with DPF. The group applies judgement to assess whether contracts are in scope of IFRS 17 in some product lines, such as whether additional payments on death related to minimum investment guarantees or vesting bonuses are significant on a present value basis. Where these additional payments have been assessed not to be significant on a present value basis and there are no DPF these investment contracts are in scope of IFRS 9.

The group does not currently issue investment contracts with DPF and therefore does not apply the variable fee approach (VFA). The group applies judgement to assess the initial recognition of the contracts, on whether:

- a substantial share of the fair value returns on the underlying items is expected to be paid to the policyholders
- a substantial proportion of any change in the amounts to be paid to the policyholders is expected to vary with the change in fair value of the underlying items.

The assumed threshold for ‘substantial share’ and ‘substantial proportion’ is in excess of 50%. The group has applied judgement to conclude that assessments can be performed for groups of homogeneous contracts with similar contract features/terms based on readily available qualitative or quantitative information for investment contracts with DPF (with no significant insurance risk) and other market-linked savings contracts where minimum investment guarantees and/or rider benefits create significant insurance risk. The group has performed quantitative assessments on an individual contract level for the material lines of universal life insurance business where the relative significance of the insurance and investment components can vary based on the benefit selections made by each policyholder.

5.1.2 Aggregation

The assessment of criteria (a) considers the ‘pass-through’ nature of the returns on the underlying item, and therefore excludes any benefits not payable from the underlying item, such as fixed insurance benefits in excess of the investment components payable on death. Any deduction of a charge from the underlying item for insurance benefits (including for any waiver of premium) is included in the share of the returns to be paid to the policyholder as it forms part of the policyholder’s share. The assessment of criteria (b) considers how much of the total benefits payable to the policyholder will vary with changes in underlying items, including benefits that do not vary with the returns on underlying items in all scenarios (such as fixed insurance benefits). The assessment therefore considers whether, on average, the changes in the total amounts payable to policyholders are substantially related to the changes in the fair value of the underlying items based on testing the impact on this relationship for different scenarios where market/non-market variables are adjusted.

Premium allocation approach eligibility

The group applies the PAA to measure a group of insurance contracts issued or reinsurance contracts held if, at inception of the group: the coverage period of each contract in the group of insurance contracts is one year or less; or the group reasonably expects that the PAA would produce a measurement of the liability or asset for remaining coverage for a group of insurance contracts that would not differ materially from the measurement that would be achieved by applying the requirements of the GMM.

Where the coverage period is greater than one year, the group uses judgement to assess the appropriateness of the PAA measurement model as follows:

- Project the fulfilment cash flows of the group of insurance contracts and take into account the time value of money where the time between providing each part of the services and the related premium is more than a year
- Determine the projected liability or asset for remaining coverage under the PAA at each projected time period (initial recognition and subsequent measurement at our external reporting frequency i.e. half-yearly or annually)
- Determine the liability or asset for remaining coverage under the GMM (including the CSM) at initial recognition as well as subsequent measurement. The group will use judgements as described in section 28.2.2 as follows to determine the fulfilment cash flows and CSM at each projection point
- At each projection point, the difference between the liability or asset for remaining coverage under the PAA and GMM is determined (the difference)
- The difference is compared to the predetermined materiality threshold (relative measure) at each point in time
- Where the difference does not exceed the determined threshold (at any time) then the group passes the PAA eligibility test (for the base scenario)
- The group will perform scenario testing using the above process to ensure differences remain immaterial. Scenario testing will be performed, by updating the projected fulfilment cash flows under reasonably expected scenarios, which would affect cash flow variability. The group applies judgement in calibrating these scenarios for changes in market and non-market variables based on management’s view of the key changes affecting cash flow and liability variability for each portfolio of insurance contracts.

Judgement will be applied to define relative materiality thresholds for each portfolio based on ensuring that the combined absolute impacts of all groups of insurance contracts with coverage periods longer than a year, applying the PAA, fall within an absolute measure of materiality for each future year.

The identification of portfolios of insurance contracts is driven by how the business is managed, with broad product lines being managed together and subject to similar risks. Contracts within a portfolio are subject to ‘similar risks’ if the risks are non-offsetting and respond similarly to changes in key assumptions. This should not result in, for example, term life insurance contracts (exposing the group to mortality risk) and annuity contracts (exposing the group to longevity risk) being allocated to the same portfolio.

BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

For the year ended 31 December 2023

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS continued

5.1 Liability for life insurance contracts continued

5.1.2 Aggregation continued

Premium allocation approach eligibility continued

Furthermore, businesses are not required to allocate different benefit types within the same product line to different portfolios if the insurance contracts are managed together, for example, if as part of pricing the profit margins are set, or assets are allocated, at the broad product level. This avoids arbitrary allocation of insurance contracts to different portfolios where they are managed together and priced within the same broad product line.

The portfolios are further divided into groups of insurance contracts issued based on the expected profitability at inception date, based on whether:

- contracts are onerous at initial recognition
- contracts at initial recognition have no significant possibility of becoming onerous subsequently
- contracts at initial recognition have a significant possibility of becoming onerous subsequently (i.e. the remaining contracts).

The group applies judgement to assess whether reasonable and supportable information is available to allocate a set of contracts to the same group of onerous contracts, for example, based on policyholder pricing groups and other internal management information. Where reasonable and supportable information is not available to identify a set of onerous contracts, this assessment is performed at an individual contract level. The individual contract assessments can be performed on an adjusted expense allocation basis for aggregation purposes where it can be justified as a systematic and rational basis for allocating the expenses included in the fulfilment cash flows to a group of insurance contracts.

Insurance contracts have typically been allocated to annual cohorts which align with annual financial periods, except for non-participating life annuities where insurance contracts have typically been allocated to monthly cohorts due to the sensitivity of pricing to changes in financial risk.

For insurance contracts issued measured under the PAA, no contracts have been allocated to onerous groups of contracts at initial recognition in 2023. The group may have to apply judgement to assess whether facts and circumstances have indicated that a group of contracts has become onerous subsequent to initial recognition. This assessment will follow normal business practice of typically using three to five years of experience to form expectations of profitability. Expectations will be updated half-yearly to understand if a group of insurance contracts, which was previously assumed not to be onerous, subsequently becomes onerous due to changes in experience relative to the pricing basis.

5.1.3 Measurement

Recognition and derecognition

The initial recognition date and derecognition of insurance contracts are not areas of significant judgement for the group.

Fulfilment cash flows

Fulfilment cash flows include the following components:

- Probability-weighted estimates of future cash flows
- Adjustment to reflect the time value of money and financial risk relating to future cash flows, to the extent that the financial risk is not included in the estimates of future cash flows
- A risk adjustment for non-financial risk.

The probability-weighted estimates of future cash flows are determined through the following approach:

- Identifying all sets of cash flows directly related to the fulfilment of a particular group of contracts
- Defining all reasonable scenarios applicable to a particular set of cash flows, including the cash flow profile applicable to each scenario
- Attaching a probability to each scenario
- Discounting the cash flow profile related to each scenario at the applicable discount rates
- Calculating an aggregated weighted average present value of the sets of cash flows based on the probabilities attached to each scenario.

Estimates of future cash flows

The group includes in the measurement of a group of insurance contracts all the future cash flows within the boundary of each contract in the group. Estimates of future cash flows incorporate, in an unbiased way, all reasonable and supportable information that is available without incurring undue cost or effort. This information includes internal and external historical information about claims and other experience, adjusted to allow for expected future changes in experience. Estimates of future cash flows therefore reflect the group's current view of prevailing conditions. Market variables are consistent with current observable market prices. Changes in legislation that affect estimates of future cash flows are only allowed for once substantively enacted.

Contract boundaries

The determination of the contract boundary of insurance and reinsurance contracts is not an area of significant judgement for the group.

Expenses

The following expense cash flows are included within the boundary of a contract:

- Acquisition cash flows that relate to the selling, underwriting and starting of a group of contracts that are directly attributable to the portfolio of contracts to which the group belongs. This includes underwriting expenses, upfront commissions payable to intermediaries and commissions payable in respect of policy changes
- Administration and other expense cash flows incurred in fulfilling the obligations under the insurance contracts, such as investment management expenses where relevant (see below for further details), claims handling costs, costs related to premium billing and maintenance commissions that are expected to be paid to intermediaries.

Both direct costs and an allocation of fixed and variable overheads are included. Attributable costs (acquisition cash flows that relate to the selling, underwriting and starting of a group of contracts that are directly attributable to the portfolio of contracts and administration and other expense cash flows incurred in fulfilling the obligations under the insurance contract) are determined using functional cost analysis techniques. The group applies judgement by taking a broad view of attributable expenses where it is reasonable and supportable.

Unit expense assumptions are based on approved budgets and business plans over a five-year time horizon. Unit expense assumptions are escalated at estimated expense inflation rates per annum. The allocation between acquisition and administration and other expense cash flows is based on functional cost analyses and reflects actual expenses incurred during the current year. The future expense assumptions do not include any cash flows that are not directly attributable to the fulfilment of the insurance contracts. An increase in unit expenses increases the estimates of future cash flows, therefore resulting in a decrease in the CSM (all else being equal).

The investment management expenses for insurance contracts with underlying items are typically chargeable to the policyholders under the terms of the contract and therefore these expenses related to underlying items are included in the fulfilment cash flows. The group applies judgement to assess whether expected investment management expenses for insurance contracts without underlying items (measured under the GMM) should be included in the fulfilment cash flows and, therefore, whether investment activity performed by the businesses enhances benefits from insurance coverage for policyholders. The group has determined that these expenses are included in fulfilment cash flows in most scenarios because a different level of benefits would likely be offered if policyholders' premiums are assumed to earn lower/higher investment returns as part of pricing (assuming these expenses are explicitly priced for in the premiums).

BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

For the year ended 31 December 2023

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS continued

5.1 Liability for life insurance contracts continued

5.1.3 Measurement continued

Decrements

Assumptions with regard to future mortality, disability and disability payment termination are consistent with the group's recent experience for the five years up to 31 December 2023. The mortality rates between policyholder groups allow for various rating factors, such as gender and smoker status. Mortality and disability rates are adjusted to allow for: the expected deterioration in mortality rates as a result of HIV/AIDS; the expected improvements in mortality rates in the case of annuity business; and the expected impact of future pandemic events where relevant.

Mortality and disability cover are material in Botswana, and the mortality tables we use are based on relevant South African mortality tables adjusted with our own mortality experience data where it is credible. An increase in mortality rates increases the estimates of future cash flows, therefore resulting in a decrease in the CSM (all else being equal).

Surrender, lapse and paid-up rates are key assumptions in the measurement of life insurance contracts (risk and savings business). Assumptions with regard to future surrender, lapse and paid-up rates are based on the group's recent experience for the three years ended 30 September 2023. An increase in surrender or lapse rates may increase or reduce the estimates of future cash flows, therefore resulting in a decrease or increase in the CSM depending on the specific product features (all else being equal).

Inflation assumptions

The group applies judgement to determine whether changes in inflation assumptions are related to financial risk or non-financial risk. Inflation assumptions that are based on market observable rates are related to financial risk, with changes in fulfilment cash flows as a result of updates to these assumptions being presented in insurance finance income or expenses. Inflation assumptions that are based on the group's expectation of inflation (for example, based on analysts' or insurance bodies' views of country inflation) are treated as assumptions that are related to non-financial risk, with changes in fulfilment cash flows as a result of updates to these assumptions adjusting the CSM. In general, changes in inflation assumptions in the group are related to financial risk. Changes in inflation assumptions related to non-financial risk are an exception to this general rule.

Term-dependent inflation assumptions are applied to expenses based on the difference between long-term nominal and real yields.

The risk environment can change suddenly and unexpectedly owing to a wide range of events or influences. The group is constantly refining its risk monitoring and management tools to enable the group to assess risks appropriately, despite the greatly increased pace of change. The growing complexity and dynamism of the environment in which the group operates means that there are, however, natural limits. There will never be absolute certainty in respect of identifying risks at an early stage, measuring them sufficiently or correctly estimating their real hazard potential.

Contractual service margin

Discount rates

The group applies a bottom-up approach to determine discount rates applied to future cash flows for insurance contracts. Estimates of future cash flows that do not vary with investment returns on underlying items are discounted using a risk-free yield curve, adjusted to reflect the characteristics of the cash flows and the liquidity of the insurance contracts. Risk-free rates are determined based on the market observable yield curves for Government bonds, with extrapolation between the last available market point and an ultimate forward rate, considering long-term real interest rate and inflation expectations.

The table below sets out the risk-free yield curves used.

	1 year		5 years		10 years		15 years	
	2023 %	2022 %	2023 %	2022 %	2023 %	2022 %	2023 %	2022 %
Botswana	**5,54**	3,25	**9,03**	6,91	**9,94**	9,11	**9,17**	8,94

Estimates of future cash flows that do vary with investment returns on underlying items are discounted using risk-free rates. Risk-free discount rates are consistent with the rates applied to the cash flows not varying with investment returns on underlying items.

The future investment returns on underlying items are consistent with the discount rates applied to the cash flows that vary with these investment returns on underlying items. The allowance for investment management expenses is determined separately from the future investment returns and discount rates for measurement and presentation purposes.

Risk adjustment for non-financial risk

The risk adjustment is the compensation that an entity requires for bearing the uncertainty about the amount and timing of the cash flows that arise from non-financial risk. The main sources of non-financial risk are the estimates related to decrement rates for mortality and morbidity, persistency rates and expenses. Adjustments for financial risks are included either in the estimates of future cash flows or in the discount rates and are therefore excluded from the risk adjustment. Operational risk will be excluded from the risk adjustment as it is mainly related to general operational risk that cannot be directly attributed to the fulfilment of the insurance contracts.

The risk adjustment for non-financial risk is included in the fulfilment cash flows and is measured explicitly as changes in the risk adjustment impact on accounting estimates (including the CSM) and need to be disclosed separately in the liability reconciliations. IFRS 17 does not require entities to use a specific technique to estimate the risk adjustment, with the confidence level technique highlighted as a possible approach. However, an entity that uses a technique other than the confidence level technique for determining the risk adjustment is required to disclose the technique used and the confidence level corresponding to the results of that technique. The group uses a margins approach targeting a confidence level between the 80th and 90th percentile. The confidence level is determined based on the group's risk appetite for bearing the non-financial risk arising from the uncertain amount and timing of cash flows.

The risk adjustment allows for the effect of diversification benefits between different risk and product types (where relevant), which is determined based on correlation matrix techniques and other diversification impacts determined for solvency purposes.

BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

For the year ended 31 December 2023

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS continued

5.1 Liability for life insurance contracts continued

5.1.3 Measurement continued

Coverage units

The CSM is recognised as income in insurance revenue over the duration of insurance contracts issued based on the number of coverage units provided in each period. Coverage units are determined for broad product types to best reflect the rendering of insurance contract services in a particular reporting period. The coverage units of the group of insurance contracts are identified by considering for each contract the quantity of the benefits provided under the contract and its expected coverage period. The quantity of benefits is typically determined based on the maximum amounts that policyholders can claim in each period. The coverage units are updated at each reporting date to reflect the actual experience over the reporting period and the expected coverage to be provided in the future.

The following definitions of coverage units are used for the material lines of business[1]:

		Relative weighting of the benefits provided[2]			
	Measurement model	Insurance coverage	Investment-related services	Investment return services	Examples of coverage definitions
Risk insurance business	GMM	A			Guaranteed sum assured (for example, term/whole life insurance business, funeral insurance business
Non-participating life annuities	GMM	A		B	Annuity benefit payments[3] or guaranteed benefits available on death/surrender/withdrawal during the accumulation phase for deferred life annuities
Universal life insurance business	GMM	A		B	Maximum of the guaranteed benefits plus any vested bonuses
Proportional reinsurance	GMM	A			Maximum amounts recoverable from the reinsurer (for example, for quota share reinsurance, the proportion of the guaranteed sum assured ceded)
Non-proportional reinsurance	GMM	A			Maximum amounts recoverable from the reinsurer (for example, for excess of loss reinsurance, the excess of the guaranteed sum assured over and above the specified limit)

[1] *Coverage units are defined for each group of contracts and could vary based on the specific features/characteristics of the underlying contracts.*

[2] *The insurance contract services with a majority relative weighting of total benefits provided (i.e. greater than 50%) are denoted by (A), whereas the insurance contract services with a minority relative weighting of total benefits provided (i.e. less than 50%) are denoted by (B), where relevant. The actual weighting varies in each current and future period based on the relative differences between the insurance and investment-related benefits payable, which is mainly a function of the terms of each contract and the probability-weighted estimates of future cash flows. For life insurance risk business, the main purpose of the insurance contracts issued is to provide insurance coverage to the policyholders and, therefore, a lower weighting of benefits is provided by investment-return services (where relevant) relative to the benefits provided by insurance coverage. The reinsurance contracts held by the company do not provide investment-return services.*

[3] *Investment-return services are provided on:*

- *immediate life annuities during guaranteed periods where payments are made on death or survival*
- *deferred life annuities during the accumulation phase where payments are made on death or surrender/transfer.*

The reinsurance contracts held by the group do not provide investment-return services.

Premium experience adjustments

The experience adjustments arising from premiums received (including related cash flows such as insurance acquisition cash flows) that do not vary based on the returns on underlying items adjust the CSM if related to future service, or such amounts are recognised in insurance revenue in the reporting period if related to current (or past) service.

The group applies judgement to determine whether these experience adjustments are related to current (or past) or future service. The premium-related experience adjustments typically relate to current (or past) service. Experience adjustments relating to premiums received for future coverage are an exception to this general rule. Such an example is where the premium experience adjustments have a direct impact on the value of future benefits payable to policyholders, resulting in the experience adjustments and the changes in the estimates of the future cash flows to largely offset when adjusting the CSM.

BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

For the year ended 31 December 2023

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS continued

5.1 Liability for life insurance contracts continued

5.1.3 Measurement continued

Loss recovery component (LRC) for reinsurance contracts held

An LRC is deducted from the CSM at initial recognition of a group of reinsurance contracts held when underlying onerous insurance contracts are recognised, with the resulting income recognised in profit or loss offsetting the losses recognised on the underlying insurance contracts for the portion of the underlying insurance contracts being reinsured. This adjustment to the CSM of a group of reinsurance contracts held and the resulting income is determined by multiplying: the loss recognised on the underlying insurance contracts (or loss component(s) of the underlying insurance contracts); and the percentage of claims on the underlying insurance contracts the group expects to recover from the group of reinsurance contracts held (also referred to as the 'LRC ratio').

The group applies judgement in determining the LRC ratio. The LRC ratio is determined as the present value of the future expected claims recovery cash flows of the group of reinsurance contracts held divided by the present value of the future expected claims cash flows of the underlying insurance contracts. Subsequent to the initial recognition of a group of reinsurance contracts held, the LRC is adjusted for changes in estimates that relate to future service based on the corresponding adjustment to the loss component(s) of the underlying group(s) of insurance contracts and the reinsured portion of these underlying insurance contracts. The group applies judgement to assess that any unfavourable changes in the fulfilment cash flows of underlying insurance contracts that are not reinsured do not adjust the LRC, unless the impact is immaterial.

If a group of reinsurance contracts held is linked to multiple groups of underlying insurance contracts (which could include onerous and non-onerous groups of contracts), the LRC ratio is estimated based on the overall claims recoveries for the group of reinsurance contracts held and the overall claims incurred for the underlying insurance groups, applied to the sum of the loss components of the underlying insurance groups (where relevant). This determination of the LRC therefore estimates the portion of the losses on the underlying insurance contracts being recovered in the LRC for reinsurance contracts held by excluding the following impacts where relevant: the portion of the underlying insurance contracts that are not covered by the group of reinsurance contracts held; and the portion of the underlying insurance contracts that are not onerous.

5.1.4 Sensitivity analysis to underwriting risk variables

The sensitivity analysis related to underwriting risk variables only includes information on the impact of changes in assumptions for the year ended 2023 for the life insurance risk (PAA and GMM) business. Even though sensitivity models were not rerun for the prior reporting period for this business, the group would not expect new insights to be provided from comparative results, and therefore the impacts at 31 December 2023 should be viewed as a proxy of both years.

In addition, for the sensitivity analysis related to interest rates, portfolios of investment assets held in respect of insurance contracts were not rebalanced as at 31 December 2022 to allow for the introduction of IFRS 17, and therefore this sensitivity information for the prior reporting period would not be reasonable/sensible.

5.1.5 Life insurance – risk business

The following tables present information on how reasonably possible changes in assumptions made by the group with regard to underwriting risk variables impact product line insurance liabilities and profit or loss and equity before and after risk mitigation by reinsurance contracts held. The analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

5.1.6 Life insurance – risk business (PPA)

The liability for incurred claims component of life insurance liabilities measured under the PAA is sensitive to possible changes in the following underwriting risk variables:

	31 December 2023			
	Liability for incurred claims as reported	Impact on liability	Impact on profit before income tax	Impact on equity
Insurance contract liabilities	322 170			
Reinsurance contract assets	(3 273)			
Net insurance contract liabilities	**318 897**			
Ultimate claims cost – 5% increase				
Insurance contract liabilities (net)		11 378	(11 378)	(8 875)
Net insurance contract liabilities		(204)	204	159
Net insurance contract liabilities		**11 174**	**(11 714)**	**(8 716)**

BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

For the year ended 31 December 2023

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS continued

5.1 Liability for life insurance contracts continued

5.1.6 Life insurance – risk business (PPA) continued

The fulfilment cash flow and CSM components of life insurance liabilities measured under the general model are sensitive to possible changes in the following underwriting risk variables:

General measurement method	Liability for remaining coverage		Incurred claims					
P'000	Best estimate of future cash flows	Risk adjustment	Best estimate of future cash flows	Total fulfilment cash flows	CSM	Total	Impact on profit before income tax	Impact on equity
Insurance contract liabilities (net)	5 170 858	259 756	92 373	5 522 987	1 340 444	6 863 431	–	–
Reinsurance contract assets (net)	10 927	(31 704)	(36 822)	(57 599)	111 821	54 222	–	–
Net insurance contract liabilities	5 181 785	228 052	55 551	5 465 388	1 452 265	6 917 653	–	–
Mortality/morbidity rate – 5% decrease								
Insurance contract liabilities (net)				(6 370)	5 872	(498)	498	388
Reinsurance contract assets (net)				(859)	859	–	–	–
Net insurance contract liabilities				(7 229)	6 731	(498)	498	388
Lapse/surrender rates – 10% decrease								
Insurance contract liabilities (net)				(44 442)	40 968	(3 474)	3 474	2 710
Reinsurance contract assets (net)				755	(755)	–	–	–
Net insurance contract liabilities				(43 687)	40 213	(3 747)	3 474	2 710
Expenses – 10% decrease								
Insurance contract liabilities (net)				(75 512)	69 610	(5 902)	5 902	4 604
Reinsurance contract assets (net)				–	–	–	–	–
Net insurance contract liabilities				(75 512)	69 610	(5 902)	5 902	4 604

5.2 Policy liabilities for investment contracts with investment management services

The valuation of these contracts is linked to the fair value of the supporting assets, and deviations from future investment return assumptions will therefore not have a material impact. The recoverability of the contract costs for investment management services is not significantly impacted by changes in lapse experience; if future lapse experience was to differ by 10% (2022: 10%) from management's estimates, no impairment of the contract costs for investment management services would be required.

5.3 Fair value of investments in unquoted equity instruments

The investments in unquoted equity instruments have been valued based on the expected cash flows, discounted at the current rates applicable for items with similar terms and risk characteristics. This valuation requires the group to make estimates about expected future cash flows and discount rates and hence they are subject to significant judgement. The inputs to these models are derived from observable market data where possible, but where observable market data is not available, judgement is required to establish fair values. The judgements include considerations of liquidity risk, credit risk and model inputs such as discount rates, prepayment rates and default rate assumptions for asset-backed securities.

For DCF analysis, estimated future cash flows and discount rates are based on current market information and rates applicable to financial instruments with similar yields, credit quality and maturity characteristics. Estimated future cash flows are influenced by factors such as economic conditions (including country-specific risks), concentrations in specific industries, types of instruments or currencies, market liquidity and financial conditions of counterparties. Discount rates are influenced by risk-free interest rates and credit risk. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments. The carrying amount of these instruments at year-end was P376 million (2022: P282 million).

BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

For the year ended 31 December 2023

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS continued

5.4 Impairment of financial assets

The group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the group expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

Trade receivables, excluding premium debtors

For trade receivables, ECLs are recognised using the simplified approach. The simplified approach is applicable to trade receivables which do not have a significant financing component. Trade receivables do not contain significant financing components and they are for a maximum period of 90 days.

When applying the simplified approach, the group does not track changes in credit risk but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The group determines the ECLs for each of the balances based on the historical probabilities of default for each group of trade receivables and the loss given default (LGD). LGD is the percentage that can be lost when a debtor defaults.

5.5 Impairment of non-financial assets

The group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill and other indefinite life intangibles are tested for impairment annually and at other times when indicators of impairment exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. There were no impairment losses written off during the year.

5.6 Determination of fair value of investment properties

Investment property comprises properties held to earn rental income and/or capital appreciation. Investment properties are carried at fair value based on valuations by independent valuators. Fair value is determined by discounting expected future cash flows at appropriate market interest rates. The determined fair value of the investment properties is most sensitive to the estimated yield as well as the long-term vacancy rate. The valuators have appropriate qualifications and extensive experience in property valuation in Botswana. Refer to note 4.4.

5.7 Deferred tax assets

Deferred tax assets in respect of deductible temporary differences are recognised to the extent that it is probable that there will be sufficient taxable temporary differences to net off against the deductible temporary difference or sufficient taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets are recognised in respect of tax losses to the extent that there is convincing evidence that taxable profit will be available, against which the losses can be utilised. Judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits, together with future tax planning strategies.

5.8 Fair value measurement

A number of assets and liabilities included in the group's annual financial statements require measurement at, and/or disclosure of, fair value. The fair value measurement of the group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

Level 1: Quoted prices in active markets for identical items (unadjusted)
Level 2: Observable direct or indirect inputs other than Level 1 inputs
Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The group measures several items at fair value:

- Investment property (note 4.4)
- Financial instruments (notes 4, 5, 12 and 26).

For more detailed information in relation to the fair value measurement of the items above, please refer to the applicable notes.

5.9 Classification of joint arrangements

For all joint arrangements structured in separate vehicles, the group must assess the substance of the joint arrangement in determining whether it is classified as a joint venture or joint operation. This assessment requires the group to consider whether it has rights to the joint arrangement's net assets (in which case it is classified as a joint venture), or rights to specific assets and obligations for the liabilities (in which case it is classified as a joint operation). Factors the group must consider include:

- Structure
- Legal form
- Contractual agreement
- Other facts and circumstances.

Upon consideration of these factors, the group has determined that its joint arrangement structure through a separate vehicle (Khumo Property Asset Management Proprietary Limited only gives rights to the net assets and is therefore classified as a joint venture.

Furthermore, effective 1 January 2016, BIHL Group acquired 50% of a company called Teledimo Proprietary Limited (Teledimo), a non-operating holding company, which holds a 100% investment in a short-term insurance company, Botswana Insurance Company Limited (BIC). Trans Industries Proprietary Limited (TI), which is a privately owned company incorporated in Botswana, owns the remaining 50% of Teledimo. BIC further holds a 100% investment in Insure Guard and a 66% interest in GrandRe Tanzania. The shareholders' agreement between BIHL and TI provides for 50-50 representation and equal voting rights between the shareholders. BIHL and TI also equally exercise the decision-making authority through a unanimous agreement.

Based on the aforementioned, the group assessed that it has joint control of BIC and accounts for the joint arrangement as a joint venture using the equity method in the consolidated annual financial statements while it accounts for the joint venture at cost in the separate annual financial statements of the company.

BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

For the year ended 31 December 2023

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS continued

5.10 Valuation of investments in associates

Investments in associates are considered for impairment at least annually. Impairment exists when the carrying value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data. The value in use calculation is based on a DCF model. The cash flows are derived from budgeted margins based on past performance and management expectations for market developments.

The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. These require significant judgement. The consideration of impairment for Nico and Letshego is discussed further in note 4.5 to the annual financial statements.

5.11 Investment in subsidiaries, associates and joint ventures (at company level)

- **Subsidiaries:** Investment in subsidiaries is recognised at cost less accumulated impairment losses. All subsidiaries are incorporated in Botswana. These are Botswana Life Insurance Limited (Botswana Life), Bifm Holdings Limited, Kgolo Ya Sechaba (KYS), Private Property Botswana (PPB) and BIHL Share Scheme Trust
- **Associates:** Associates are all entities over which the company has significant influence but not control or joint control, generally accompanying a shareholder of between 20% to 50% plus one vote of the voting rights. Associates are accounted for at cost less accumulated impairment losses. The company has an associate incorporated in Malawi (Nico Holdings Limited)
- **Interest in a joint venture:** The company has an interest in a joint venture which is jointly controlled. A joint venture arrangement is an arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a joint venture arrangement that involves the establishment of a separate entity in which each venture has an interest in the net assets of the jointly controlled entity. Investments in joint ventures are accounted for at cost less impairment losses. The company has a joint venture arrangement incorporated in Botswana (Teledimo).

5.12 Consolidation of investment funds

The group acts as a fund manager and invests in a number of investment funds and has varying holdings. In determining whether the group controls such funds, it will focus on an assessment of the aggregate economic interests of the group (comprising any carried interests and expected management fees) and the investor's rights to remove the fund manager. This general assessment is supplemented by an assessment of third-party rights in the investment funds with regard to their practical ability to allow the group not to control the fund. The group assesses its interest in the investment funds on an annual basis to determine if the fund will be consolidated. The non-controlling interest owned by third parties is classified as a financial liability in the consolidated statement of financial position. These interests are classified at fair value through profit or loss and measured at fair value which is equal to the number of units not owned by the group. In practice, the group considers itself to have control of a fund when it both owns the asset manager and holds greater than 20% thereof.

6. OFF-BALANCE SHEET SEGREGATED FUNDS

The group also manages and administers assets for the account of and risk of clients. As these are not assets of the group, they are not recognised in the group's statement of financial position in terms of IFRS® Accounting Standards but are disclosed as a note. Refer to note 10.

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

7.1 Revenue recognition

Revenue from contracts with customers

In terms of IFRS 15 *Revenue from Contracts with Customers*, the group applies a five-step approach when reviewing customer contracts in order to determine how revenue is recognised. These steps are:

- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue when (or as) the entity satisfies a performance obligation.

The group earns its fee revenue from investment management fees, dividends and interest. The five-step approach is only relevant to investment management fees which are derived from mandates with customers. Specifically, revenue is recognised as follows:

Revenue from contracts with customers, subject to the provisions of IFRS 15, consists of fees for investment management services which are time-based and performance-based. Time-based fees are recognised as services are rendered and due when billed. Performance-based fees are due when specific criteria have been met. Refer to note 15 for further details.

Fees for investment management services arising from services rendered in conjunction with the issue and management of investment contracts where the group actively manages the consideration received from its customers to fund a return that is based on the investment profile that the customer selected on origination of the instrument.

Performance obligations

Management fee income is generally accrued daily as asset management services are rendered. The investment mandates do not place further pre-conditions and the fees are therefore computed on fixed percentages of the value of assets under management (AUM). The fees fall due and payable when billed either monthly, quarterly or biannually as stipulated in each contract. Performance fees are fees earned when predetermined criteria are achieved. The following criteria are stipulated in the performance contract and were evaluated using the five-step approach defined in IFRS 15.

Contract criteria

The performance evaluation of the specified fund is determined over a 12-month period against the fund's annual return target of Fleming Aggregate Bond Index (FABI) + 0,50% starting on 1 December each year. The performance fee rate is 0,1% of the market value of the fund as at 30 November 2023, which is also the contract evaluation date. The performance criteria were not met, therefore there were no performance fees earned during the year. The performance fees are calculated gross of the portfolio management fees. The performance fee is payable net of transaction fees, brokerage fees, agency or subcontractor fees and fiscal charges or levies.

IFRS 15 considerations

A contract exists between the group and the fund. The contract is subject to management fees and performance-based fees.

Performance obligations

The performance period and the performance obligations described above were not met as at the evaluation date.

BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

For the year ended 31 December 2023

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

7.1 Revenue recognition continued

Revenue from contracts with customers continued

Investment income

Interest income is recorded using the EIR, which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

Net gain or loss on financial assets and liabilities at fair value through profit or loss

Net gains or losses on financial assets and liabilities at fair value through profit or loss are changes in the fair value of financial assets and liabilities held for trading or designated upon initial recognition as at fair value through profit or loss and exclude interest and dividend income and expenses. Unrealised gains and losses comprise changes in the fair value of financial instruments for the period and from reversal of the prior period's unrealised gains and losses for financial instruments which were realised in the reporting period. Realised gains and losses on disposals of financial instruments classified as at fair value through profit or loss are calculated using the first-in, first-out method. They represent the difference between an instrument's initial carrying amount and disposal amount.

Other income

- Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature
- Dividend income is recognised when the shareholder's right to receive payment is established through approval by the shareholders.

7.2 Basis of consolidation

The consolidated annual financial statements comprise the financial statements of BIHL, its subsidiaries and consolidated funds as at 31 December 2023. The subsidiaries and the group have the same reporting dates and all use consistent accounting policies. In the company-only accounts, subsidiaries, associates and joint ventures are accounted for at cost less accumulated impairment losses.

Subsidiaries

Subsidiaries are those entities in which the group has an interest and control. Control is achieved when the group is exposed or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the group controls an investee if and only if the group has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- exposure or rights to variable returns from its involvement with the investee
- the ability to use its power over the investee to affect its returns.

The group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Consolidation of a subsidiary begins when the group obtains control over the subsidiary and ceases when the group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the group gains control until the date the group ceases to control the subsidiary. Where the reporting date of the subsidiary is different from the group, adjustments are made for the effects of any major transactions or events that occur between the reporting date of the subsidiary and that of the group.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the group loses control over a subsidiary, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiary
- derecognises the carrying amount of any non-controlling interest
- recognises the fair value of the consideration received
- recognises the fair value of any investment retained
- recognises any surplus or deficit in profit or loss
- reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate, on the same basis as would be required if the group had directly disposed of the related assets or liabilities.

Associates

Investments in associates are accounted for using the equity method of accounting. Under this method, the group's share of the post-acquisition profits or losses of associates is recognised in the income statement and its share of post-acquisition movements in reserves is recognised in other comprehensive income/equity. The cumulative post-acquisition movements are adjusted against the cost of the investment. The group's share of post-acquisition profits or losses is based on the earnings attributable to the owners of the associates (after tax and non-controlling interest in the associates). Associates are entities over which the group generally has between 20% and 50% of the voting rights, or over which the group has significant influence even if it has less than 20% voting rights, but which it does not control.

Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The group's investment in associates includes goodwill on acquisition. When the group's share of losses in an associate equals or exceeds its interest in the associate, the group does not recognise further losses unless the group has incurred obligations or made payments on behalf of the associates. The group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount to share of profit/(loss) of an associate' in the income statement.

Interest in a joint venture

The group has an interest in joint arrangements, which are joint ventures. A joint arrangement is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a joint venture is a joint arrangement that involves the establishment of a separate legal entity in which each venturer has an interest in only the net assets of the separate entity. The group recognises its interest in the joint ventures using equity accounting. The year-ends of the group's joint ventures are 31 October and 31 December. Adjustments are made for any significant transactions or events in the intervening period between 31 October and the group's reporting date.

BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

For the year ended 31 December 2023

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

7.2 Basis of consolidation continued

Consolidated funds

A financial liability is recognised and classified as at fair value through profit or loss for the fair value of the external investors' interest in consolidated funds where the issued units of the fund are classified as financial liabilities in terms of IFRS® Accounting Standards. Changes in the fair value of the external investors' liability are recognised in the statement of comprehensive income. In all other instances, the interests of external investors in consolidated funds are not financial liabilities and are recognised as non-controlling shareholders' interest.

Acquisition of non-controlling interests

Non-controlling interests represent the equity of the subsidiary not held by the group and are presented separately in the income statement and within equity in the consolidated statement of financial position, separately from parent shareholders' equity. Transactions with non-controlling interest leading to changes in ownership interest without control being affected are accounted for in equity as transactions with owners.

7.3 Investment properties

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of retirement or disposal.

7.4 Financial instruments

Financial instruments carried on the statement of financial position include investments (excluding associates and joint ventures), receivables, cash, deposits and similar securities, investment policy contracts, term finance liabilities, liabilities in respect of external investors in consolidated funds and payables. Financial instruments are recognised when the group becomes party to a contractual arrangement that constitutes a financial asset or financial liability for the group that is not subject to suspensive conditions. Regular way investment transactions are recognised by using trade date accounting.

Financial instruments are classified at initial recognition and measured at:

- amortised cost
- fair value through profit or loss (either mandatory or designated).

The classification of financial instruments is determined at initial recognition based on the purpose for which the financial assets are acquired or liabilities assumed.

7.5 Initial recognition and measurement

A financial asset is measured at amortised cost if it meets the following conditions and is not designated as at fair value through profit or loss:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding
- Financial assets at amortised cost comprise insurance and other receivables, cash, deposits and similar securities, loans and amounts owing by related parties.

A debt instrument is measured at fair value through other comprehensive income only if it meets both of the following conditions:

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The group does not have any assets held at fair value through other comprehensive income.

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described previously are mandatorily measured at fair value through profit or loss. In addition, the group designates certain financial assets that would otherwise meet the requirements to be measured at amortised cost or at fair value through other comprehensive income or at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

On initial recognition, the group designates a financial asset at fair value through profit or loss when doing so results in more relevant information because:

- it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases
- a group of financial liabilities or a group of financial assets and liabilities is managed, and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy and information about the group is provided internally on that basis to the entity's key management personnel
- the following investments in financial assets are designated at fair value through profit or loss for policyholders and shareholders:
  - corporate and quasi-Government bonds
  - fixed interest securities
  - other bonds and loans.

The group designates financial instruments at fair value through profit or loss in line with its risk management policies and procedures that are based on the management of the group's capital and activities on a fair value basis.

The following investments in financial assets are mandatorily at fair value through profit or loss for policyholders and shareholders:

- Equity investments – listed
- Equity investments – unlisted
- Money market instruments.

A financial asset or financial liability is initially measured at fair value, plus for a financial asset or financial liability not measured at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. Costs directly attributable to the acquisition of financial assets classified at fair value through profit or loss are recognised in the income statement as net loss from financial assets held at fair value through profit or loss.

- Equity investments – listed
- Equity investments – unlisted
- Money market instruments.

BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

For the year ended 31 December 2023

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

7.6 Derecognition

A financial asset is primarily derecognised (i.e. removed from the group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired
- the group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement
- the group has transferred substantially all the risks and rewards of the asset, or the group has neither transferred or retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the group has transferred its rights to receive cash flows from an asset or has entered a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred or retained substantially all of the risks and rewards of the asset, or transferred control of the asset, the group continues to recognise the transferred asset to the extent of its continuing involvement. In this case, the group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the group could be required to repay.

7.7 Financial liabilities

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include investment and insurance contract liabilities designated upon initial recognition at fair value through profit or loss. Gains and losses on financial liabilities held at fair value through profit or loss are recognised in profit or loss. The fair value of the investment contract liabilities is determined by the fair value of the underlying financial assets that are directly backing the financial liability.

Other liabilities such as trade and other payables and amounts owing to other related companies are initially measured at fair value. Subsequent to initial recognition, these are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR method amortisation process. Amortised cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in profit or loss.

Derecognising financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Derivative financial instruments

The group is exposed to certain risks relating to its ongoing business operations. The primary risk, which is managed using derivative instruments, is the foreign currency risk relating to the group's investment in foreign currency-denominated financial instruments. The derivative instruments reflect the change in fair value of foreign exchange swap transaction contracts that are intended to reduce the level of foreign currency risk. These derivatives are measured at fair value through profit or loss. The group does not apply hedge accounting.

7.8 Impairment of financial assets and non-financial assets

Financial assets at amortised cost

The group recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the group expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

Trade receivables, excluding premium debtors

For trade receivables, ECLs are recognised using the simplified approach. The simplified approach is applicable to trade receivables which do not have a significant financing component. Trade and other receivables do not contain significant financing components and they are for a maximum period of 90 days. When applying the simplified approach, the group does not track changes in credit risk but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The group determines the ECLs for each of the balances based on the historical probabilities of default for each group of trade receivables and the LGD. The LGD is the percentage that can be lost when a debtor defaults.

Other receivables

For other receivables, ECLs are recognised using the general approach. The related party loans arise from transactions on insurance contracts and other services (charges for services provided to the group companies) which are settled within 90 days. Loans to brokers and agents are mainly advances in lieu of commissions. They are matched to commissions payable to brokers/agents.

ECLs are recognised based on three stages. Stages 1 and 2 consider whether there has been a significant change in credit risk since the recognition of the financial asset or not and Stage 3 considers if the asset is already credit-impaired. In 2022, a number of brokers' and agents' loans were included in the credit loss provision due to the brokers and agents becoming inactive for an extended period of time. The risk of default was deemed to be higher as the loan recipients were no longer actively engaged by the group.

The group considers a financial asset in default when contractual payments are 90 days past due. In certain cases, the group may also consider a financial asset to be in default when internal or external information indicates that the group is unlikely to receive the outstanding contractual amounts in full before considering any credit enhancements held by the group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

For the purpose of a collective evaluation of impairment, financial assets are grouped based on similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the issuer's ability to pay all amounts due under the contractual terms of the debt instrument being evaluated.

BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

For the year ended 31 December 2023

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

7.9 Impairment of non-financial assets

Assets that are subject to depreciation/amortisation, except intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units) that are largely independent from cash inflows generated by other asset(s) or group(s) of assets. Non-financial assets are only considered in cash-generating units if the individual asset cannot generate cash inflows that are largely independent from cash inflows generated by other assets or groups of assets.

In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators of comparable assets.

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to equity. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the group makes an estimate of the recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

7.10 Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

7.11 Acquisition costs

Acquisition costs form part of fulfilment cash flows under IFRS 17 and consist of commission payable to sales staff on long-term insurance business, life business and expenses directly related thereto. Commission on long-term insurance business and life business is accounted for on all activated policies in the financial period during which it is incurred.

7.12 Recurring and non-attributable costs

Recurring and non-attributable costs include, *inter alia*, staff costs, professional fees, bank charges, marketing, advertising and other office costs, and training costs and are recognised on the accrual basis. Expenses incurred by functional departments are allocated to group life, group credit, group funeral, annuity and individual business, and furthermore for individual and annuity business by acquisition and maintenance in accordance with the function performed by the departments.

Premium collection costs are accounted for on an accrual basis These costs are allocated to recurring or non-attributable costs based on cost estimates prepared to derive unit costs per product as part of the actuarial modelling process.

7.13 Policy liabilities

The valuation bases and methodology used to measure the policy liabilities of all material lines of insurance and investment business for the group are set out below and comply with the requirements of IFRS. An explanation of the recognition of insurance amounts in profit or loss is covered on page 116.

Classification

The group applies IFRS 17 *Insurance Contracts* to insurance contracts and reinsurance contracts it issues, reinsurance contracts it holds and investment contracts with DPF it issues. Investment contracts without DPF (with or without investment management services) fall within the scope of IFRS 9 *Financial Instruments.*

All references to insurance contracts in these accounting policies apply to insurance contracts issued or acquired, reinsurance contracts issued or held, and investment contracts with DPF issued, unless specifically stated otherwise. All references to insurance contracts issued in these accounting policies apply to insurance contracts excluding reinsurance contracts held.

A contract is classified as an insurance contract where the group provides insurance coverage by accepting significant insurance risk when agreeing with the policyholder to pay benefits if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary. Significant insurance risk is assessed on a contract level and exists where there is at least one scenario in which the insured event results both in significant additional payments and also in an overall loss to the group on a present value basis.

In the normal course of business, the group uses reinsurance to mitigate its risk exposures. A reinsurance contract held transfers significant risk if it transfers substantially all the insurance risk resulting from the insured portion of the underlying insurance contracts, even if it does not expose the reinsurer to the possibility of a significant loss.

Once a contract has been classified as an insurance contract the classification remains unchanged for the remainder of its lifetime, even if the insurance risk reduces significantly during the coverage period, unless the terms of the contract are modified.

Some insurance contracts include investment components. An investment component that is not distinct and therefore in scope of IFRS 17 is the amount that an insurance contract requires the group to repay to the policyholder in all circumstances, regardless of whether an insured event occurs. All references to investment components in these accounting policies apply to investment components in scope of IFRS 17 that are not distinct, unless specifically stated otherwise. Investment components are included in the measurement of insurance liabilities. However, repayments of investment components are not presented in profit or loss (refer to the explanation of recognised insurance amounts in profit or loss on page 116 for further details). The measurement of investment components identified for different types of insurance contracts is covered in the following sub-sections. Refer to separation of components for the criteria relating to distinct investment components that need to be separated and accounted for under a different standard.

BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

For the year ended 31 December 2023

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

7.13 Policy liabilities continued

Classification continued

Insurance contracts are allocated to the following lines of business and measurement models for the disclosure of amounts related to these contracts in the notes to the financial statements:

- Life insurance – risk business (insurance contracts without direct participation features) is measured using the PAA and the GMM.

The PAA is applied to scheme (group life and group credit life) portfolios and the GMM is applied to individual life and guaranteed annuity portfolios. Where practicable, the group has disaggregated the GMM disclosure notes between Individual life and annuity portfolios.

Life insurance – risk business

The default accounting model applied to insurance contracts for liability measurement purposes is the GMM, unless the VFA or PAA applies. The PAA is a modification of the GMM that allows the use of a simplified approach for measuring the insurance contract liabilities for certain eligible types of contracts (refer to contracts measured under the PAA for further details). Insurance contracts measured under the GMM and PAA are referred to as insurance contracts without direct participation features.

For some insurance contracts without direct participation features, the group performs investment activity to generate an investment return included in an investment component or amount the policyholder has a right to withdraw. Such an insurance contract provides an investment-return service and is measured under the GMM.

The following are examples of the main types of products included in life insurance – risk business:

- Life insurance risk business providing death/disability and funeral cover (for a specified term/whole life) is measured under the GMM, unless eligible for the PAA
- Life insurance risk business where insurance coverage is provided to members of corporate schemes, with the premiums payable by the employers (policyholders) and reviewable at least annually, is measured under the PAA
- Non-participating life annuities (excluding term-certain annuities in scope of IFRS 9) are measured under the GMM. For non-participating life annuities with a guarantee period, payments made during the guaranteed period are considered to be investment components
- Universal life insurance contracts which give rise to investment and insurance risk are measured under the GMM
- Other risk insurance contracts providing investment-return services (for example, endowment contracts) are measured using the GMM, with investment components determined based on the contractual amounts payable on death, surrender or maturity, net of any relevant exit or surrender charges
- Reinsurance contracts held providing proportionate coverage (such as quota share or surplus reinsurance) or non-proportionate coverage (such as excess of loss reinsurance) are measured under the GMM, unless eligible for the PAA.

Separation of components

The standard requires distinct components to be separated from the insurance contract and accounted for under a different IFRS standard. For the current reporting period, no components were deemed distinct.

Aggregation (including unit of account)

The lowest unit of account explicitly mentioned in IFRS 17 is the contract, and therefore the group has assumed that an insurance arrangement with the legal form of a single contract would generally be considered a single unit of account. However, there might be certain cases where the legal form of a contract does not reflect the substance. Insurance contracts which cover multiple insurance risks can be separated into separate contracts for measurement purposes where the group has applied judgement to assess that the legal form of the insurance contract does not reflect the substance and separation is required.

Insurance contracts within each product line are allocated to portfolios of insurance contracts that are managed together and subject to similar risks. The portfolios are further divided into groups of insurance contracts issued based on recognition date (refer to recognition) and expected profitability, based on whether:

- contracts are onerous at initial recognition
- contracts at initial recognition have no significant possibility of becoming onerous subsequently
- contracts at initial recognition have a significant possibility of becoming onerous subsequently (i.e. the remaining contracts).

An insurance contract issued is expected to be onerous if the fulfilment cash flows allocated to the contract at initial recognition in total are a net outflow. For insurance contracts issued measured under the PAA, contracts are not expected to be onerous at initial recognition unless there are facts and circumstances indicating that they are onerous.

Each group of insurance contracts does not include insurance contracts issued (or reinsurance contracts held) more than one year apart in the same group (also referred to as cohorts of insurance contracts). These groups represent the level of aggregation at which insurance contracts are measured. Such groups are not subsequently reconsidered.

The group uses judgement in identifying portfolios and assessing the appropriate level at which reasonable and supportable information is available to determine the groups of insurance contracts based on expected profitability at initial recognition.

Reinsurance contracts held

For reinsurance contracts held, the references to onerous contracts above are replaced with references to contracts on which there is a net gain at initial recognition.

Measurement of insurance contracts

The group measures insurance contracts by performing year-to-date estimates of the carrying amount of the asset or liability for a group of insurance contracts.

In the notes to the financial statements, the net carrying amount of the insurance contracts issued and reinsurance contracts held has been defined as the net insurance contract carrying amount (for insurance contracts issued) and the net reinsurance contract carrying amount (for reinsurance contracts held).

Recognition

The group recognises insurance and reinsurance contracts issued from the beginning of the coverage period, or if earlier, the date when the first payment from the policyholder is due or when the group determines that a group of contracts becomes onerous/contracts with net gain. Insurance contracts acquired in a business combination or a portfolio transfer are accounted for as if they were entered into at the date of acquisition or transfer.

Reinsurance contracts held

The group recognises reinsurance contracts held at the beginning of the coverage period, but no earlier than the initial recognition date of any underlying insurance contract where the group of reinsurance contracts held provides proportionate coverage (such as quota share reinsurance or surplus reinsurance). A group of reinsurance contracts held that provides non-proportionate coverage (such as excess of loss reinsurance) is recognised at the beginning of the coverage period of that group.

BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

For the year ended 31 December 2023

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

7.13 Policy liabilities continued

Contract boundaries

The group includes in the measurement of a group of insurance contracts all the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract issued if they arise from substantive rights and obligations that exist during the reporting period in which the group can compel the policyholder to pay premiums or has a substantive obligation to provide the policyholder with insurance contract services.

Cash flows are within the boundary of an investment contract with DPF if they result from a substantive obligation of the group to deliver cash at a present or future date.

A substantive obligation to provide services ends when the group:

- has the practical ability to reassess the risks of a particular policyholder and as a result can change the price charged or the level of benefits provided for the price to fully reflect the new level of risk
- performs the boundary assessment at a portfolio rather than individual contract level, and the following two criteria are both satisfied:
  - the group has the practical ability to reprice the portfolio to fully reflect risk from all policyholders
  - the group's pricing of the premiums up to the assessment date does not consider any risks beyond this date.

The group concludes its practical ability to set a price that fully reflects the insurance and/or financial risks in the individual contract or portfolio at the reassessment/renewal date by considering all the risks (transferred from the policyholder to the group) that it would assess when underwriting equivalent contracts on the same date for the remaining service. Where the group provides an option to members of group life insurance business to purchase individual life cover on cessation of employment, all future cash flows related to the individual life cover will form part of a new insurance contract because the group has the practical ability to charge the prevailing new business rates which fully reflect the new level of risk.

Cash flows outside of the boundary of the insurance contract relate to future insurance contracts and are recognised when those contracts meet the recognition criteria.

Reinsurance contracts held

For groups of reinsurance contracts held, cash flows are within the contract boundary if they arise from substantive rights and obligations of the group that exist during the reporting period in which the group is compelled to pay amounts to the reinsurer or in which the group has a substantive right to receive services from the reinsurer.

The substantive rights and obligations of both parties will end if there is a unilateral right to cancel the reinsurance contract. The probability of the reinsurer repricing the contract can be allowed for when determining the fulfilment cash flows included in the contract boundary and is based on past business practice/experience where relevant. However, an allowance for the probability of the reinsurer cancelling the contract is not permitted when assessing the contract boundary.

Initial measurement (excluding the PAA)

On initial recognition, the group measures a group of insurance contracts as the total of the:

- fulfilment cash flows
- contractual service margin.

The PAA is a modification of the GMM that allows the use of a simplified approach for measuring the liability for remaining coverage for certain eligible types of contracts.

Fulfilment cash flows

The fulfilment cash flows comprise unbiased and probability-weighted estimates of future cash flows within the contract boundary, with discount rates being applied to the future cash flows to adjust for the time value of money and financial risks related to those cash flows. The fulfilment cash flows consider all reasonable and supportable information available at the reporting date without undue cost or effort.

Fulfilment cash flows are determined separately for insurance contracts issued and reinsurance contracts held. Fulfilment cash flows are allocated to groups of insurance contracts for measurement purposes. Fulfilment cash flows exclude expense cash flows not directly attributable to the fulfilment of the insurance contracts.

An explicit risk adjustment for non-financial risk is estimated separately from the other estimates and forms part of the fulfilment cash flows for a group of insurance contracts. The risk adjustment represents the compensation required for bearing uncertainty about the amount and timing of the cash flows that arise from non-financial risk. Note 'Risk adjustment for non-financial risk' on page 101 provides further details on the methods and assumptions used to determine the risk adjustment for non-financial risk.

Reinsurance contracts held

Fulfilment cash flows of reinsurance contracts held include the effect of any risk of non-performance by the issuer of the reinsurance contract where material, including the effects of collateral and losses from disputes. The risk adjustment for non-financial risk reflects that some of this uncertainty will be ceded to the reinsurer. For reinsurance contracts held, the group has not treated any expense cash flows as acquisition cash flows.

Discount rates

The estimates of future cash flows are adjusted to reflect the time value of money and the financial risks related to those cash flows, to the extent not included in the estimates of future cash flows. The group applies discount rates, that include the effect of inflation, to nominal cash flows (i.e. those cash flows that also include the effect of inflation, where relevant).

The discount rates applied to the estimates of the future cash flows:

- reflect the time value of money, the characteristics of the cash flows and the liquidity characteristics of the insurance contracts
- are consistent with observable current market prices (if any) and exclude the effect of factors that influence such observable market price but do not affect the future cash flows of the insurance contracts.

Cash flows are divided between cash flows that vary based on the returns on underlying items and cash flows that do not vary based on the returns on underlying items. Cash flows that vary based on the returns on underlying items are discounted using rates that reflect that variability.

A bottom-up approach is used to determine the discount rates applied to cash flows that do not vary based on returns with underlying items. A zero-coupon (risk-free) yield curve is applied to cash flows that do not vary based on the returns on underlying items.

BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

For the year ended 31 December 2023

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

7.13 Policy liabilities continued

Contractual service margin

The CSM is a component of the carrying amount of the asset or liability for a group of insurance contracts issued which represents the unearned profit that the group expects to recognise as it provides insurance contract services.

- If a group of insurance contracts issued is not onerous at initial recognition, the CSM is measured as the equal and opposite amount of the net inflow resulting from the total of the fulfilment cash flows, any derecognised assets for insurance acquisition cash flows or other cash flows incurred before the recognition date. This results in no income or expenses arising on initial recognition
- If a group of insurance contracts issued is onerous at initial recognition, the CSM is negative. The group immediately recognises this net outflow as an expense in profit or loss with no CSM recognised on the statement of financial position at initial recognition. A loss component, which is equal to this net outflow representing the expected future losses on the group of insurance contracts, is recognised at initial recognition and tracked over the coverage period of the insurance contracts for measurement purposes. The loss component therefore forms part of the liability for remaining coverage. Refer to subsequent measurement (excluding the PAA) for further details.

The group did not recognise (or derecognise) any assets for insurance acquisition cash flows in the 2023 reporting period for insurance contracts measured under the GMM.

For groups of contracts acquired in a transfer of insurance contracts or in a business combination within the scope of IFRS 3 *Business Combinations*, the consideration received for the contracts is included in the fulfilment cash flows as a proxy for the premiums received at the date of acquisition. In a business combination, the consideration received is the fair value of the contracts at that date. No contracts were acquired in a transfer of insurance contracts or in a business combination in the 2023 reporting period.

Reinsurance contracts held

For groups of reinsurance contracts held, the CSM can be positive or negative and therefore represents a deferred gain or loss that the group will recognise as reinsurance income or expenses when it receives reinsurance coverage in the future. An LRC adjusts the CSM at initial recognition of the group of reinsurance contracts held when onerous underlying insurance contracts are recognised. The resulting income is recognised in profit or loss and offsets the losses recognised on the underlying insurance contracts for the portion of the underlying insurance contracts being reinsured. The LRC is not established before the underlying insurance contracts are recognised. This adjustment to the CSM of a group of reinsurance contracts held and the resulting income is determined by multiplying:

- the loss recognised on the underlying insurance contracts
- the percentage of claims on the underlying insurance contracts the group expects to recover from the group of reinsurance contracts held.

The group uses judgement in determining the LRC, including for subsequent measurement covered in the next section.

Subsequent measurement (excluding PAA)

The carrying amount of a group of insurance contracts at the end of each reporting date is the sum of:

- the liability for remaining coverage (remaining coverage component for reinsurance contracts held), comprising:
  - the fulfilment cash flows related to service to be provided (received for reinsurance contracts held) in future periods
  - the remaining CSM of the group at that date
- the liability for incurred claims (incurred claims component for reinsurance contracts held), comprising the fulfilment cash flows for past service allocated to the group at that date. The liability for incurred claims also includes the repayment of any investment components or other amounts that are not related to the provision of insurance contract services in future periods and therefore not included in the liability for remaining coverage.

Fulfilment cash flows

The fulfilment cash flows of groups of insurance contracts are measured at the reporting date using current probability-weighted estimates of fulfilment cash flows, discount rates appropriate to the measurement model being used and current estimates of the risk adjustment for non-financial risk.

Fulfilment cash flows for past incurred claims include the discounted value of the estimates of future payments arising from these incurred claims, such as the estimated future benefit payments on income protection contracts and riders such as premium waivers.

Changes in estimates of the fulfilment cash flows are treated differently according to whether changes relate to current (or past) or future service:

- Changes that relate to current (or past service) are recognised in profit or loss
- Changes that relate to future service are recognised by adjusting the CSM within the liability for remaining coverage, including changes in the risk adjustment for non-financial risk that relate to future service. This excludes any changes which adjust the loss component on a group of insurance contracts issued, or any changes which adjust the LRC on a group of reinsurance contracts held (refer to the following 'Loss component' section for further details).

Insurance contracts accounted for under the GMM

The following changes do not relate to future service and therefore do not adjust the CSM:

- Changes in fulfilment cash flows related to the effect of and changes in the time value of money and financial risks, including the effect of financial guarantees (changes in time value of financial options and guarantees)
- Changes in the liability for incurred claims related to past service
- Experience adjustments arising from premiums received (premiums paid for reinsurance contracts held) that relate to current service including related cash flows such as insurance acquisition cash flows and experience adjustments related to incurred claims and administration expenses.

The following changes relate to future service and therefore adjust the CSM:

- Changes in estimates of the present value of future cash flows included in the liability for remaining coverage, excluding the impacts described above that do not adjust the CSM
- Changes in the risk adjustment for non-financial risk that relate to future service
- Differences in the investment components expected to become payable in the period and actual investment components payable in the period. The expected repayments of investment components include the effect of and change in the time value of money and financial risks before it becomes payable
- Experience adjustments arising from premiums received that relate to future service including related cash flows such as insurance acquisition cash flows.

The adjustments to the CSM are measured based on the discount rates applied to the fulfilment cash flows at initial recognition (also referred to as locked-in discount rates). Refer to the following 'Contractual service margin' section for further details.

The group applies judgement to determine whether the premium experience adjustments relate to current (or past) or future service.

BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

For the year ended 31 December 2023

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

7.13 Policy liabilities continued

Fulfilment cash flows continued

Insurance contracts accounted for under the GMM continued

For insurance contracts issued providing investment-return services, where the group applies discretion in the timing and amount of the cash flows to be paid to the policyholders, changes in discretionary cash flows relate to future service and adjust the CSM. The group specifies at the inception of the contract the basis on which it expects to determine its commitment under the contract. Changes in assumed future bonus rates will be treated as changes in discretionary cash flows if this determination of non-vested bonuses is not based on a formulaic approach specified at the inception of the contracts. Policyholders earning investment returns on account balances, and any changes in the formulaic approach for the smoothing of investment returns specified at the inception of the contract, are changes related to financial risks and do not adjust the CSM.

Contractual service margin

For a group of insurance contracts issued, the carrying amount of the CSM at the end of each reporting period is adjusted for the following changes in the period:

- The effect of new contracts recognised in the period (refer to 'Contractual service margin' on page 101 for further details)
- For contracts measured under the GMM, the accretion of interest on the CSM at the start of the reporting period (or initial recognition for new contracts recognised in the period). Interest is accreted on the CSM using locked-in discount rates determined at initial recognition that are applied to nominal cash flows that do not vary based on the returns on underlying items
- Changes in the fulfilment cash flows that relate to future service (as described in the 'Fulfilment cash flows' section) adjust the CSM, to the extent the CSM is available. If an increase in the fulfilment cash flows exceeds the carrying amount of the CSM, the CSM is reduced to zero, the excess is recognised in insurance service expenses and a loss component is recognised. If the CSM is zero, changes in the fulfilment cash flows are recognised in insurance service expenses by adjusting the loss component. Any decrease in the fulfilment cash flows in excess of the loss component reduces the loss component to zero and reinstates the CSM. Refer to the following 'Loss component' section for further details
- The effect of changes in currency exchange rates for contracts denominated in a foreign currency, with movements being translated at the average exchange rate over the reporting period
- The amount of the CSM recognised in insurance revenue based on the insurance contract services provided in the period, determined after allowing for the impacts described above. Refer to the 'Coverage units' section below for further details.

Reinsurance contracts held

For a group of reinsurance contracts held, the same steps are followed (as described above for a group of insurance contracts issued) to adjust the carrying amount of the CSM at the end of each reporting period, with the main differences in the features of the reinsurance contracts held summarised below:

- The CSM at initial recognition for new contracts recognised in the period is after the deduction of an LRC when underlying insurance contracts are onerous
- The adjustment to the CSM for changes in the fulfilment cash flows related to future service is after the deduction of any adjustment to the LRC for changes in the fulfilment cash flows for the underlying insurance contracts which adjusted a loss component
- The amount of the CSM recognised as income or expenses from reinsurance contracts held in profit or loss is based on the services received from the reinsurer(s) in the period.

Coverage units

The CSM is recognised as insurance revenue over the duration of the insurance contracts issued based on the number of coverage units provided in each period. Coverage units are determined for broad product types to best reflect the rendering of insurance contract services in a particular reporting period.

The coverage units of the group of insurance contracts are identified by considering for each contract the quantity of the benefits provided under the contract and its expected coverage period. The quantity of benefits will typically be determined based on the maximum amounts that policyholders can claim in each period. The coverage units are updated at each reporting date to reflect the actual experience over the reporting period and the expected coverage to be provided in the future.

The coverage units for contracts measured under the GMM consider the quantity of benefits and expected coverage period of investment-return services (where relevant) in addition to the insurance coverage provided (or reinsurance coverage received).

Loss component

The loss component at initial recognition of a group of insurance contracts issued represents the expected losses to be incurred on the group of insurance contracts over the coverage period.

Subsequent to initial recognition, the loss component of a group of insurance contracts issued is adjusted for changes in the estimates of the fulfilment cash flows that relate to future service (as described in the previous 'Fulfilment cash flows' section above) with such increases or reversals of losses recognised in insurance service expenses in profit or loss. For insurance contracts measured under the GMM, the adjustments to the loss component are measured based on locked-in discount rates. These changes in the fulfilment cash flows allocated to the loss component of a group of insurance contracts issued are excluded from insurance revenue and insurance service expenses, resulting in the recognition of insurance revenue depicting the consideration to which the group expects to be entitled in exchange for the insurance contract services provided.

Reinsurance contracts held

For a group of reinsurance contracts held, the LRC is adjusted based on the corresponding adjustments to any loss component(s) of the underlying insurance contracts and the reinsured portion of these underlying insurance contracts. The LRC is not adjusted for any material increases in the loss component related to any cash flows that are not reinsured. The group uses judgement in determining the LRC.

Contracts measured under the PAA

The PAA is applied to all insurance contracts with a coverage period of one year or less. In some scenarios, the PAA is also applied where the group expects that the measurement of a group of insurance contracts issued under the PAA would produce a measurement of the liability for remaining coverage (or asset for the remaining coverage component for reinsurance contracts held) that would not differ materially from the one that would be produced by applying the GMM.

For insurance contracts issued, the liability for remaining coverage represents the portion of the premiums received related to insurance coverage to be provided in future. Insurance business measured under the PAA have recognises insurance acquisition cash flows as expenses in profit or loss when incurred.

BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

For the year ended 31 December 2023

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

7.13 Policy liabilities continued

Contracts measured under the PAA continued

For a group of insurance contracts issued on initial recognition, the group measures the liability for remaining coverage as the amount of premiums received, if any, and amounts for the derecognition at that date of any asset for insurance acquisition cash flows recognised before the initial recognition of the group.

The carrying amount of a group of insurance contracts issued at the end of each reporting date is the sum of:

- the liability for remaining coverage
- the liability for incurred claims, comprising the fulfilment cash flows for past incurred claims not paid.

For a group of insurance contracts issued, at the end of each reporting date, the group measures the liability for remaining coverage as the carrying amount at the start of the reporting period:

- plus the premiums received in the period
- minus insurance acquisition cash flows (if not recognised as an expense in profit or loss)
- plus any amounts relating to the amortisation of insurance acquisition cash flows (if not recognised as an expense in profit or loss)
- minus the amount recognised as insurance revenue for the services provided in the period
- minus any investment component paid or transferred to the liability for incurred claims.

The group does not adjust the liability for remaining coverage for insurance contracts issued (or asset for the remaining coverage for reinsurance contracts held) for the effect of the time value of money as the premiums are due within one year or less from the date of initial recognition.

For insurance contracts measured under the PAA, the liability for incurred claims has not adjusted for the time value of money where the claims settlement period is more than one year. The group did not recognise (or derecognise) any assets for insurance acquisition cash flows in the 2023 reporting period for insurance contracts issued measured under the PAA.

A risk adjustment for non-financial risk is determined for the liability for incurred claims where there is uncertainty in the size of the estimate and/or the timing, of the underlying cash flows. 'Risk adjustment for non-financial risk' on page 101 provides further details on the methods and assumptions used to determine the risk adjustment for non-financial risk.

If there are facts and circumstances that indicate that a group of insurance contracts issued is onerous, a loss will be recognised in profit or loss equal to the difference between the fulfilment cash flows related to the future coverage of the group under the GMM and the liability for remaining coverage under the PAA, with the liability for remaining coverage being increased to be equal to the fulfilment cash flows under the GMM. If the liability for incurred claims does not allow for the time value of money and the effect of financial risk, then the fulfilment cash flows should also exclude such an adjustment. Subsequent to an initial loss being recognised, the loss component will be recalculated at the end of each reporting period based on the difference between the fulfilment cash flows measured under the GMM and the liability for remaining coverage under the PAA, with the change in loss component over the period being recognised as an increase or reversal of losses in profit or loss.

For groups of insurance contracts measured under the PAA, no onerous groups of insurance contracts have been recognised in the 2023 reporting period.

Reinsurance contracts held

For reinsurance contracts held, the asset for remaining coverage measured under the PAA represents the portion of the ceding premiums paid related to reinsurance coverage to be received in future.

For a group of reinsurance contracts held on initial recognition, the group measures the asset for remaining coverage under the PAA as the amount of ceding premiums paid.

The carrying amount of a group of reinsurance contracts held at the end of each reporting date is the sum of:

- the asset for remaining coverage (also referred to as the remaining coverage component)
- the incurred claims component, comprising the fulfilment cash flows for past incurred claims not recovered.

For a group of reinsurance contracts held, at the end of each reporting date, the group measures the asset for remaining coverage as the carrying amount at the start of the reporting period:

- minus the ceding premiums paid in the period
- plus the amount recognised as reinsurance expenses for the services received in the period.

For groups of reinsurance contracts held, an LRC will be deducted from the asset for remaining coverage when the loss component is initially recognised on the underlying insurance contracts, with subsequent adjustments to the LRC based on the corresponding changes in the loss component for the underlying insurance contracts.

Derecognition and modification

The group derecognises a contract when the rights and obligations relating to the contract are extinguished (i.e. expired, discharged or cancelled) or the contract is modified and additional criteria are met.

If an insurance contract is modified by the group by agreement between the parties to the contract or by a change in regulation, the changes in the cash flows as a result of the modification are treated as changes in estimates of fulfilment cash flows, unless the criteria for the derecognition of the original contract are met. If a contract modification results in derecognition of the original contract, a new contract is recognised on the modified terms. The exercise of a right included in the terms of a contract is not a modification.

If an insurance contract not accounted for under the PAA is derecognised from a group of insurance contracts, or a contract modification does not result in the derecognition of the original insurance contract, the CSM of the group of insurance contracts is adjusted for the changes in estimates of fulfilment cash flows.

If an insurance contract not accounted for under the PAA is transferred to a third party, or a contract modification results in the derecognition of the original insurance contract and recognition of a new contract, the group adjusts the CSM of the group of insurance contracts from which the contract has been derecognised based on the difference between the changes in estimates of fulfilment cash flows of the group of insurance contracts resulting from the contract being derecognised and:

- for transfers to a third party, the premium charged by the third party
- for a contract modification, the premium that the group would have charged had it entered into a new contract with the modified terms at the date of the contract modification.

The new contract recognised is measured assuming that the group received the premium determined above. The adjustments to the CSM described above exclude any changes in fulfilment cash flows resulting in the recognition of (or changes to) a loss component for the group of insurance contracts. If an insurance contract measured under the PAA is derecognised from a group of insurance contracts, the group adjusts the liability for remaining coverage of the group of insurance contracts to reflect the amount refunded to the policyholder as a result of the derecognition of the insurance contract (or the amount paid to a third party in the case of a transfer other than for settlement of incurred claims), and the premium that would have been received for a new contract in the case of a contract modification resulting in the derecognition of the original contract.

BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

For the year ended 31 December 2023

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

7.13 Policy liabilities continued

Explanation of recognised insurance amounts in profit or loss

This section describes how amounts related to insurance contracts are presented and disclosed in the group's consolidated financial statements. The insurance service result is equal to the sum of:

- insurance revenue
- insurance service expenses
- income or expenses from reinsurance contracts.

The result from insurance is equal to the sum of the:

- insurance service result
- insurance (and reinsurance) finance income or expenses
- investment returns on assets held in respect of insurance contracts.

Insurance revenue

Insurance revenue represents the changes in the liability for remaining coverage over the period for a group of insurance contracts excluding changes in the liability that do not relate to services expected to be covered by the consideration received. The consideration received refers to the amount of premiums paid to the group, adjusted for the discounting effect and excluding any investment components. The amount of insurance revenue recognised in the reporting period depicts the delivery of promised services at an amount that reflects the portion of premiums the group expects to be entitled to in exchange for those services.

For insurance contracts issued not measured under the PAA, the total consideration for a group of contracts covers the following amounts:

- Expected claims and administration expenses incurred in the period (excluding amounts allocated to the loss component and repayments of investment components)
- Amounts of the CSM recognised in profit or loss for the services provided in the period
- Release of the risk adjustment for expired risk (excluding amounts allocated to the loss component)
- Experience adjustments arising from premiums received related to current (or past) service, including related cash flows such as insurance acquisition cash flows
- Amortisation of insurance acquisition cash flows for groups of insurance contracts measured under the GMM (refer to amortisation of insurance acquisition cash flows for further details).

For contracts measured under the PAA, insurance revenue for the period is the amount of expected premium receipts allocated to the period based on the passage of time. However, if the expected pattern of release of risk during the coverage period differs significantly from the passage of time, then insurance revenue for the period is allocated on the basis of the expected timing of incurred insurance service expenses.

Insurance service expenses

The following amounts are recognised in insurance service expenses:

- Expected claims and administration expenses incurred (excluding amounts allocated to the loss component and repayments of investment components)
- Experience adjustments arising from incurred claims and administration expenses
- Changes in liability for incurred claims related to past service
- Actual insurance acquisition cash flows on insurance contracts measured under the PAA (for businesses not electing to amortise these cash flows in the liability for remaining coverage)
- Amortisation of insurance acquisition cash flows for groups of insurance contracts measured under the GMM, or where businesses elect to include insurance acquisition cash flows in the liability for remaining coverage under the PAA
- Changes that relate to future service:
  - Initial losses on onerous groups of insurance contracts issued recognised in the period
  - Increases and reversals of losses on onerous groups of insurance contracts issued.

The expenses only relate to cash flows that are directly attributable to the fulfilment of the insurance contracts issued.

Income or expenses from reinsurance contracts

The group presents income or expenses from a group of reinsurance contracts held, other than insurance finance income or expenses, as a single amount. The amounts recognised as income or expenses reflect the features of reinsurance contracts held that differ from insurance contracts issued.

Income or expenses from reinsurance contracts comprise reinsurance service expenses less amounts recovered from reinsurers. Reinsurance expenses are recognised similarly to insurance revenue, depicting the transfer of services received in the period at an amount reflecting the portion of premiums the group is expected to pay in exchange for those services. The following amounts are recognised as income or expenses from reinsurance contracts held where relevant:

- Amounts of the CSM recognised in profit or loss for the services received in the period
- Changes in the risk adjustment for non-financial risk, excluding:
  - changes that related to future service (adjusting the CSM)
  - amounts included in reinsurance finance income or expenses
- For contracts accounted for under the GMM:
  - experience adjustments related to incurred claims and administration expenses recoverable from the reinsurance contracts held and other administration expenses incurred
  - experience adjustments related to ceded premiums for past and current service
- For contracts accounted for under the PAA:
  - actual incurred claims and administration expenses recoverable from the reinsurance contracts held and other administration expenses incurred
  - reinsurance expenses related to the portion of ceded premiums recovered in the current period, recognised based on the passage of time over the coverage period of the reinsurance contracts held
- Changes in the incurred claims for past service recoverable from the reinsurance contracts held
- Changes in the non-performance risk of reinsurer counterparties
- Changes that relate to future service:
  - Income on the LRC recognised in the period
  - Changes in estimates that adjust the LRC.

Insurance (and reinsurance) finance income and expenses

The group recognises all insurance finance income or expenses for the reporting period in profit or loss. The group has therefore elected not to disaggregate insurance finance income or expenses between profit or loss and other comprehensive income. The effect of and changes in the time value of money and financial risk form part of the insurance finance income and expenses. For a group of insurance contracts measured under the GMM, insurance finance income or expenses mainly comprises the following amounts:

- The unwind of interest on fulfilment cash flows based on current discount rates
- The accretion of interest on the CSM based on locked-in discount rates
- The effect of changes in financial (economic) assumptions, including the effect of changes in financial guarantees (changes in time value of financial options and guarantees)
- The impact of currency exchange differences on fulfilment cash flows for contracts denominated in a foreign currency (where relevant).

BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

For the year ended 31 December 2023

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

7.13 Policy liabilities continued

Insurance (and reinsurance) finance income and expenses continued

For a group of insurance contracts measured under the PAA, insurance finance income or expenses mainly comprises the following amounts (where relevant):

- The unwind of interest on the liability for incurred claims based on current discount rates
- The impact on the liability for incurred claims of the effect of changes in economic assumptions.

The amounts recognised in insurance finance income or expenses are determined on a 'gross basis' before any allowance for investment management expenses, policyholder taxation at current tax rates and charges for investment guarantees. The changes in the risk adjustment for non-financial risk have been disaggregated between the insurance service result and insurance finance income and expenses.

Amortisation of insurance acquisition cash flows

Insurance acquisition cash flows are cash flows arising from the costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) that are directly attributable to the portfolio of insurance contracts to which the group belongs. Such cash flows include cash flows that are not directly attributable to individual contracts or groups of insurance contracts within the portfolio.

Insurance acquisition cash flows are amortised in each reporting period in a systematic way based on the passage of time. For insurance contracts not measured under the PAA, the insurance acquisition cash flows are amortised in line with the coverage units used to determine the recognition of the CSM in insurance revenue.

Measurement of investment contracts in scope of IFRS 9

Contracts with investment management services

The liabilities are measured based on the retrospectively accumulated fair value of the underlying assets. The amounts recognised in profit or loss for these contracts are based on the fees received during the period concerned plus the movement in the contract costs less expenses incurred.

Non-participating annuity business

Term annuity instalments and expected future expenses in respect of these instalments are discounted at the zero-coupon yield curve adjusted for an illiquidity premium and investment administration charges.

7.14 Collateral in respect of financial assets

Collateral placed at counterparties as part of the group's capital market activities is not recognised. No transfer of ownership takes place in respect of collateral other than cash and any such collateral accepted by counterparties may not be used for any purpose other than being held as security for the trades to which such security relates. In respect of cash security, ownership transfers in law. The counterparty, however, has an obligation to refund the same amount of cash, together with interest, if no default has occurred in respect of the trades to which such cash security relates. Cash collateral is accordingly also not derecognised.

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and the valuation parameters. Collateral is mainly obtained for securities lending. Credit risk is also mitigated by entering into collateral agreements. Management monitors the market value of the collateral, requests additional collateral when needed and performs an impairment valuation when applicable. Government bonds do not have collateral as these are deemed low-risk and recoverable.

7.15 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at amortised cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, bank balances (current accounts), cash at bank (call deposits), bank overdrafts (offset against positive bank balances in the cash flow statement) and demand deposits. Cash and cash equivalents are defined as cash at the bank, cash in hand and unencumbered cash instruments with a maturity period not exceeding three months.

7.16 Foreign currency translation

Functional and presentation currency

The consolidated annual financial statements are presented in Botswana Pula, which is the group's functional and presentation currency. Each entity in the group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences on remeasurement and settlement of monetary items are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit, or loss is also recognised in other comprehensive income or profit or loss, respectively). Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Foreign operation financial statements

The functional currency of the foreign operations, African Life Financial Services (Zambia) Limited and Quantum Assets Zambia Limited, is Zambian Kwacha. The group is also invested in an associated company in Malawi whose functional currency is the Malawian Kwacha. As at the reporting date, the assets and liabilities of the associate and subsidiary are translated into the presentation currency of the group at the rate of exchange ruling at the reporting date and the income statement is translated at the weighted average exchange rate for the year.

The exchange differences arising on translation are taken directly to other comprehensive income. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that foreign operation is recognised in the income statement as part of profit or loss on disposal of the subsidiary.

BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

For the year ended 31 December 2023

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

7.17 Property and equipment and owner-occupied property

Property and equipment are stated at cost less accumulated depreciation and impairment losses. Depreciation is calculated on a straight-line basis to write off the cost of each asset to its residual value over its estimated useful life. Land is not subject to depreciation. Owner-occupied property comprises land and buildings held for use in the supply or for administration purposes.

The following are the applicable useful lives:

- Buildings — 20 years
- Furniture and fittings — Four to 10 years
- Computer equipment — Four years
- Motor vehicles — Four years
- Leasehold improvements — Lower of lease term and useful life of improvements (five to 10 years).

Repairs and maintenance are charged to the income statement during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset if the recognition criteria are met. Major renovations are depreciated over the remaining useful life of the related asset.

Depreciation commences when the item of property and equipment is available for use as intended by management and ceases when the item is derecognised or classified as held for sale or included in a discontinued operation. Depreciation ceases temporarily while the residual value is equal to the carrying value.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

All assets are tested for impairment on an annual basis and the asset's residual values, useful lives and methods of depreciation are reviewed and adjusted if appropriate at each financial year-end.

7.18 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets with finite lives are amortised over their useful life and assessed for impairment at each reporting date and whenever there is an indication that the intangible asset is impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least each financial year-end. Changes in the expected useful life and the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method as appropriate and treated as changes in accounting estimates. The amortisation expense is recognised in the income statement in the expense category consistent with the function of the intangible asset.

Amortisation commences when an intangible asset is available for use and ceases at the earlier of the intangible asset being classified as held for sale and the date that the asset is derecognised. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the intangible asset and are recognised in the income statement when the asset is derecognised.

Computer software

Generally, costs associated with purchasing computer software programs are capitalised when the requirements for capitalisation are met. The cost of a separately acquired intangible asset comprises its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates and any directly attributable cost of preparing the asset for its intended use.

Costs that are clearly associated with an identifiable system, which will be controlled by the group, and which have a probable benefit beyond one year, are recognised as an asset provided they meet the definition of development costs.

Computer software development costs recognised as assets are amortised in the income statement on the straight-line method over their useful lives, not exceeding a period of three years, and are carried in the statement of financial position at cost less accumulated amortisation and accumulated impairment losses. The carrying amount, useful lives and amortisation methods of assets are reviewed and adjusted if appropriate at each reporting date.

Goodwill

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the acquisition date fair value of the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss as a bargain purchase gain.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Any impairment on goodwill is never reversed. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

7.19 Provisions

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

For the year ended 31 December 2023

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

7.20 Taxes and value added tax (VAT)

Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit or taxable profit or loss
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. No deferred tax has been recognised as the distribution of profits from subsidiaries and associates follows a defined dividend policy. The retained profits that remain are held in line with capital requirements of the various businesses, therefore future distribution is only expected from the future profits.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised, and the carry forward of unused tax credits and unused tax losses except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit or taxable profit or loss
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it is probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax is recognised in profit or loss unless the underlying transaction was recorded directly in other comprehensive income or equity.

In such an instance, the deferred tax is recorded in other comprehensive income and equity as well. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Current income tax

Current taxation is charged on the net income for the year after considering income and expenditure, which is not subject to taxation, and capital allowances on fixed assets. Current tax assets and liabilities for the current period and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. Current income tax relating to items recognised directly in other comprehensive income or equity is also recognised in other comprehensive income or equity and not in the income statement. The tax rates and tax laws used to compute the amount are those enacted or substantively enacted by the reporting date.

Value added tax

Revenue, expenses and assets are recognised net of the amount of VAT except:

- where VAT incurred on the purchase of assets or services is not recoverable from the taxation authority, in which case VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable
- receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Uncertainty over income tax treatments

As per the provisions of IFRIC 23, the interpretation does not apply to taxes or levies outside the scope of IAS 12. The interpretation also does not specifically include requirements relating to interest and penalties associated with the uncertain tax treatments. In addition, the interpretation applies when there is uncertainty over income tax affecting both current tax and deferred tax. The interpretation specifically addresses the following:

- Whether to consider uncertain tax treatment separately
- The assumptions to be made about the examination of tax treatments by the tax authorities
- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- Consideration for changes in facts and circumstances on which judgements and estimates are based.

The group assesses changes in facts and circumstances on which judgements and estimates are based, however, for the year ended 31 December 2023 there were no uncertain tax positions.

7.21 Stated capital

Stated capital is recognised at the fair value of the consideration received by the company. Ordinary shares are classified as equity. Incremental external costs directly attributable to the issue of new shares, other than in connection with business combinations, are shown in equity as a deduction, net of tax, from the proceeds.

Where any group entity purchases the company's own equity stated capital (treasury shares), the consideration paid including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the company's equity holders until the shares are cancelled, reissued or disposed of. Own equity instruments which are reacquired (treasury shares) are deducted from equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the group's own equity instruments.

BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

For the year ended 31 December 2023

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

7.22 Employee benefits

Pension obligations and gratuity

Defined contribution plan

The group operates a defined contribution plan. Under the defined contribution plan, the contributions made by the group to the fund are charged to profit or loss and the charge is included in staff costs. The group contributions are based on 16% of the basic salary of employees. The scheme is funded through payments to a trustee-administered fund. The pension plan is registered under the Pension and Provident Funds Act (Chapter 27:03). Expatriate and contract employees are provided with a gratuity in terms of their conditions of employment:

- The group's legal or constructive obligation is limited to the amount that it agrees to contribute to the fund. Thus, the amount of the post-employment benefits received by the employee is determined by the amount of contributions paid by an entity (and the employee) to a trustee-administered fund, together with investment returns arising from the contributions
- In consequence, actuarial risk (that benefits will be less than expected) and investment risk (that assets invested will be insufficient to meet expected benefits) fall on the employee. Defined benefit contributions are recognised as expenses when incurred.

Medical aid

In terms of employment contracts and the rules of the relevant medical aid scheme, medical benefits are provided to employees. The group subsidises a portion of the medical aid contributions for employees. Contributions in relation to the group's obligations in respect of these benefits are charged against income in the period of payment.

The group has no post-retirement medical funding obligations.

Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits.

The group recognises a liability and expense for termination benefits at the earlier of the following dates:

- When the entity can no longer withdraw the offer of those benefits
- When the entity recognises costs for a restructuring that is within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and involves the payment of termination benefits.

Termination benefits are normally paid off within 12 months, hence they are not discounted.

Leave pay accrual

The group recognises, in full, employees' rights to annual leave entitlement in respect of past service. The recognition is made each year-end and is calculated based on accrued leave days not taken at year-end. The charge is made to expenses in the income statement and trade and other payables in the statement of financial position.

Profit sharing and bonus plans

A liability for employee benefits in the form of profit sharing and bonuses is recognised in trade and other payables when there is no realistic alternative but to settle the liability when both of the following conditions are met:

- The group has a present legal or constructive obligation to make such payments as a result of past events
- A reliable estimate of the obligation can be made.

Liabilities for profit sharing and bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

Share-based compensation

In 2010, the group introduced two schemes being: The share option scheme (SOS) and the conditional share plan (CSP).

Share option scheme

All employees are eligible to participate in the scheme based on performance. Each employer company recommends to the human resources committee which employees it intends to incentivise by making offers subject to the approval of the human resources committee. Options are exercised by payment of the offer price after the vesting date by the employees in exchange for equity shares. The vesting period is three years.

The subsidiaries account for the awards as cash-settled while the group and holding company account for the awards as equity-settled.

Conditional share plan

The purpose of the plan is to recognise contributions made by selected employees and to provide for an incentive for their continuing relationship with the group. The awards are given as grants. The awards are aligned to strategic periods and targets. Vesting is based on a future date in line with a specific strategy period and subject to specific performance criteria. The subsidiaries account for the awards as cash-settled while the holding company accounts for the awards as equity-settled.

Equity-settled transactions

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting date). The fair value of options at grant date is expensed over the vesting period. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the group's best estimate of the number of equity instruments that will ultimately vest. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of the period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether the market condition is satisfied if all other performance and/or service conditions are satisfied. Where the terms of an equity-settled award are modified, the minimum expense recognised is the expense as if the terms had not been modified.

An additional expense is recognised for any modification which increases the total fair value of the share-based payment arrangement or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. If a new award is, however, substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

For the year ended 31 December 2023

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

7.22 Employee benefits continued

Cash-settled transactions

The cost of cash-settled transactions is measured initially at fair value at the grant date using a binomial model, further details of which are given in note 23. For cash-settled share-based payment transactions, the entity shall measure the goods or services acquired and the liability incurred at the fair value of the liability. Until the liability is settled, the entity shall remeasure the fair value of the liability at the end of each reporting period and at the date of settlement, with any changes in fair value recognised in profit or loss for the period.

The liability shall be measured, initially and at the end of each reporting period until settled, at the fair value of the obligation by considering the terms and conditions on which the rights were granted, and the extent to which the employees have rendered services to date.

Botswana Insurance Fund Management (Bifm) citizen economic empowerment (CEE) share option scheme (CEESOS)

Bifm implemented a CEE share scheme (the scheme) in 2019, whereby the company issued 25,1% of its ordinary share capital to citizen employees of Bifm. The scheme aims to fulfil the following motives of the company:

- To meet the requirements of the key clients in the market regarding CEE
- To attract and retain key local skills within the company
- To empower citizen employees economically
- To align the interests of staff with those of the clients.

At the inception of the Bifm CEESOS, Bifm issued 21 849 246 additional shares (representing 25,1% of the issued capital of the company). The additional issued share capital was independently valued by Deloitte & Touche at P64,7 million. The 25,1% issued capital was issued in the following manner.

At the commencement of the scheme:

- 11% (9 575 368 shares) was immediately allocated to existing employees as participatory shares to be purchased by the employees at arm's length with the aid of Bifm staff loans
- 4% (3 481 950 shares) was reserved in the Bifm CEE Share Trust (a Trust formed in 2019 to hold shares in Bifm on behalf its employees) for future allocation to employees. These shares were originally part of a 15% allocation toward the participatory shares and were transferred to the Bifm CEE Share Trust after 11% was taken up by staff in February 2019
- 10,1% (8 791 928 shares) was issued to the Bifm CEE Share Trust to hold on behalf of Bifm employees to be allocated annually in the form of grants with a vesting period of three years.

Bifm company accounts for the awards as cash-settled. As a result of the issue of the shares to employees, BIHL Group lost part of its interest in Bifm Holdings from 100% to 89%. The impact of this dilution is disclosed in the statement of changes in equity.

7.23 Dividends

Dividends are recorded in the group's consolidated financial statements in the period in which they are approved by the shareholders. Hence, dividends proposed or declared after the period-ends are not recognised at the reporting date. Dividends that are approved after the reporting date but before the financial statements are authorised for issue are disclosed by way of a note to the financial statements together with the related per share amount.

The withholding taxes are accrued for in the same period as the dividends to which they relate. Withholding taxes at the statutory rate of 10% are deducted from the total dividend declared. Where the company receives a dividend on which withholding tax is levied, that withholding tax is recognised as a current tax expense.

7.24 Administration expenses

Administration expenses include, *inter alia*, property and administration expenses relating to owner-occupied property, property and investment expenses related to the management of the policyholders' investments, claims handling costs, product development and training costs and are recognised on an accrual basis.

Expenses incurred by functional departments are allocated to group and individual business, and then furthermore for individual business by acquisition and maintenance in accordance with the function performed by the departments. Premium collection costs are accounted for on the accrual basis.

7.25 Leases

At inception of a contract, the group assesses whether a contract is or contains a lease. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the group assesses whether:

- the contract involves the use of an identified asset specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset, and if the supplier has a substantive substitution right, then the asset is not identified
- the group has the right to obtain substantially all the economic benefits from the use of the asset throughout the period of use
- the group has the right to direct the use of the asset. The group has the right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In cases where the decision about how and for what purpose the asset is used is predetermined, the group has the right to direct the use of the asset if either:
  - the group has the right to operate the asset
  - the group designed the asset in a way that predetermines how and for what purpose it will be used.

Group as a lessee

The group recognises a right-of-use asset and a lease liability at the commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received. The group has nine rental leases that make up the right-of-use assets around the country. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term which is also the useful life of the right-of-use asset. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain measurements of the lease liability.

BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

For the year ended 31 December 2023

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

7.25 Leases continued

Buildings – one to five years

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit on the lease or, if that rate cannot be readily determined, the group's incremental borrowing rate as the discount rate. Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payment
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- Amounts expected to be payable under a residual value guarantee
- The exercise price under a purchase option that the group is reasonably certain to exercise, lease payments in an optional renewal period and the group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the group's estimate of the amount expected to be payable under a residual value guarantee, or if the group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Group as a lessor

Leases in which the group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Short-term leases and leases of low-value assets

The group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets, including information technology (IT) equipment. The group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

7.26 Contingent liabilities and assets

Possible obligations of the group arising from past events whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the group and present obligations of the group arising from past events where it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or where the amount of the obligation cannot be measured reliably, are not recognised in the group consolidated statement of financial position but are disclosed in the notes to the annual financial statements.

Possible assets of the group arising from past events whose existence will only be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the control of the group are not recognised in the group statement of financial position and are only disclosed in the notes to the annual financial statements where an inflow of economic benefits is probable.

7.27 Non-distributable reserves

Non-distributable reserves include the following:

Consolidation reserve

The consolidation reserve is created for the effect of treasury shares, which represent BIHL shares purchased and held within the group but are supporting policyholder liabilities which are measured at fair value. The cost of treasury shares is deducted from equity through a separate reserve account called a treasury share reserve. The excess of the fair value of shares over the cost is accounted for through the consolidation reserve, which is a capital reserve. The reserve represents a temporary mismatch in that the reserve will reverse when the affected investments are realised through sale to parties external to the group.

Capital reserve account – life insurance

The provision of the Insurance Industry Regulation of 2020 requires a long-term insurer to maintain minimum capital which shall be the higher of P10 million or an amount representing 25% of operating expenses as defined and reported in the annual return, estimated for the following year. Previously, the provisions of the Insurance Industry Act (section 9 of the Insurance Industry Act, 2015) required that 25% of the surplus arising in a year should be transferred to this reserve. This reserve can be utilised at least once every five years to increase the paid-up stated capital of the company.

As part of its review of the capital structure, the group made an application in prior years to the regulator, the NBFIRA, for exemption from further transfers to the statutory capital reserves as the group was holding excess capital reserves which were not utilised.

The regulator approved the suspension of the transfer of the 25% annual after-tax profit to the statutory capital reserves for an indefinite period until the objective of the suspension is achieved. The group currently holds statutory capital reserves of at least 2,9 times the required capital levels based on IPR3L: Prescribed Capital Target.

BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

For the year ended 31 December 2023

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

7.27 Non-distributable reserves continued

Share-based payment reserve

This is associated with equity-settled share-based payment compensation as described in the heading (employee benefits).

Treasury share reserve

Own equity instruments of the group which are acquired by it or by any of its subsidiaries (treasury shares) are deducted from equity. Consideration paid or received on the purchase, sale, issue or cancellation of the group own equity instruments is recognised directly in equity. No gain or loss is recognised in profit or loss on the purchase sale or cancellation of own equity instruments.

Foreign currency translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of foreign investments in associates and a share of other comprehensive income of an associate emanating from the translation of the financial statements of its foreign operations.

8. CAPITAL AND RISK MANAGEMENT

The business is exposed to various risks in connection with its current operating activities. These risks contribute to the key financial risk that the proceeds from the business financial assets are not sufficient to fund the obligations arising from insurance and investment policy contracts and the operating activities conducted by the business. The business has an integrated approach towards the management of its capital base and risk exposures with the main objective being to achieve a sustainable return on embedded value at least equal to the business' cost of capital.

The business is exposed to various risks that have a direct impact on the business capital base and earnings and, as such, return on embedded value. The management of these risks is therefore an integral part of the business' strategy to maximise return on embedded value. The business' risk exposures can be classified into the following broad categories:

- Financial risks affecting the net asset value (NAV) of the shareholders' fund (note 25)
- General operational risks
- Long-term insurance risks.

8.1 Capital management

The primary objective of the group's capital management is to ensure that it maintains healthy capital ratios to support its business and maximise shareholder value.

The group manages its capital structure and adjusts it in light of changes in economic conditions. To maintain or adjust the capital structure, the group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2023 and 31 December 2022.

The group monitors capital using a capital adequacy requirement. Capital adequacy implies the existence of a buffer against experience worse than assumed under the FSB's Statutory Valuation Method. The sufficiency of the buffer is measured by comparing excess of assets over liabilities for statutory reporting purposes with the statutory capital adequacy requirement. The main element in the calculation of the capital adequacy requirement is the determination of the effect of an assumed fall in asset values on the excess of assets over liabilities.

The group complied with all externally imposed capital requirements. The provisions of the Insurance Industry Act, 2015 require that 25% of the surplus arising in a year should be transferred to a capital reserve. This reserve can be utilised at least once every five years to increase the paid-up stated capital of the group.

Capital includes shareholders' equity and long-term debt. As at year-end, there was no long-term debt.

	2023 P'000	2022 P'000
Shareholders' equity (life)	**2 204 654**	2 519 624
PCT (life business only	**228 706**	223 995
Ratio of excess assets to PCT (life business only)	**9,64**	11,25

8.2 Governance structure

The agenda of the BIHL board focuses on group strategy, capital management, accounting policies, financial results, dividend policy, human resources development, corporate governance and BSE requirements. The BIHL board is responsible for statutory matters across all BIHL businesses as well as monitoring operational efficiency and risk issues throughout the group.

The group operates within a decentralised business model environment. In terms of this philosophy, the BIHL board sets the group risk management policies and frameworks, and the individual businesses take responsibility for all operational and risk-related matters on a business level, within the limits set by these policies and frameworks. The following diagram generically depicts the flow of risk management information from the individual businesses to the BIHL board.

BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

For the year ended 31 December 2023

8. CAPITAL AND RISK MANAGEMENT continued

8.2 Governance structure continued

BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

For the year ended 31 December 2023

8. CAPITAL AND RISK MANAGEMENT continued

8.2 Governance structure continued

Other risk monitoring mechanisms

BIHL board
Reviews and oversees the management of the group's capital base

Chief Financial Officer
Ensures that sound financial practices are followed, adequate and accurate reporting occurs and financial statement risk is minimised

Credit review committee
Reviews, assesses, approves and monitors specific counterparty credit and manages the credit risk inherent in the portfolios on an ongoing basis

Actuarial committee
Determines appropriate investment policies and guidelines for policyholder portfolios where guarantees are provided

Actuarial
Monitors and reports on key risks affecting the life insurance operations. Determines capital requirements of the life insurance operations and the potential impact of strategic decisions thereon by using appropriate modelling techniques

Group IT risk management
Manages and reports group-wide IT risks

Compliance committee
Facilitates management of compliance through the analysis of statutory and regulatory requirements and monitoring the implementation and execution thereof

Group governance/secretariat and public officers
Reviews and reports on corporate governance practices and structures. Reports on applicable legal and compliance matters

Risk officer (per business)
Assists business management in their implementation of the group risk management process and monitors the business' entire risk profile

Group risk forum
Aids coordination and transfer of knowledge between businesses and the group and assists group risk management in identifying risks requiring escalation to the BIHL board

Forensics
Investigates and reports on fraud and illegal behaviour in businesses

Internal audit
Assists the BIHL board and management by monitoring the adequacy and effectiveness of risk management in the businesses

Non-listed asset review
Reviews and approves the valuation of all unlisted assets in the group for recommendation to the BIHL board

Investment committee
Determines and monitors appropriate investment strategies for policyholder solutions

BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

For the year ended 31 December 2023

8. CAPITAL AND RISK MANAGEMENT continued

8.3 Group risk policies and guidelines

All risks are managed in terms of the policies and guidelines of the board and its committees. Some of the main policies are: The BIHL Group enterprise risk management (ERM) policy, group risk escalation policy and group business continuity management policy.

These policies were developed by group risk management and must be implemented by all group businesses. The maturity of the implementation does, however, vary from business to business due to different cost/benefit scenarios, complexity of risks and the degree of risk integration. At the quarterly group risk forum meetings, risk management reports by each business are tabled that must also indicate the extent of compliance with the ERM policy.

BIHL Group ERM policy

The group ERM policy includes the following components:

- The broad objectives and philosophy of risk management in the group
- The roles and responsibilities of the various functionaries in the group tasked with risk management
- The group's minimum standards for implementation of risk management in the businesses.

BIHL Group risk escalation policy

The risk escalation policy defines the circumstances in which risk events and emerging risks should be escalated to the BIHL Group level. This includes quantifiable and unquantifiable measures.

General operational risks

Operational risk

Operational risk is the risk of loss due to factors such as inadequate systems, management failure, inadequate internal controls, fraud or human error. The business mitigates these risks through its culture and values, a comprehensive system of internal controls, internal audit, forensic and compliance functions and other measures such as backup facilities, contingency planning and insurance.

The initiation of transactions and their administration is conducted based on the segregation of duties designed to ensure the correctness, completeness and validity of all transactions. Control is further strengthened by the settlement of transactions through custodians. The custodians are also responsible for the safe custody of the business securities. To ensure validity, all transactions are confirmed with counterparties independently from the initial executors.

The business has a risk-based internal audit approach, in terms of which priority is given to the audit of higher risk areas, as identified in the planning phase of the audit process. The internal control systems and procedures are subject to regular internal audit reviews. The BIHL investment committee is responsible for the implementation and monitoring of risk management processes to ensure that the risks arising from trading positions are within the approved risk parameters. The following functionaries assist in mitigating operational risk:

Internal audit

A board-approved internal audit charter governs internal audit activity within the group. Regular risk-focused reviews of internal control and risk management systems are carried out. The internal audit function is appointed in consultation with the Chairman of the audit and risk committee and has unrestricted access to the Chairman of the committee. The authority, resources, scope of work and effectiveness of the functions are reviewed regularly.

External audit

The group's external auditor is PricewaterhouseCoopers. The report of the independent auditor for the year under review is contained on pages 81 to 84 of these annual financial statements. The external auditor provides an independent assessment of certain systems of internal financial control, which it may rely on to express an independent opinion on the annual financial statements. Non-audit services rendered by the external auditor are strictly governed by a group policy in this regard. A compulsory rotation of audit partners has also been implemented.

External consultants

The group appoints external consultants to perform an annual review of the group's risk management processes. The purpose of this review is to continuously identify potential areas for improved risk management in line with developing international best practice.

Information and technology risk

IT risks are managed across the group in an integrated manner following the ERM framework. Group IT is the custodian of the group's IT policy framework and ensures explicit focus on and integration with the group's IT governance framework, which includes the governance of information security. The Head of Group IT facilitates the process of identifying emerging IT risks as well as unpacking significant IT risks with group-wide strategic or operational impact. A quarterly IT governance report summarising the group-wide situation is also delivered to the risk and compliance committees.

Going concern/business continuity risk

The board regularly considers and records the facts and assumptions on which it relies to conclude that BIHL will continue as a going concern. Reflecting on the year under review, the directors considered an opinion that adequate resources exist to continue business and that BIHL will remain a going concern in the foreseeable future. The board's statement to this effect is also contained in the directors' statement of responsibility in the annual financial statements.

Compliance risk

Laws and regulations

BIHL considers compliance with applicable laws, industry regulations and codes an integral part of doing business. The group compliance function, together with the compliance functions of the group businesses, facilitates the management of compliance through the analysis of statutory and regulatory requirements and monitors the implementation and execution thereof.

Compliance with client mandates

Rules for clients' investment instructions are loaded on an order management system, which produces post-trade compliance reports that are continuously monitored. On a monthly basis, these reports are manually compared with the investment instructions. When a possible breach is detected, the portfolio manager is requested to confirm whether a breach has taken place, to explain the reason for the breach and indicate when it will be rectified (which is expected to be as soon as possible). Further action may be taken depending on the type of breach. The detailed results of the mandate monitoring process are discussed with the Head of Investment Operations monthly.

Fraud risk

The BIHL Group recognises that financial crime and unlawful conduct are in conflict with the principles of ethical behaviour, as set out in the group's Code of Ethics, and undermines the organisational integrity of the group. The financial crime combating policy for the BIHL Group is designed to counter the threat of financial crime and unlawful conduct. A zero-tolerance approach is applied in combating financial crime, and all offenders will be prosecuted.

The forensic services function at group level oversees the prevention, detection and investigation of incidents of unlawful conduct that are of such a nature that they may have an impact on the group or the executive of a business cluster. Group forensic services is also responsible for the formulation of group standards in respect of the combating of unlawful conduct and the implementation of measures to monitor compliance with these standards.

BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

For the year ended 31 December 2023

8. CAPITAL AND RISK MANAGEMENT continued

8.3 Group risk policies and guidelines continued

Compliance risk continued

Fraud risk continued

The Chief Executive Officer of each business cluster is responsible for the implementation of the policy in his or her respective business and is accountable to the board of BIHL. Quarterly reports are submitted by group forensic services to the audit and risk committee on the incidence of financial crime and unlawful conduct in the group and on measures taken to prevent, detect, investigate and deal with such conduct.

Legal risk

Legal risk is the risk that the business will be exposed to contractual obligations that have not been provided for, particularly in respect of policy liabilities. The risk also arises from the uncertainty of the enforceability, through legal or judicial processes, of the obligations of the group's counterparties, including contractual provisions intended to reduce credit exposure by providing for the netting of mutual obligations.

During the development stage of any new product and for material transactions entered into by the business, the legal resources of the business monitor the drafting of the contract documents to ensure that rights and obligations of all parties are clearly set out. The group seeks to minimise uncertainties through continuous consultation with internal and external legal advisors to understand the nature of risks and ensure that transactions are appropriately structured and documented.

Lapse risk

Distribution models are used by the business to identify high-risk clients. Client relationship management programmes are aimed at managing client expectations and relationships to reduce lapse rates. The design of insurance products excludes material surrender value guarantees, subject to regulatory constraints, to limit financial loss at surrender. Lapse assumptions are based on experience, adjusted for expected future changes on experience, to ensure that adequate provisions are made for lapses and surrenders. Further prudence is provided for through compulsory margins prescribed by regulation.

Legislation risk

The risk is managed as far as possible through clear contracting. The business monitors and influences events to the extent possible by participation in discussions with legislators, directly and through industry organisations.

Taxation risk

The risk is addressed through clear contracting to ensure that policy contracts entitle policyholders to after-tax returns, where applicable. The business' internal tax resources monitor the impact of changes in tax legislation, participate in discussions with the tax legislator to influence changes in legislation and are involved in the development of new products. External tax advice is obtained as required.

Reputation risk

Actions with a potential reputational impact are escalated to the appropriate level of senior management. The audit and risk committee and board of directors are involved as required. Events with an industry-wide reputational impact are addressed through industry representative groups.

Strategy risk

The group's governance structure and various monitoring tools in place ensure that any events that affect the achievement of the group's strategy are escalated and addressed at the earliest opportunity. The board has no tolerance for any breach of governance.

Group strategy is addressed on a continuous basis at various forums within the group, the most important of which are:

- The group's strategic direction and success are discussed and evaluated at an annual special strategic session of the BIHL board as well as at the scheduled board meetings during the year
- As part of the annual budgeting process, the group businesses present their strategic plans and budgets to the BIHL board, who ensure that the business strategies are aligned with the overall group strategy
- The BIHL board, which includes the Chief Executives of the various group businesses, meets on a regular basis, to discuss, among others, the achievement of the businesses and group's strategies. Any strategic issues are identified at these meetings and corrective actions are immediately implemented.

Long-term insurance risk

The investment committee and actuarial committee are established within the long-term insurance businesses. The principal aim of these committees is to ensure that insurance and investment contract liabilities are matched with appropriate supporting assets based on the type of benefits payable to the contract holders. Separate asset portfolios are maintained for the different products and categories of long-term policy liabilities.

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

Risk management: per type of risk

Underwriting risk

Underwriting risk is the uncertainty relating to the ultimate amount of net cash flows from premiums, commissions, claims and claim settlement expenses paid under a contract and timing risk, defined as uncertainty about the timing of the receipt and payment of those cash flows. Note 25 to the annual financial statements gives further information on the quantitative aspects of our insurance risks.

Insurance events are random, and the actual number and amount of claims will vary from estimates. The business manages these risks through its product development process and underwriting policy to prevent anti-selection and ensure appropriate premium rates (loadings) for substandard risks. It also ensures adequate reinsurance arrangements are in place to limit exposure per policyholder and manage the concentration of risks, the claims handling policy and adequate pricing and reserving. For life insurance products, half-yearly actuarial valuations are also performed to assist in the timely identification of experience variances.

Underwriting strategy

The following policies and practices are used by the business as part of its underwriting strategy to mitigate underwriting risk:

- All long-term insurance product additions and alterations are required to pass through the approval framework that forms part of the life insurance business' governance process. The Statutory Actuary approves the policy conditions and premium rates of new and revised products
- Generally, our retail life insurance products with substantial risk exposure are medically underwritten. The medical underwriting includes HIV tests. Those products that are not underwritten are subject to lower-sum assured limits. For life insurance group risk, lives above free cover limits are medically underwritten
- Applications for risk cover are reviewed by experienced underwriters and evaluated against established standards. Retention limits are applied to limit the exposure per individual life
- Reasonable income replacement levels apply to disability insurance
- The experience of reinsurers is used where necessary for the rating of substandard risks
- The right to rerate premiums is retained as far as possible. The risk premiums for group risk business and most of the in-force individual risk business can be adjusted within 12 months should claims experience deteriorate to the extent that such an adjustment is considered necessary. Most of the individual new business is sold with a guarantee that risk premiums would not be increased for the first five to 15 years

BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

For the year ended 31 December 2023

8. CAPITAL AND RISK MANAGEMENT continued

8.3 Group risk policies and guidelines continued

Long-term insurance risk continued

Risk management: per type of risk continued

Underwriting strategy continued

- Risk profits are determined monthly
- Mortality and morbidity investigations are conducted at least annually. Product pricing and actuarial reserving considers the results of these investigations
- Expenses are continuously monitored and managed through the business' budgeting process.

Product pricing is generally based upon historical claims frequencies and claims severity averages, adjusted for inflation and modelled catastrophes trended forward to recognise anticipated changes in claims patterns. While claims remain the principal cost, the group also makes allowance in the pricing procedures for acquisition expenses, administration expenses, investment income, the cost of reinsurance and for a profit loading that adequately covers the cost of the capital. Underwriting performance is monitored continuously, and the pricing policy is revised accordingly. Underwriting risk is further mitigated by ensuring that reserve and reinsurance risks are adequately managed.

Claims development tables

The presentation of the claims development tables is based on the actual date of the event that caused the claim (incident year basis). The claims development tables represent the development of actual claims paid for continuing operations (life business).

Reinsurance

Our reinsurance strategy aims to optimise risk profits while transferring mortality and morbidity risk above our risk appetite. Risk exposure above our preferred retention limits is therefore reinsured. Where risk is rejected under the reinsurance treaty with the main reinsurer, the risk is offered to another reinsurer on a facultative basis. Our reinsurance strategy is reviewed annually. Credit risk from the reinsurer(s) is managed by limiting the business' exposure to companies with high credit ratings as per the business' risk appetite. Credit ratings for the reinsurer(s) are monitored regularly.

Claims risk

The risk that the business may pay fraudulent claims (claims risk) is mitigated by training client service staff to ensure that fraudulent claims are identified and investigated timeously. The legitimacy of claims is verified by internal, financial and operating controls that are designed to contain and monitor claims risks. The claims adjudication committee and the forensic investigation team also advise on improvements to internal control systems.

Capital adequacy risk

The PCT cover can also be calculated on the statutory reporting basis where both the excess of assets over liabilities and the PCT are calculated on a statutory basis. The statutory basis is currently more stringent than the IFRS basis and results in lower excess assets over liabilities.

The business must maintain a shareholders' fund that will be sufficient to meet obligations in the event of substantial deviations from the main assumptions affecting the business. A deterministic modelling process is used to simulate a number of investment scenarios which in turn is used to determine required capital levels that will ensure sustained solvency given a number of shock scenarios. Capital adequacy requirements were covered as indicated by the companies' shareholders' fund (as determined according to IPR3L: Prescribed Capital Target for Long-term Insurers by the NBFIRA). The PCT for the life business is covered 11,25 times (2022: 10,01 times).

Concentration of insurance risk

Long-term insurance risks do not vary significantly in relation to the location of the risk insured. Concentration by amounts insured could, however, increase the relative portfolio risk. The following tables provide analyses of the concentration of insured benefits per individual life insured (excluding annuity payments) as well as per annuity payable per annum per life assured. The following figures represent the benefits payable on the occurrence of the insurance event and not the liability held in the balance sheet in relation to the insured benefit.

Benefits insured per individual life

	Number of lives		Concentration before reinsurance		Concentration after reinsurance	
	2023 P'000	2022 P'000	2023 P'000	2022 P'000	2023 P'000	2022 P'000
0 to 500	**597 203**	631 083	**19**	21	**33**	35
501 to 1 000	**3 398**	2 637	**3**	3	**30**	33
1 001 to 5 000	**20 137**	18 361	**63**	63	**37**	32
5 001 to 8 000	**837**	760	**8**	8	**–**	–
>8 000	**356**	295	**7**	5	**–**	–
Total	**621 931**	653 136	**100**	100	**100**	100

BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

For the year ended 31 December 2023

8. CAPITAL AND RISK MANAGEMENT continued

8.3 Group risk policies and guidelines continued

Concentration of insurance risk continued

Non-participating annuity payable

	Number of lives		Concentration before reinsurance		Concentration after reinsurance	
	2023 P'000	2022 P'000	2023 P'000	2022 P'000	2023 P'000	2022 P'000
0 to 20	**3 331**	3 133	**6**	6	**6**	6
21 to 40	**2 636**	2 450	**11**	11	**11**	11
41 to 60	**1 661**	1 582	**12**	12	**12**	12
61 to 80	**1 296**	1 240	**13**	14	**13**	14
81 to 100	**984**	952	**13**	13	**13**	13
>100	**2 004**	1 828	**45**	43	**45**	43
Total	**11 912**	11 185	**100**	100	**100**	100

Annuity business is not reinsured

The 'Benefit insured' table above shows that the group's concentration risk before reinsurance has remained stable compared to the prior period. Overall, the group's concentration risk from death claims is not a concern as concentration risk is generally spread over a large number of lives. The latter table also indicates low concentration risk from annuity payments. The group is the largest life insurer in Botswana and, like other operators in the country, has geographical concentration risk to Botswana.

Interest rate risk

Interest rate risk is determined by applying upward and downward shocks to the yield curve used to discount our liabilities. The upward shocks range from 93% for short-term maturities (one year) to 50,6% for long-term maturities (30+ years), while the downward shocks range from 52,9% to 39,8% for short- and long-term maturities, respectively. These yield curve shocks are on IFRS 17 best estimate liabilities and have been adopted from solvency assessment management (SAM) interest rate shocks. The SAM framework is used for assessing financial soundness of South African insurers from a regulatory perspective. The impacts are shown below.

	Yields up P'000	Yields down P'000
Liabilities	(1 192 212)	(1 719 840)
Assets	1 277 003	1 408 571
Net assets	84 791	(311 269)

Insurance-related credit risk

Credit risk reflects the financial impact of the default of one or more of Botswana Life's counterparties. Key areas where the group is exposed to credit default risk are:

- Reinsurer defaults on presentation of a large claim
- Reinsurer defaults on its share of insurance liabilities
- Defaults on amounts due from insurance contracts by intermediaries and premium collection agencies
- Defaults on amounts due from insurance contracts by policyholders.

The group makes use of reinsurance to:

- access underwriting expertise
- access product opportunities
- enable it to underwrite risks greater than its own risk appetite
- protect its mortality/risk book against catastrophes.

BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

For the year ended 31 December 2023

8. CAPITAL AND RISK MANAGEMENT continued

8.3 Group risk policies and guidelines continued

Insurance-related credit risk

The use of reinsurance exposes the group to credit risk. The reinsurance arrangements include proportionate, excess and catastrophe coverage. All risk exposures in excess of specified monetary limits are reinsured. Catastrophe insurance is in place for man-made disasters. As far as possible, credit risk in respect of reinsurance is managed by placing the group's reinsurance only with subsidiaries of companies that have international ratings of no less than AAA. Currently, all our reinsurance contracts are with Hannover Re (2022: Hannover Re). The credit risk of the reinsurer is considered annually by reviewing their financial strength as part of the renewal process.

	31 December 2023				31 December 2022			
	AAA P'000	AA P'000	Not rated P'000	Total P'000	AAA P'000	AA P'000	Not rated P'000	Total P'000
Reinsurance contract assets	**17 875**	**–**	**–**	**17 875**	10 271	–	–	10 271
Reinsurance contract liabilities	**(54 222)**	**–**	**–**	**(54 222)**	(55 757)	–	–	(55 757)
Maximum credit risk exposure	**17 875**	**–**	**–**	**17 875**	10 271	–	–	10 271

The group life business continuously monitors its exposure to its counterparties for financial statement as well as regulatory reporting purposes. Management monitors amounts due from intermediaries by size of exposure and ageing. Amounts due from insurance contracts by policyholders are secured by the underlying value of the unpaid policy benefits in terms of the policy contract.

The group has considered the impact of changes in its own credit risk on the valuation of its liabilities. Credit risk changes will only have an impact in extreme situations and are not material for the 2023 and 2022 financial years.

BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

For the year ended 31 December 2023

8. CAPITAL AND RISK MANAGEMENT continued

8.3 Group risk policies and guidelines continued

Liquidity risk

Liquidity risk is the risk that the company will be unable to meet its obligations when they fall due as a result of policyholder benefit payments.

The company deploys various measures to manage liquidity risks such as:

- Policyholder portfolios supporting linked and market-related business and other non-participating life business are invested in appropriate assets, taking expected cash outflows into account. Liquid assets are held. Annuity liabilities are matched, as far as possible, with interest-bearing assets, to ensure that the duration of assets and liabilities are closely aligned. The life business' capital is not subject to excessive levels of liquidity risk but assets could be realised in a short time frame if need be
- Available overdraft facilities
- During periods of market and liquidity stress events, the company increases its high-quality liquid assets and cover for liquidity requirements
- Cash flow projections to identify potential liquidity risks and managing emerging issues in time.

The following tables present the estimated amount and timing of the remaining contractual discounted cash flows arising from insurance:

	<1 year P'000	1 to 5 years P'000	>5 years P'000	Open-ended P'000	Total P'000
31 December 2023					
Insurance contract balances	**19 523**	**216 340**	**6 952 628**	**239 041**	**7 427 531**
Insurance contract assets	**(1 360)**	**(15 098)**	**(579 877)**	**(16 600)**	**(612 935)**
Reinsurance contract assets	**(401)**	**(4 284)**	**(7 899)**	**(5 291)**	**(17 875)**
Insurance contract liabilities	**20 069**	**222 727**	**7 516 440**	**244 883**	**8 004 119**
Reinsurance contract liabilities	**1 215**	**12 996**	**23 962**	**16 048**	**54 222**
Investment contract liabilities	**192 853**	**729 216**	**2 676 884**	**–**	**3 601 257**
Total insurance and investment contract balances	**212 376**	**945 556**	**9 629 511**	**239 041**	**11 026 484**
31 December 2022					
Insurance contract balances	19 916	230 833	6 581 145	211 277	7 043 171
Insurance contract assets	(1 385)	(16 082)	(521 605)	(14 629)	(553 701)
Reinsurance contract assets	(257)	(2 899)	(4 187)	(2 928)	(10 271)
Insurance contract liabilities	20 161	234 078	7 065 469	212 939	7 551 386
Reinsurance contract liabilities	1 397	15 736	22 728	15 896	55 757
Investment contract liabilities	190 120	669 545	2 438 846	–	3 298 511
Total insurance and investment contract balances	210 036	900 379	9 019 991	211 277	10 341 682

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

1. SEGMENTAL ANALYSIS

Basis of segmentation

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

- The life insurance segment which provides life insurance services to its customers through Botswana Life, a subsidiary of the group
- The asset management segment which provides asset management services to its customers through Botswana Insurance Fund Management Limited, a subsidiary of the group.

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on their revenue profit or loss after tax and return on equity value and is measured consistently with those of the group in the consolidated financial statements.

Segments that do not fall under the two key segments have been classified under 'other'. These comprise associate businesses (Letshego, Nico, BIC and BIHL Insurance Company Limited and GrandRe Tanzania) and the holding company. The associates offer diverse products and services which can be broken down into their own segments.

Inter-segment transactions that occurred during 2023 and 2022 between business segments are set on an arm's-length basis in a manner similar to transactions with third parties. Segment income, segment expenses and segment results will then include those transfers between business segments which will be eliminated on consolidation.

Business segments

At 31 December 2023, the group's operating businesses are organised and managed separately according to the nature of the products and services offered with each segment representing a strategic business unit that offers varying products and serves different markets. This is the basis on which the group reports its segment information. The group is therefore organised into two principal areas of business – life insurance and asset management services.

Geographical segments

The group, under its 100% owned subsidiary Bifm Holdings, has associates in Zambia. For management purposes, the Zambian operations are reported under Bifm Holdings. The group also has a 25,1% stake in a Malawian operation, Nico Holdings Limited. These investments contributed approximately 7% to profit before tax (2022: 39%) and represent approximately 10% of total assets (2022: 10%). No geographical segment analysis is provided with respect to these equity investments. Refer to note 4.5.

Customer segments

No customer contributes 10% or more to the group's revenue.

The amounts used for segment reporting are measured using IFRS® Accounting Standards.

Other segments

Due to their immaterial nature, the unit trust business holding company and the corporate social investment trust are included in the 'other segments' column. There are no reportable segments under 'other'.

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 December 2023

1. SEGMENTAL ANALYSIS continued

1.1 Segment information by products and services

	Life business		Asset management		Other[1]		Inter-segmental		Consolidated total	
	2023 P'000	2022 P'000	2023 P'000	2022 P'000	2023 P'000	2022 P'000	2023 P'000	2022 P'000	2023 P'000	2022 P'000
Net insurance service result	**286 393**	277 710	**–**	–	**–**	–	**–**	–	**286 393**	277 710
Investment service result	**315 333**	(121 265)							**315 333**	(121 265)
Other expenses relating to insurance operations	**(15 975)**	(13 251)							**(15 975)**	(13 251)
Net result from life insurance operations	**585 751**	143 194	**–**	–	**–**	–	**–**	–	**585 751**	143 194
Revenue from contracts with customers										
– Internal	**–**	–	**3 327**	2 383	**–**	–	**(3 327)**	(2 383)	**–**	–
– External	**137 379**	118 455	**158 167**	141 136	**–**	–	**–**	–	**295 546**	259 591
Investment income[1]	**264 024**	105 095	**16 875**	17 108	**851 901**	486 585	**(847 897)**	(482 969)	**284 903**	125 819
Interest income using the EIR	**2 088**	1 541	**–**	–	**2 307**	2 586	**–**	–	**4 395**	4 127
Other interest income from investment contracts	**–**	–	**–**	–	**–**	–	**202 721**	245 282	**202 721**	245 282
Fair value (losses)/gains from derivative instrument	**(11 830)**	(5 107)	**–**	–	**–**	–	**–**	–	**(11 830)**	(5 107)
Change in fair value of investment contract liabilities	**(69 086)**	43 621	**34 723**	40 693	**–**	–	**2 459**	–	**(31 904)**	84 314
Change in fair value of external investors' liabilities	**–**	–	**–**	–	**–**	–	**88 254**	36 538	**88 254**	36 538
Net changes in investment contract benefits	**–**	–	**–**	–	**–**	–	**(290 975)**	(281 820)	**(290 975)**	(281 820)
Net results from other operations	**322 575**	263 605	**213 092**	201 320	**854 208**	489 171	**(848 765)**	(485 352)	**541 110**	468 744
Depreciation	**(9 988)**	(14 668)	**(1 230)**	(1 221)	**(841)**	(837)	**–**	–	**(12 059)**	(16 726)
Amortisation and impairment	**(9 164)**	(10 277)	**(568)**	(555)	**(120)**	(248)	**–**	–	**(9 852)**	(11 080)
Right-of-use asset depreciation	**(5 319)**	(5 653)	**(1 420)**	(1 065)	**(1 734)**	(1 282)	**2 702**	2 347	**(5 771)**	(5 653)
Administration expenses	**(60 754)**	(56 204)	**(79 543)**	(71 396)	**(74 863)**	(53 462)	**16 705**	3 936	**(198 455)**	(177 126)
Sales remuneration	**(37 067)**	(63 588)	**–**	–	**–**	–	**–**	–	**(37 067)**	(63 588)
Profit before equity-accounted earnings	**786 034**	256 409	**130 331**	127 083	**776 650**	433 342	**(829 358)**	(479 069)	**863 657**	337 765
Profit on sale of associate	**–**	–	**–**	–	**141 669**	–	**–**	–	**141 669**	–
Net equity-accounted earnings	**–**	–	**–**	–	**78 934**	216 456	**–**	–	**78 934**	216 456
Profit before tax	**786 034**	256 409	**130 331**	127 083	**997 253**	649 798	**(829 358)**	(479 069)	**1 084 260**	554 221
Income tax expense	**(221 160)**	(66 232)	**(19 624)**	(18 632)	**(61 953)**	(20 555)	**–**	–	**(302 737)**	(105 419)
Profit after tax	**564 874**	190 177	**110 707**	108 451	**935 300**	629 243	**(829 358)**	(479 069)	**781 523**	448 802
Total assets	**14 299 587**	13 684 660	**5 464 023**	6 754 562	**1 828 692**	1 826 157	**(4 284 340)**	(3 950 143)	**17 307 962**	18 315 236
Total liabilities	**11 617 776**	10 917 834	**4 925 295**	6 220 147	**1 233 681**	1 224 792	**(4 106 582)**	(3 846 742)	**13 670 170**	14 516 031
Return on equity value (%)	**19,33**	19,50	**22,90**	20,87	**(4,31)**	12,13	**n/a**	n/a	**8,28**	12,98

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

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 December 2023

1. SEGMENTAL ANALYSIS continued

1.2 Segmental analysis

	2023 P'000	2022 P'000
Reconciliation of profit		
Segment profit	**759 397**	293 568
Life business	**629 066**	166 485
Asset management	**130 331**	127 083
Other segments	**776 650**	433 342
Inter-segment elimination	**(829 358)**	(479 069)
Profit before tax and associates	**706 689**	247 841
Profit on sale of associate	**141 669**	–
Share of associates and joint venture	**78 934**	216 456
Profit before tax for the year	**927 292**	464 297
Reconciliation of assets		
Segment operating assets		
Life business	**14 299 587**	13 684 660
Asset management	**5 464 023**	6 754 562
Other segments	**1 828 692**	1 826 157
Inter-segment elimination	**(4 284 340)**	(3 950 143)
Total assets	**17 307 962**	18 315 236
Reconciliation of liabilities		
Segment operating liabilities		
Life business	**11 617 776**	10 917 834
Asset management	**4 925 295**	6 220 147
Other segments	**1 233 681**	1 224 792
Inter-segment elimination	**(4 106 582)**	(3 846 742)
Total liabilities	**13 670 170**	14 516 031

2. PROPERTY AND EQUIPMENT

GROUP

	Owner-occupied property P'000	Computer equipment P'000	Furniture and fittings P'000	Motor vehicles P'000	Leasehold improvements P'000	Total P'000
2023						
Cost						
As at 1 January	**135 042**	**53 977**	**25 282**	**3 262**	**66 835**	**284 398**
Additions	**–**	**2 416**	**821**	**–**	**5 716**	**8 953**
Disposals	**–**	**–**	**(1 433)**	**–**	**–**	**(1 433)**
Retirement of fully depreciated assets	**–**	**(38 324)**	**(15 954)**	**(561)**	**(13 896)**	**(68 735)**
As at 31 December	**135 042**	**18 069**	**8 716**	**2 701**	**58 655**	**223 183**
Accumulated depreciation						
As at 1 January	**8 994**	**47 093**	**21 120**	**2 613**	**31 420**	**111 240**
Current year charge	**1 380**	**3 570**	**1 335**	**255**	**5 519**	**12 059**
Disposals	**–**	**–**	**(1 433)**	**–**	**–**	**(1 433)**
Retirement of fully depreciated assets	**–**	**(38 324)**	**(15 954)**	**(561)**	**(13 896)**	**(68 735)**
As at 31 December	**10 374**	**12 339**	**5 068**	**2 307**	**23 043**	**53 131**
Carrying amount						
As at 1 January	**126 048**	**6 884**	**4 162**	**649**	**35 415**	**173 158**
As at 31 December	**124 668**	**5 730**	**3 648**	**394**	**35 612**	**170 052**

The gross carrying amount of fully depreciated property and equipment still in use by the group amounted to Pnil (2022: P6,5 million).

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 December 2023

2. PROPERTY AND EQUIPMENT continued

GROUP

	Owner-occupied property P'000	Computer equipment P'000	Furniture and fittings P'000	Motor vehicles P'000	Leasehold improve-ments P'000	Total P'000
2022						
Cost						
As at 1 January	135 042	54 509	25 648	2 771	63 327	281 297
Additions	–	1 619	1 034	491	3 508	6 652
Disposals	–	(2 151)	(1 400)	–	–	(3 551)
As at 31 December	135 042	53 977	25 282	3 262	66 835	284 398
Accumulated depreciation						
As at 1 January	7 614	42 905	19 454	2 384	25 708	98 065
Current year charge	1 380	6 339	3 066	229	5 712	16 726
Disposals	–	(2 151)	(1 400)	–	–	(3 551)
As at 31 December	8 994	47 093	21 120	2 613	31 420	111 240
Carrying amount						
As at 1 January	127 428	11 604	6 194	387	37 619	183 232
As at 31 December	126 048	6 884	4 162	649	35 415	173 158

COMPANY

	Computer equipment P'000	Furniture and fittings P'000	Motor vehicles P'000	Leasehold improve-ments P'000	Total P'000
2023					
Cost					
As at 1 January	**6 161**	**2 663**	**670**	**5 863**	**15 357**
Additions	**146**	**–**	**–**	**–**	**146**
Retirement of fully depreciated assets	**(5 927)**	**(1 941)**	**(179)**	**(430)**	**(8 477)**
As at 31 December	**380**	**722**	**491**	**5 433**	**7 026**
Accumulated depreciation					
As at 1 January	**5 995**	**2 186**	**212**	**3 811**	**12 204**
Current year charge	**76**	**105**	**98**	**563**	**842**
Retirement of fully depreciated assets	**(5 927)**	**(1 941)**	**(179)**	**(430)**	**(8 477)**
As at 31 December	**144**	**350**	**131**	**3 944**	**4 569**
Carrying amount					
As at 1 January	**166**	**477**	**458**	**2 052**	**3 153**
As at 31 December	**236**	**372**	**360**	**1 489**	**2 457**

The gross carrying amount of fully depreciated property and equipment still in use by the company amounted to Pnil (2022: P8,1 million).

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 December 2023

2. PROPERTY AND EQUIPMENT continued

	COMPANY				
	Computer equipment P'000	Furniture and fittings P'000	Motor vehicles P'000	Leasehold improvements P'000	Total P'000
2022					
Cost					
As at 1 January	6 053	2 663	179	5 863	14 758
Additions	108	–	491	–	599
As at 31 December	6 161	2 663	670	5 863	15 357
Accumulated depreciation					
As at 1 January	5 935	2 024	179	3 229	11 367
Current year charge	60	162	33	582	837
As at 31 December	5 995	2 186	212	3 811	12 204
Carrying amount					
As at 1 January	118	639	–	2 634	3 391
As at 31 December	166	477	458	2 052	3 153

2.1 Right-of-use asset

	GROUP P'000	COMPANY P'000
2023		
Cost		
As at 1 January	**36 535**	**12 000**
Effects of modification of lease terms	**(289)**	**–**
Additions	**3 226**	**–**
As at 31 December	**39 472**	**12 000**
Accumulated depreciation		
As at 1 January	**21 822**	**7 734**
Current year depreciation	**5 771**	**1 734**
As at 31 December	**27 593**	**9 468**
Carrying amount		
As at 1 January	**14 713**	**4 266**
As at 31 December	**11 879**	**2 532**
2022		
Cost		
As at 1 January	23 453	12 000
Additions	13 082	–
As at 31 December	36 535	12 000
Accumulated depreciation		
As at 1 January	15 341	6 000
Current year depreciation	6 481	1 734
As at 31 December	21 822	7 734
Carrying amount		
As at 1 January	8 112	6 000
As at 31 December	14 713	4 266

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 December 2023

2. PROPERTY AND EQUIPMENT continued

2.1 Right-of-use asset continued

The group leases a number of offices across the country. As at 31 December 2023, a total of 10 offices were leased (10 in December 2022). The leases have remaining lease periods of between one year and five years as at 31 December 2023. The lease with the longest life is expected to expire on 31 August 2028.

The following assumptions were made in arriving at the valuation:

- Initial term of leases: Ranging from one year to four years (2022: one to five years)
- Annual lease escalation rate per annum: Ranging from 4,0% to 10% (2022: 4,5% to 10%)
- Incremental borrowing rate: 8,9% to 9,5% (2022: 8,9% to 9,5%).

2.2 Lease liability

Set out below are the carrying amounts of lease liabilities and the movements during the period.

	GROUP	COMPANY
	P'000	P'000
2023		
Lease liability as at 1 January	**16 210**	**5 808**
Additional lease commitments at present value	**3 226**	**–**
Accretion of interest	**762**	**306**
Effects of modification of lease terms	**(279)**	**–**
Lease payments	**(7 212)**	**(2 376)**
As at 31 December	**12 707**	**3 738**
The maturity analysis of the lease liability is as follows:		
Within one year	**5 988**	**2 032**
Within two years	**3 739**	**1 857**
Within three years	**2 010**	**–**
Within four years	**1 065**	**–**
Within five years	**352**	**–**
	13 155	**3 889**
Less: Finance charges component	**(448)**	**(151)**
Present value of lease liability	**12 707**	**3 738**

Set out below are the carrying amounts of lease liabilities and the movements during the period.

	GROUP	COMPANY
	P'000	P'000
2022		
Lease liability as at 1 January	9 234	7 603
Additional lease commitments at present value	12 757	–
Accretion of interest	1 076	478
Lease payments	(6 857)	(2 273)
As at 31 December	16 210	5 808
The maturity analysis of the lease liability is as follows:		
Within one year	3 924	2 376
Within two years	5 988	3 890
Within three years	3 739	–
Within four years	2 010	–
Within five years	1 065	–
	21 872	6 266
Less: Finance charges component	5 662	(458)
Present value of lease liability	16 210	5 808

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 December 2023

3. INTANGIBLE ASSETS

GROUP

	Goodwill P'000	Computer software P'000	Total P'000
2023			
Cost			
As at 1 January	**114 923**	**145 494**	**260 417**
Additions	**–**	**5 902**	**5 902**
As at 31 December	**114 923**	**151 396**	**266 319**
Accumulated amortisation and impairment			
As at 1 January	**51 931**	**107 289**	**159 220**
Current year amortisation	**–**	**9 852**	**9 852**
As at 31 December	**51 931**	**117 141**	**169 072**
Carrying amount			
As at 1 January	**62 992**	**38 205**	**101 197**
As at 31 December	**62 992**	**34 255**	**97 247**
2022			
Cost			
As at 1 January	114 923	140 293	255 216
Additions[1]	–	5 201	5 201
As at 31 December	114 923	145 494	260 417
Accumulated amortisation and impairment			
As at 1 January	51 931	96 209	148 140
Current year amortisation	–	11 080	11 080
As at 31 December	51 931	107 289	159 220
Carrying amount			
As at 1 January	62 992	44 084	107 076
As at 31 December	62 992	38 205	101 197

[1] *None of the additions were internally generated.*

COMPANY

	Computer software P'000	Total P'000
2023		
Cost		
As at 1 January	**12 081**	**12 081**
As at 31 December	**12 081**	**12 081**
Accumulated amortisation and impairment		
As at 1 January	**11 792**	**11 792**
Current year amortisation	**115**	**115**
As at 31 December	**11 907**	**11 907**
Carrying amount		
As at 1 January	**289**	**289**
As at 31 December	**174**	**174**
2022		
Cost		
As at 1 January	12 081	12 081
As at 31 December	12 081	12 081
Accumulated amortisation and impairment		
As at 1 January	11 544	11 544
Current year amortisation	248	248
As at 31 December	11 792	11 792
Carrying amount		
As at 1 January	537	537
As at 31 December	289	289

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 December 2023

3. INTANGIBLE ASSETS continued

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to one cash-generating unit (asset management) which is equivalent to one of two operating segments of the group. Goodwill was tested for impairment with no requirement for impairment arising from this test (2022: nil).

Asset management business

	2023 P'000	2022 P'000
Carrying amount of goodwill		
Asset management business	**62 992**	62 992
Total carrying amount of goodwill	**62 992**	62 992

Management estimates that the recoverable amount of the asset management cash-generating unit exceeds or equals the carrying amount. Management estimates include a new review of the performance of the cash-generating unit when compared to estimates applicable at the original recognition of the goodwill. The performance of the asset management business has shown a positive trend on a year-on-year basis.

The recoverable amount of the asset management business unit was determined based on the value in use calculation using the cash flow projections on financial budgets approved by senior management covering a five-year period and extrapolated to 10 years based on economic and specific sector growth using perpetual growth of 9,6% (2022: 4,6%) thereafter. The cash flows are extrapolated to a 10-year period to reflect the long-term plans of the group. A pre-tax group-specific risk-adjusted discount rate of 17,3% (2022: 17,3%) is used. The projected cash flows are determined by budgeted margins based on past performance, management expectations and market developments as well as the impact of geopolitical uncertainty emanating from the Russia-Ukraine crisis on AUM.

The key assumptions used for the impairment calculations of the asset management business are:

	2023 %	2022 %
Investment income/surplus return	**2,2**	2,2
Investment growth on AUM (after tax)	**7,2**	5,5
Net inflows as a % of AUM	**0,1**	0,7

These growth rates are based on published industry research.

Sensitivity to changes in assumptions

For the asset management business, a reasonably possible change in the investment market conditions assumption will cause the carrying amount to exceed the recoverable amount. The actual recoverable amount exceeds its carrying amount by P338 million (2022: P269 million). Management recognised the fact that current investment market conditions reflect stable and profitable margins. Unfavourable conditions could materially affect the growth margins of these markets. A reduction of 2% in the funds flow and a 3% reduction in investment growth due to risk-averse decisions in order to preserve capital as a percentage of AUM would result in the reduction in the recoverable amount of the asset management business by P3 million (2022: P44 million).

4. INVESTMENTS

Fair values

	GROUP		COMPANY	
	2023 P'000	2022 P'000	2023 P'000	2022 P'000
At the beginning of the year	**15 411 628**	15 385 244	**–**	–
Net contributions	**(1 375 437)**	379 498	**–**	–
Fair value adjustments on investments	**899 125**	(353 114)	**–**	–
At the end of the year	**14 935 316**	15 411 628	**–**	–

For current and non-current analysis refer to note 25.7 for the maturity analysis.

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 December 2023

4. INVESTMENTS continued

4.1 Initial recognition and measurement

	GROUP		COMPANY	
	2023 P'000	2022 P'000	2023 P'000	2022 P'000
Designated at fair value through profit or loss				
Bonds (Government, public authority, listed and unlisted corporates)[1]	**8 543 705**	8 426 652	**–**	–
Mandatorily at fair value through profit or loss				
Investment in property funds and companies	**1 277 962**	1 205 650	**–**	–
Money market instruments	**2 072 695**	3 190 081	**–**	–
Equity investments (Note 4.2)	**3 040 954**	2 589 245	**–**	–
Total investments	**14 935 316**	15 411 629	**–**	–

[1] *The bonds are made up of both listed and unlisted bonds. Listed bonds have fixed interest rates which range from 4,5% to 11,2% (2022: 4,5% to 11,2%). Bond repayment terms range between 0 to 20 years (2022: 0 to 25 years) for all listed and unlisted bonds.*

Fair value measurement

Listed bonds

The closing prices at year-end have been used to value these investments.

Unlisted bonds

The fair values of unlisted bonds have been calculated by discounting expected future cash flows at the risk-adjusted interest rates applicable to each financial asset. The cash flows for the unlisted bonds are determined with reference to contractual rates of return and the timing of the cash flow. Refer to note 25 for the additional disclosures. The risk assumed is specific to each instrument and is used to determine the risk premium per instrument. The risk premium is the extra risk attributable to an unlisted instrument due to the factors arising from it not being traded on the open market. The risk premium for the unlisted bonds and notes held by the company ranges from 150 to 694 basis points in the current year (2022: 150 to 694 basis points) on the basis of the risk surrounding the operations of the company. The risk premium has been used as a risk adjustment to the Government risk-free rate.

For unlisted bonds, interest rates are fixed with coupon rates falling between 6% and 9% (2022: 6% and 9%) annually calculated and compounded on a quarterly basis. Bond repayment terms range between 0 to 27 years (2022: 0 to 27 years) for all listed and unlisted bonds.

Money markets constitute funds invested in call accounts. The average market interest rate for money market instruments was 4,6% (2022: 1,4%). All money market instruments are of a short-term nature, being exercisable within one year of year-end.

Determination of fair value and the fair value hierarchy is disclosed in note 25.

	GROUP		COMPANY	
	2023 P'000	2022 P'000	2023 P'000	2022 P'000
Sectorial analysis for bonds, money market and equity instruments				
Consumer discretionary	**564 213**	841 713	**–**	–
Financials	**4 379 661**	4 747 002	**–**	–
Education	**13 230**	28 357	**–**	–
Property	**756 808**	1 008 372	**–**	–
Tourism	**80 263**	65 114	**–**	–
Offshore foreign equities	**2 152 154**	1 759 835	**–**	–
Government	**5 711 026**	5 755 585	**–**	–
Total bonds, money market and equity instruments	**13 657 354**	14 205 978	**–**	–

4.2 Equity investments

	GROUP		COMPANY	
	2023 P'000	2022 P'000	2023 P'000	2022 P'000
Listed in Botswana	**673 873**	642 310	**–**	–
Listed foreign markets	**1 990 952**	1 664 824	**–**	–
Unlisted	**376 129**	282 111	**–**	–
Total equity instruments	**3 040 954**	2 589 245	**–**	–

Listed equity investments

The closing price at year-end has been used to value these investments.

Unlisted equities

The fair value of unlisted equities is derived using the DCF method.

For direct equity instruments, the DCF model takes into account the estimated cash flows and a risk adjustment discount rate that incorporates marketability and liquidity restrictions.

Unlisted units in funds

The fair value of the assets is calculated based on units held and unit prices provided by the fund managers. The underlying funds in which the company invests in are unlisted and valued using DCF and price earnings methods with significant inputs that are not based on observable market data hence the classification under Level 3.

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 December 2023

4. INVESTMENTS continued

4.3 Loans at amortised cost

	GROUP		COMPANY	
	2023 P'000	2022 P'000	2023 P'000	2022 P'000
Opening balance	**–**	31 957	**–**	–
Interest charged for the year	**–**	3 958	**–**	–
Interest received during the year	**–**	(2 989)	**–**	–
Capital repayment	**–**	(35 317)	**–**	–
Impairment reversal	**–**	2 391	**–**	–
Closing balance at 31 December	**–**	–	**–**	–

The company granted a loan with a principal amount of P50 million to Babereki Investments Proprietary Limited to fund its loan book. The loan was repayable over 10 years. The loan was secured through a cession of the loan book and a guarantee and subordination agreement with Botswana Public Employees Union (BOPEU).The interest was a fixed interest rate of 12% per annum payable quarterly. The loan was repaid during the year and the related impairment provision released.

4.4 Investment property

	GROUP		COMPANY	
	2023 P'000	2022 P'000	2023 P'000	2022 P'000
Investment properties				
Opening balance at 1 January	**12 260**	10 160	**–**	–
Fair value gains	**14 220**	2 100	**–**	–
Closing balance at 31 December	**26 480**	12 260	**–**	–

The physical properties are Plot 70656 (P14,4 million) and Plot 70657 (P12 million), both in Gaborone.

The group investment properties consist of commercial properties.

	GROUP		COMPANY	
	2023 P'000	2022 P'000	2023 P'000	2022 P'000
Rental income derived from investment properties	**10 219**	12 580	**–**	–
Direct operating expenses (including repairs and maintenance) generating rental income	**(6 239)**	(6 239)	**–**	–

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 December 2023

4. INVESTMENTS continued

4.4 Investment property continued

	GROUP		COMPANY	
	2023 P'000	2022 P'000	2023 P'000	2022 P'000
Investments in property funds				
Opening balance at 1 January	**1 205 650**	1 173 325	**–**	–
Additions	**78 687**	36 758	**–**	–
Fair value (losses)/gains	**(6 375)**	(4 433)	**–**	–
Closing balance at 31 December	**1 277 962**	1 205 650	**–**	–
Refer to note 25 for the determination of fair values of listed and unlisted investments in property funds.				
Analysed as follows:				
Shareholder portion	**26 480**	12 260	**–**	–
Policyholder portion	**1 277 962**	1 205 650	**–**	–
Total	**1 304 442**	1 217 910	**–**	–

Investment properties and investments in unlisted property funds are stated at fair value which has been determined based on valuations performed by Riberry. In the prior period, these were revalued by Knight Frank, an accredited independent valuer. These valuers are specialists in valuing these types of investment properties.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

There are no restrictions on the realisability of the investment properties or the remittance of income and proceeds of disposal. There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

In calculating the market value of commercial properties, the valuation method being a DCF approach was adopted whereupon the current contractual annual rentals are netted off against relevant expenses (including normal repairs and maintenance, operating costs, management/collection commission fees, insurance and rates among others). The valuation also includes estimated future rental income after the term of the lease agreement based on the remaining useful life of the building. The resulting net income is discounted at a market-related discount rate to arrive at the market value. The following primary inputs were used:

	2023 %	2022 %
Discount rate (%)	**10**	n/a
Capitalisation rates	**7,80**	7,50
Long-term vacancy rates	**2,00**	2 00
Rental escalations (%)	**6 to 8**	6 to 8

The valuations were undertaken on the assumption that the properties are free of any structural fault, rot, infestation or defects of any other nature, including inherent weaknesses due to the use in construction of deleterious materials.

Valuations and appraisals were carried out in accordance with the RICS Appraisal and Valuation Standards (The Red Book) by valuers who conform to its requirements, and with regard to relevant statutes or regulations and with reference to market evidence of transaction prices for similar properties.

Properties are valued individually, and valuations and appraisals are carried out on a basis appropriate to the purpose for which they are intended and in accordance with the relevant definitions, commentary and assumptions contained in The Red Book.

The fair value of the investment in unlisted property companies is determined with reference to the fair value of the underlying property as detailed above.

Investments in property funds are valued by revaluation of the underlying property/(ies) using the same inputs as the above.

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 December 2023

4. INVESTMENTS continued

4.5 Interest in associates and joint ventures

	GROUP								
	Joint ventures								
	Khumo Property Asset Management P'000	Teledimo P'000	The Minor Hotel Group Gaborone P'000	FSG P'000	Bongwe P'000	Aflife Holdings Zambia Limited P'000	Nico Holdings Limited P'000	Letshego Holdings Limited P'000	Total P'000
2023									
Carrying amount	9 608	160 112	34 448	–	4 040	111 807	219 107	1 219 347	1 758 469
Interest in issued share capital									
Shareholders' fund (%)	50,00	50,00	20,00	37,62	33,00	49,00	25,10	27,61	
Share of earnings after tax for the current year	1 625	28 941	334	–	3 568	9 889	90 080	(55 503)	78 934
Foreign currency translation differences	–	–	–	–	–	23 828	(85 009)	(46 903)	(108 084)
Change in reserves in associates and other comprehensive income	(4 783)	–	5 847	–	(7 254)	6 191	–	22 352	22 353
Distributions received	(3 600)	(16 903)	–	–	–	–	(36 034)	(88 391)	(144 928)
Total assets and liabilities of the joint ventures and associates									
Non-current assets	3 492	203 734	100 181	–	34 709	55 963	8 691 967	825 774	9 915 819
Current financial assets, excluding cash and cash equivalents	7 879	164 290	30 401	–	54 320	138 369	2 025 265	15 322 539	17 743 063
Cash and cash equivalents	7 452	118 607	2 183	–	5 930	12 403	1 013 058	2 307 518	3 467 151
Non-current financial liabilities excluding trade and other payables	(3 313)	(8 904)	(2 755)	–	(4 793)	(59 888)	(4 890 160)	(11 701 136)	(16 670 949)
Current financial liabilities excluding trade and other payables and provisions	(6 909)	(126 123)	(1 055)	–	(22 714)	–	–	(89 400)	(246 201)
Current liabilities including trade and other provisions	(1 129)	(34 152)	(28 375)	–	(2 875)	(31 859)	(5 567 273)	(1 422 612)	(7 088 275)
Shareholders' equity	7 472	317 452	100 580	–	64 577	114 987	1 272 856	5 242 683	7 120 608

The statement of financial position and the statement of comprehensive income show the total amounts as extracted from the respective financial statements of the entities. Net assets are shared on the basis of absolute.

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 December 2023

4. INVESTMENTS continued

4.5 Interest in associates and joint ventures continued

GROUP

	Joint ventures								
	Khumo Property Asset Management P'000	Teledimo P'000	The Minor Hotel Group Gaborone P'000	FSG[1] P'000	Bongwe P'000	Aflife Holdings Zambia Limited P'000	Nico Holdings Limited P'000	Letshego Holdings Limited P'000	Total P'000
2023									
Carrying amount	9 608	160 112	34 446	–	4 040	111 807	219 107	1 219 347	1 758 469
Calculated carrying value	3 736	158 726	20 116	–	21 310	56 344	319 487	1 447 321	2 027 040
Effects of fair value adjustments and goodwill at initial recognition	5 872	1 386	14 330	–	(17 270)	55 463	(100 380)	(227 974)	(268 571)
Summarised statement of profit or loss of the joint ventures and associates									
Revenue	29 545	332 864	134 565	–	30 103	134 030	3 215 995	2 236 645	6 113 747
Interest income	1 687	9 060	–	–	8 860	1 874	783 830	–	805 311
Cost of sales	–	–	–	–	(16 853)	–	(1 712 913)	–	(1 729 766)
Administration expenses, excluding depreciation and amortisation	(26 260)	(277 127)	(134 823)	–	(2 055)	(94 333)	(1 062 840)	(2 063 106)	(3 660 544)
Depreciation and amortisation	(309)	–	–	–	–	–	–	–	(309)
Finance costs including interest expense	–	–	–	–	(2 920)	–	(81 710)	(52 078)	(136 708)
Profit/loss before tax	4 663	64 797	(258)	–	17 136	41 570	1 142 361	121 461	1 386 856
Share of loss of joint ventures	–	5 736	–	–	–	–	9 179	–	14 915
Income tax expense	(1 413)	(12 652)	928	–	(6 432)	(21 389)	(375 506)	(270 260)	(686 724)
Profit/loss for the year (continuing operations)	3 250	57 881	670	–	10 704	20 181	776 034	(148 799)	719 921
Minority	–	–	–	–	–	–	(417 149)	(52 250)	(469 399)
Net result after minority	3 250	57 881	670	–	10 704	20 181	358 884	(201 049)	250 522
Group's share of profit/loss for the year	1 625	28 941	334	–	3 568	9 889	90 080	(55 503)	78 934

* *FSG was classified as held for sale on 1 of July 2022, and the entity ceased to be equity-accounted.*

The statement of financial position and the statement of comprehensive income show the total amounts as extracted from the respective financial statements of the entities. Net assets are shared on the basis of absolute shareholdings, without excluding minority interests.

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 December 2023

4. INVESTMENTS continued

4.5 Interest in associates and joint ventures continued

GROUP

	Joint ventures								
	Khumo Property Asset Management P'000	Teledimo P'000	The Minor Hotel Group Gaborone P'000	FSG P'000	Bongwe[1] P'000	Aflife Holdings Zambia Limited[2] P'000	Nico Holdings Limited P'000	Letshego Holdings Limited P'000	Total P'000
2022									
Carrying amount (P'000)	16 366	148 074	28 267	99 988	7 726	71 899	250 070	1 387 792	2 010 182
Interest in issued share capital									
Shareholders' fund	50,00%	50,00%	20,00%	37,62%	33,00%		25,10%	27,91%	
Share of earnings after tax for the current year	3 293	25 387	1 000	12 593	2 776	21 913	57 277	92 217	216 456
Foreign currency translation differences	–	–	–	2 086	–	(5 851)	(28 008)	17 822	(13 951)
Change in reserves in associates	4 618	–	–	–	–	(16 683)	–	(3 112)	(15 177)
(Disposal)/additional investment in associates, joint ventures and subsidiaries	–	–	–	–	–	–	–	–	–
Distributions received	(2 870)	(22 234)	–	(25 009)	(1 326)	–	(5 833)	(92 572)	(149 844)
Total assets and liabilities of the joint ventures and associates									
Non-current assets	4 143	187 336	100 181	222 955	82 698	75 463	9 756 719	685 208	11 114 703
Current financial assets, excluding cash and cash equivalents	9 047	97 967	30 401	41 039	56 679	66 567	2 822 487	14 510 539	17 634 726
Cash and cash equivalents	10 147	78 243	2 183	88 534	6 000	4 474	646 378	1 713 872	2 549 831
Non-current financial liabilities excluding trade and other payables	(3 676)	(16 705)	(2 755)	(15 066)	(21 191)	(378)	(5 433 427)	(9 584 126)	(15 077 324)
Current financial liabilities excluding trade and other payables and provisions	(13 365)	(73 069)	(1 055)	(7 355)	(46 433)	–	–	(68 426)	(209 703)
Current liabilities	(2 274)	(18 677)	(28 375)	(40 645)	(11 954)	(21 633)	(6 336 070)	(1 597 894)	(8 057 523)
Shareholders' equity	4 021	255 095	100 580	289 462	65 799	124 493	1 456 087	5 659 173	7 954 710

[1] *Bongwe's financial year-end is 30 April, which is different to the group's year-end date of 31 December.*

[2] *During the period, management reviewed the presentation of the Aflife Group associates. As a result of the review, they are now presented under one column (Aflife Holdings Zambia Limited) whereas in the prior period, they were presented under two separate company lines (Aflife Holdings Zambia Limited and African Life Financial Services (Zambia) Limited). To provide comparability, the prior year presentation has been restated with no changes to the overall balances.*

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 December 2023

4. INVESTMENTS continued

4.5 Interest in associates and joint ventures continued

	GROUP								
	Joint ventures								
	Khumo Property Asset Management P'000	Teledimo P'000	The Minor Hotel Group Gaborone P'000	FSG P'000	Bongwe[1] P'000	Aflife Holdings Zambia Limited[2] P'000	Nico Holdings Limited P'000	Letshego Holdings Limited P'000	Total P'000
2022									
Carrying amount	16 366	148 074	28 265	–	7 726	71 899	250 070	1 387 792	1 910 193
Calculated carrying value	2 010	127 548	20 116	–	21 714	61 002	365 478	1 579 475	2 177 343
Effects of fair value adjustments and goodwill at initial recognition	14 356	20 526	8 149	–	(13 988)	10 897	(115 408)	(191 683)	(267 150)
Summarised statement of profit or loss of the joint ventures and associates									
Revenue	29 670	303 267	92 498	251 891	20 234	95 190	1 625 473	2 145 366	4 563 589
Interest income	201	8 084	1 854	5 934	11 207	14 582	416 258	–	458 120
Cost of sales	–	–	(7 038)	(36 684)	(14 308)	–	(13 727)	–	(71 757)
Administration expenses, excluding depreciation and amortisation	(21 047)	(249 390)	(65 203)	(101 096)	(1 636)	(43 512)	(916 974)	(1 436 112)	(2 834 970)
Depreciation and amortisation	(106)	–	(5 330)	(13 699)	–	(3 520)	–	–	(22 655)
Finance costs including interest expense	–	–	–	(637)	(4 854)	–	(9 002)	92 002	77 509
Profit/loss before tax	8 718	61 961	16 781	105 709	10 643	62 740	1 102 028	801 256	2 164 962
Share of loss of joint ventures	–	–	–	(185)	–	–	–	–	(185)
Income tax expense	(2 133)	(2 430)	(2 861)	(33 692)	(2 231)	(14 369)	(580 493)	(332 311)	(970 520)
Profit/loss for the year (continuing operations)	6 585	59 531	13 920	71 832	8 412	48 371	521 535	468 945	1 199 131
Group's share of profit/loss for the year	3 293	25 387	1 000	12 593	2 776	21 913	57 277	112 435	236 674

[1] *Bongwe's financial year-end is 30 April, which is different to the group's year-end date of 31 December.*

[2] *During the period, management reviewed the presentation of the Aflife Group associates. As a result of the review, they are now presented under one column (Aflife Holdings Zambia Limited) whereas in the prior period, they were presented under two separate company lines (Aflife Holdings Zambia Limited and African Life Financial Services (Zambia) Limited). To provide comparability, the prior year presentation has been restated with no changes to the overall balances.*

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 December 2023

4. INVESTMENTS continued

4.5 Interest in associates and joint ventures continued

4.5.1 Interest in associates and joint ventures

	GROUP		COMPANY	
	2023 P'000	2022 P'000	2023 P'000	2022 P'000
Carrying amounts at the beginning of the year	**1 910 194**	1 972 698	**266 711**	266 711
Share of results after tax[1]	**78 934**	216 456	**–**	–
Dividend received	**(144 928)**	(149 844)	**–**	–
Reclassified to held for sale[2]	**–**	(99 988)	**–**	–
Change in reserves in associates	**22 353**	(15 177)	**–**	–
Foreign currency translation differences	**(108 084)**	(13 951)	**–**	–
Carrying amount at the end of the year	**1 758 469**	1 910 194	**266 711**	266 711

[1] *Restated for correction of error in the prior period. Refer to note 28.2.*

[2] *Refer to note 4.6 for held for sale assets.*

4.5.2 Interest in subsidiaries (at company level)

	COMPANY	
	2023 P'000	2022 P'000
Carrying amounts at the beginning of the year	**87 633**	90 415
Impairment of a subsidiary[1]	**(8 078)**	(2 782)
Recapitalisation of share scheme	**50 000**	–
Carrying amount at the end of the year	**129 555**	87 633

[1] *The carrying amount of the investment in the BIHL share scheme exceeded the NAV of the share scheme by P8 million (2022: P2,8 million). BIHL company owns 100% of the Share Scheme Trust and the shares in the Trust are listed shares of the parent on the BSE. The impairment arose as a result of losses incurred for the year. Management has determined the recoverable amount of the share scheme to be P54,7 million (2022: P12,8 million) which is the NAV. The recoverable amount is calculated based on the fair value less cost to sell of the Trust. The NAV approximates the fair value less cost of disposal of the Share Trust as the fair valuation is determined based on the quoted market price of BIHL shares as at 31 December 2023. The fair value less cost to sell was determined based on the NAV of the Share Trust as at 31 December 2023. The level of the fair value hierarchy is deemed to be Level 1.*

Impairment assessment of the share scheme

	2023 P'000	2022 P'000
Carrying amount in parent	**62 789**	15 571
Net asset value	**54 711**	12 789
Impairment	**8 078**	2 782

The group, through its 100% owned subsidiary Bifm Holdings, has a 50% interest in Khumo Property Asset Management, a jointly controlled entity involved in property management. The group's interest in Khumo Property Asset Management is accounted for using the equity method in the consolidated annual financial statements. The year-end for the jointly controlled entity is 31 October. The previous table illustrates the summarised financial information of the joint venture, based on its IFRS financial statements, and reconciliation with the carrying amount of the investment in the consolidated annual financial statements.

The group, through its 100% owned subsidiary Bifm Holdings, has invested in associates being Bongwe and African Life Financial Services (Zambia) Limited and Aflife Holdings Zambia Limited. The previous table shows the group's percentage shareholding and total summarised financial interest.

The group, through its 100% owned subsidiary Bifm Holdings, has a 49% interest in African Life Financial Services (Zambia) Limited. African Life Financial Services (Zambia) Limited is based in Zambia. The entity is involved in the provision of asset management and employee benefits administration. The group's interest in African Life Financial Services (Zambia) Limited is accounted for using the equity method in the consolidated annual financial statements. The entity is strategic to the group's activities.

The group, through its 62,9% owned subsidiary KYS, has a 20% interest in The Minor Hotel Group Gaborone Proprietary Limited.

The group, through its 100% owned subsidiary Botswana Life, has a 27,61% (2022: 27,91%) interest in Letshego Africa Limited formerly Letshego Holdings Limited (LHL), which is involved in the provision of short- to medium-term secured and unsecured loans in the public, quasi-public and private sectors. The company is incorporated in Botswana and has subsidiaries in various countries in Africa. Letshego is a public company listed on the BSE. The group's interest in LHL is accounted for using the equity method in the consolidated annual financial statements. The entity is strategic to the group's activities. The table above illustrates the summarised financial information of the group's investment in Letshego.

The company has a 25,1% interest in Nico. The latter group operates in five countries including Malawi, Uganda, Zambia and Mozambique, and approximately 70% of Nico operations remain in Malawi. Nico operates its business through six segments which are general insurance business, life insurance and pensions business, banking business, asset management, IT and investment holding. It is also involved in the hospitality industry and real estate industry as portfolio investments through some of its subsidiaries and associate companies. The company is incorporated in Malawi and it is a public company listed on the Malawi Stock Exchange. The group's interest in Nico is accounted for using the equity method in the consolidated annual financial statements while in the company's annual financial statements it is accounted for at cost. The entity is strategic to the group's activities.

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 December 2023

4. INVESTMENTS continued

4.5 Interest in associates and joint ventures continued

4.5.2 Interest in subsidiaries (at company level) continued

The group, through its 100% owned subsidiary Botswana Life, owned 37,62% of FSG. FSG is involved in the manufacturing and distribution of coffins and caskets, providing funeral services and establishing and managing private cemeteries. The company is incorporated in Botswana and has subsidiaries in Zambia and South Africa. Until 3 December 2015, FSG was a public company listed on the BSE. The group's interest in FSG was accounted for using the equity method in the consolidated financial statements up to 30 June 2022 (the date it met the requirements to be classified as held for sale; refer to note 4.6) and the investment was finally disposed of in February 2023.

The fair value of LHL was P1,219 million (2022: P1,509 million). The recoverable amount was determined based on a fair value calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The projected cash flows have been updated to reflect the current economic conditions the business operates in. The pre-tax discount rate applied to cash flow projections is 16,3% (2022: 16,7%) and cash flows beyond the five-year period are extrapolated using a 6,8% growth rate (2022: 7,2%). It was concluded that the fair value less costs of disposal exceeded the carrying value. As a result of this analysis, there were no impairment indicators in 2023 (2022: Pnil) and foreign currency translation gains totalled P47 million (2022: P18 million).

The fair value of Nico was P221 million (2022: P348 million). The recoverable amount was determined based on a fair value calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The projected cash flows have been updated to reflect the decreased demand for products and services for Nico Life and increased performance for NBS Bank. The pre-tax discount rate applied to cash flow projections is 25% (2022: 33%) and cash flows beyond the five-year period are extrapolated using a 10% growth rate (2022: 19,5%) that is the same as the long-term average growth rate for the insurance industry. It was concluded that the fair value less costs of disposal exceeded the carrying value. As a result of this analysis, management has recognised an impairment charge of Pnil in 2023 (2022: Pnil), and foreign currency translation gains of P82 million (2022: P28 million) have been recognised.

The company has joint control in a company called Teledimo Proprietary Limited, which holds a 100% investment in a short-term insurance company, BIC and a 66% investment in GrandRe Tanzania. Teledimo is a non-operating holding company and only has two investments i.e. the investments in BIC and GrandRe Holdings. BIC is incorporated in Botswana, is a private company and owns 100% of BIHL Insurance Limited (t/a Legal Guard). The group's interest in Teledimo is accounted for as a joint venture using the equity method in the consolidated annual financial statements while in the company's annual financial statements, it is accounted for at cost.

4.6 Non-current assets held for sale

FSG

The group, through its subsidiary Botswana Life, entered into an agreement with ALCF I Investment II Proprietary Limited, a company incorporated in accordance with the laws of Botswana to sell its 37,62% equity stake in FSG. As announced to the shareholders on 5 August 2022 and 23 August 2022, the key term of the agreement is that BIHL will receive a cash consideration of P250 million once all the necessary approvals have been concluded. The transaction was executed by way of an auction process to establish a market price and maximise value for BIHL's shareholders. As at 31 December 2022, the transaction was not yet concluded pending regulatory approvals, hence the classification as held for sale. The fair value less costs to sell was assessed on 30 June 2022 and was higher than the carrying amount, therefore there was no impairment recognised. The asset met all the requirements of classification as held for sale on 30 June 2022.

Carrying amount

	2023 P'000	2022 P'000
Carrying amount at the beginning of the year	**99 988**	110 318
Share of results after tax	**–**	12 593
Dividend received	**–**	(25 009)
Foreign currency translation differences	**–**	2 086
Disposal	**(99 988)**	–
Carrying amount at the end of the year	**–**	99 988

The share of results after tax, dividend received and foreign currency translation reserve represent the group's share in the associate for the period up to 30 June 2022 (the date that the group ceased equity accounting for the associate). The dividend (P15 million) received after 30 June 2022 was recognised in the income statement.

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 December 2023

4. INVESTMENTS continued

4.6 Non-current assets held for sale continued

Fair value less cost to sell

	2023 P'000	2022 P'000
Fair value (sales consideration)	**250 000**	250 000
Cost to sell	**(8 345)**	(8 345)
Fair value less cost to sell	**241 655**	241 655

The transaction was concluded on 7 February 2023 following the regulatory approval and fulfilment of all conditions precedent. As per the key term of the agreement, the cash consideration of P250 million was received. As at the disposal date, the carrying value of FSG in the group's balance sheet was P100 million, and the fair value less cost to sell was P242 million, resulting in a profit on disposal of P142 million.

	2023 P'000	2022 P'000
Fair value less cost to sell	**241 655**	–
Carrying amount at time of disposal	**(99 988)**	–
Profit on sale of associate	**141 667**	–

5. OTHER RECEIVABLES

	GROUP		COMPANY	
	2023 P'000	Restated 2022 P'000	2023 P'000	2022 P'000
Financial instruments				
Other amounts receivable	**173 204**	225 338	**19 976**	151
Impairment allowances	**(38 183)**	(38 835)	**–**	–
	135 021	186 503	**19 976**	151
Non-financial instruments				
Prepayments	**611**	437	**77**	160
Other receivables	**135 632**	186 940	**20 053**	311

Other receivables, excluding non-financial assets, are recognised in terms of IFRS 9. Other amounts receivable include staff advances, agents' and brokers' advances as well as prepaid expenses.

The ageing analysis of these receivables is as analysed below.

		GROUP		COMPANY	
		2023 P'000	2022 P'000	2023 P'000	2022 P'000
Current	Stage 1	**118 852**	183 490	**20 053**	311
Past due		**54 963**	42 285	**–**	–
Less than 30 days	Stage 1	**2 689**	19	**–**	–
30 – 60 days	Stage 2	**128**	680	**–**	–
61 – 90 days	Stage 2	**182**	452	**–**	–
Over 90 days	Stage 3	**51 964**	41 134	**–**	–
Gross receivables		**173 815**	225 775	**20 053**	311

The carrying values of other receivables are reasonable approximations of their fair values due to the short-term nature thereof. The prior year has been restated. Refer to the table on page 95 for further details.

Impairment movement

Other amounts receivable include trade and other receivables and agents' and brokers' advances. Other amounts receivable are stated after an impairment provision of P38,1 million as at 31 December 2023 (2022: P38,8 million).

	GROUP		COMPANY	
	2023 P'000	2022 P'000	2023 P'000	2022 P'000
As at 1 January	**38 835**	33 368	**–**	–
Provision raised	**(652)**	5 467	**–**	–
As at 31 December	**38 183**	38 835	**–**	–

6. STATED CAPITAL

	GROUP		COMPANY	
	2023 P'000	2022 P'000	2023 P'000	2022 P'000
Authorised shares (number)	**284 870 652**	282 370 652	**284 870 652**	282 370 652
Ordinary shares issued and fully paid: 284 870 652 (2022: 282 370 652) ordinary shares at no par value	**204 936**	154 936	**204 936**	154 936

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 December 2023

7. NON-DISTRIBUTABLE RESERVES

Foreign currency translation reserve

	GROUP		COMPANY	
	2023 P'000	2022 P'000	2023 P'000	2022 P'000
Opening balance	**(95 761)**	(81 810)	**–**	–
Movement for the year	**(170 662)**	(13 951)	**–**	–
Balance at the end of the year	**(266 423)**	(95 761)	**–**	–

Consolidation reserve

	GROUP		COMPANY	
	2023 P'000	2022 P'000	2023 P'000	2022 P'000
Opening balance	**(35 944)**	(37 065)	**–**	–
Cost of shares disposed/(purchased)	**2 459**	1 121	**–**	–
Balance at the end of the year	**(33 485)**	(35 944)	**–**	–

A consolidation reserve is created for the effect of treasury shares which represent BIHL shares purchased and held within the group but are supporting policyholder liabilities which are measured at fair value. The cost of treasury shares is deducted from equity through a separate reserve account called a treasury share reserve. The excess of the fair value of shares over the cost is accounted for through the consolidation reserve which is a capital reserve. The reserve represents a temporary mismatch in that the reserve will reverse when the effected investments are realised through sale to parties external to the group.

	GROUP		COMPANY	
	2023	2022	2023	2022
BIHL shares held by policyholders				
Number of shares held as at 31 December	**2 085**	2 208	**–**	–
Total shares	**2 085**	2 208	**–**	–
Market price per share (Pula)	**20,01**	17,71	**–**	–

	GROUP		COMPANY	
	2023 P'000	2022 P'000	2023 P'000	2022 P'000
Non-distributable reserves				
Treasury shares				
Opening balance	**(71 662)**	(71 658)	**–**	–
Cost of treasury shares (purchased)/disposed	**(61 060)**	(4)	**–**	–
Exercised employee shares	**44 758**	–	**–**	–
Balance at the end of the year	**(87 964)**	(71 662)	**–**	–
Share-based payment reserve				
Opening balance	**105 624**	104 350	**40 649**	35 434
Expense arising from equity-settled share-based payment transactions	**5 168**	5 215	**5 168**	5 215
Vested shares	**(44 758)**	(3 941)	**–**	–
Transfer to retained earnings	**(29 199)**	–	**(8 980)**	–
Balance at the end of the year	**36 835**	105 624	**36 837**	40 649
Capital reserve account				
Opening balance	**447 951**	481 899	**–**	–
Transfer to retained earnings	**9 461**	(33 948)	**–**	–
Balance at the end of the year	**457 412**	447 951	**–**	–

In accordance with the requirements of section 9 of the Botswana Insurance Industry Act (Chapter 46:01), 25% of the annual after-tax income of the life business is transferred to the statutory capital reserve. This reserve can be utilised a minimum of once every five years to increase the paid-up stated capital of the company. As part of its review of the capital structure, the group made an application in prior years to the NBFIRA for exemption from further transfers to the statutory capital reserves as the life company was holding excess capital reserves which were not utilised. The Regulator approved the suspension of the transfer of the 25% annual after-tax profit to the statutory capital reserves for an indefinite period until the objective of the suspension is achieved.

	GROUP		COMPANY	
	2023 P'000	2022 P'000	2023 P'000	2022 P'000
Total non-distributable reserves	**106 375**	350 208	**36 837**	40 649

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 December 2023

8. INSURANCE CONTRACT CARRYING AMOUNT

8.1 Analysis of net insurance contract carrying amount: Life insurance – risk business

Analysis per valuation method

	Liability for remaining coverage						Incurred claims[1]	Analysis of liability for remaining coverage		
	Total P'000	Subtotal[1] P'000	Best estimate of future cash flows P'000	Risk adjustment P'000	CSM P'000	Subtotal P'000	Best estimate of future cash flows P'000	Total P'000	Excluding loss component P'000	Loss component P'000
2023										
Life insurance – risk business	**7 391 186**	**7 243 696**	**5 643 496**	**259 756**	**1 340 444**	**147 490**	**147 490**	**7 243 695**	**7 198 193**	**45 502**
Premium allocation approach[1]	**527 755**	**472 638**	**472 638**	**–**	**–**	**55 117**	**55 117**	**472 638**	**472 638**	**–**
General model	**6 863 431**	**6 771 058**	**5 170 858**	**259 756**	**1 340 444**	**92 373**	**92 373**	**6 771 057**	**6 725 555**	**45 502**
Net insurance contract carrying amount	**7 391 186**	**7 243 696**	**5 643 496**	**259 756**	**1 340 444**	**147 490**	**147 490**	**7 243 695**	**7 198 193**	**45 502**
Insurance contract liability balances	**8 004 121**	**7 931 070**	**7 420 192**	**92 996**	**417 882**	**73 051**	**73 051**	**7 931 069**	**7 923 298**	**7 771**
Insurance contract asset balances	**(612 935)**	**(687 374)**	**(1 776 696)**	**166 760**	**922 562**	**74 439**	**74 439**	**(687 373)**	**(725 104)**	**37 731**
Net insurance contract carrying amount	**7 391 186**	**7 243 696**	**5 643 496**	**259 756**	**1 340 444**	**147 490**	**147 490**	**7 243 696**	**7 198 194**	**45 502**
2022										
Life insurance – risk business	6 997 685	6 839 875	5 018 676	179 190	1 642 009	157 810	157 810	6 839 875	6 821 136	18 739
Premium allocation approach[1]	537 245	471 719	471 719	–	–	65 526	65 526	471 719	471 719	–
General model	6 460 440	6 368 156	4 546 957	179 190	1 642 009	92 284	92 284	6 368 156	6 349 417	18 739
Net insurance contract carrying amount	6 997 685	6 839 875	5 018 676	179 190	1 642 009	157 810	157 810	6 839 875	6 821 136	18 739
Insurance contract liability balances	7 551 386	7 468 461	6 870 522	82 305	515 634	82 925	82 925	7 468 461	7 468 461	–
Insurance contract asset balances	(553 701)	(628 586)	(1 851 846)	96 885	1 126 375	74 885	74 885	(628 586)	(647 325)	18 739
Net insurance contract carrying amount	6 997 685	6 839 875	5 018 676	179 190	1 642 009	82 925	157 810	6 839 875	6 821 136	18 739

[1] *Only the incurred claims and the subtotal of liability for the remaining coverage sections would be applicable to the PAA.*

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 December 2023

8. INSURANCE CONTRACT CARRYING AMOUNT continued

8.2 Analysis of net insurance contract carrying amount: Life insurance – risk business continued

8.2.1 Analysis per valuation method and line of business

Summary per valuation component

	General measurement model				Premium allocation approach	
	Total P'000	Subtotal P'000	Individual life	Annuities	Subtotal P'000	Group business
2023						
Liability for remaining coverage	**7 243 696**	**6 771 058**	**(687 374)**	**7 458 432**	**472 638**	**472 638**
Best estimate of future cash flows excluding loss component	**5 597 994**	**5 125 356**	**(1 814 427)**	**6 939 783**	**472 638**	**472 638**
Loss component	**45 502**	**45 502**	**37 731**	**7 771**	**–**	**–**
Risk adjustment	**259 756**	**259 756**	**166 760**	**92 996**	**–**	**–**
Contractual service margin	**1 340 444**	**1 340 444**	**922 562**	**417 882**	**–**	**–**
Incurred claims	**147 490**	**92 373**	**74 439**	**17 934**	**55 117**	**55 117**
Best estimate of future cash flows	**147 490**	**92 373**	**74 439**	**17 934**	**55 117**	**55 117**
Net insurance contract carrying amount	**7 391 186**	**6 863 431**	**(612 935)**	**7 476 366**	**527 755**	**527 755**
2022						
Liability for remaining coverage	6 839 875	6 368 156	(628 586)	6 996 742	471 719	471 719
Best estimate of future cash flows excluding loss component	4 999 937	4 528 218	(1 870 585)	6 398 803	471 719	471 719
Loss component	18 739	18 739	18 739	–	–	–
Risk adjustment	179 190	179 190	96 885	82 305	–	–
Contractual service margin	1 642 009	1 642 009	1 126 375	515 634	–	–
Incurred claims	157 810	92 284	74 885	17 399	65 526	65 526
Best estimate of future cash flows	157 810	92 284	74 885	17 399	65 526	65 526
Net insurance contract carrying amount	6 997 685	6 460 440	(553 701)	7 014 141	537 245	537 245

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 December 2023

8. INSURANCE CONTRACT CARRYING AMOUNT continued

8.2 Analysis of net insurance contract carrying amount: Life insurance – risk business continued

8.2.2 Premium allocation approach

Reconciliation per valuation component

	2023			2022		
	Total P'000	Liability for remaining coverage excluding loss component P'000	Incurred claims, best estimate of future cash flows P'000	Total P'000	Liability for remaining coverage excluding loss component P'000	Incurred claims, best estimate of future cash flows P'000
Recognised in the statement of comprehensive income	**(174 545)**	**(496 715)**	**322 170**	(242 047)	(642 083)	400 036
Recognised in insurance revenue	**(727 980)**	**(727 980)**	**–**	(879 021)	(879 021)	–
Recognised in insurance service expenses	**553 435**	**231 265**	**322 170**	636 974	236 938	400 036
Claims incurred during the year (excluding investment component)	**322 170**	**–**	**322 170**	400 036	–	400 036
Amortisation of insurance acquisition cash flows	**231 265**	**231 265**	**–**	236 938	236 938	–
Cash flow	**158 210**	**497 634**	**(339 424)**	217 504	600 288	(382 784)
Premiums received during the year	**728 899**	**728 899**	**–**	837 226	837 226	–
Claims paid during the year	**(339 424)**	**–**	**(339 424)**	(382 784)	–	(382 784)
Insurance acquisition cash flows	**(231 265)**	**(231 265)**	**–**	(236 938)	(236 938)	–
Net movement for the year	**(16 335)**	**919**	**(17 254)**	(24 543)	(41 795)	17 252
Balance at the beginning of the year	**537 245**	**471 719**	**65 526**	561 789	513 515	48 274
Balance at the end of the year	**520 910**	**472 638**	**48 272**	537 246	471 720	65 526

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 December 2023

8. INSURANCE CONTRACT CARRYING AMOUNT continued

8.2 Analysis of net insurance contract carrying amount: Life insurance – risk business continued

8.2.2 Premium allocation approach continued

Reconciliation per valuation component continued

	Total P'000	Best estimate of future cash flows P'000	Risk adjustment P'000	Subtotal: CSM P'000	Fair value transition approach P'000	Other[3] P'000	Total P'000	Liability for remaining coverage excluding loss component P'000	Loss component P'000	Incurred claims P'000
2023										
Non-onerous contracts recognised during the year[2]	–	(150 533)	10 261	140 272	–	140 272	–	–	–	–
Recognised in the statement of comprehensive income	144 289	205 826	(18 119)	(43 418)	(9 321)	(34 097)	144 289	(822 353)	36 452	930 190
Recognised in insurance revenue[1]	(1 278 929)	(1 110 170)	(20 836)	(147 923)	(69 326)	(78 597)	(1 278 929)	(1 275 671)	(3 258)	–
Expected incurred claims excluding investment components	(971 236)	(971 236)	–	–	–	–	(971 236)	(970 805)	(431)	–
Expected administration and other expenses	(158 855)	(158 855)	–	–	–	–	(158 855)	(156 163)	(2 692)	–
Release of risk adjustment for risk expired	(20 836)	–	(20 836)	–	–	–	(20 836)	(20 701)	(135)	–
Recognition of CSM	(147 923)	–	–	(147 923)	(69 326)	(78 597)	(147 923)	(147 923)	–	–
Premium experience adjustments related to current service and other amounts	19 921	19 921	–	–	–	–	19 921	19 921	–	–
Recognised in insurance service expenses[1]	956 060	952 667	3 393	–	–	–	956 060	–	25 870	930 190
Claims incurred during the year (excluding investment component) and other incurred insurance service expenses	930 190	930 190	–	–	–	–	930 190	–	–	930 190
Expected incurred claims excluding investment components	971 236	971 236	–	–	–	–	971 236	–	–	971 236
Experience adjustment	(41 046)	(41 046)	–	–	–	–	(41 046)	–	–	(41 046)
Initial loss on onerous contracts recognised during the year[2]	2 275	2 144	131	–	–	–	2 275	–	2 275	–
Increase and reversal of losses on onerous contracts[2]	23 595	20 333	3 262	–	–	–	23 595	–	23 595	–
Insurance finance income or expenses	467 158	363 329	(676)	104 505	60 005	44 500	467 158	453 318	13 840	–
Excluding recognition of adjusting the CSM at locked-in interest rates	544 257	423 839	15 913	104 505	60 005	44 500	544 257	528 848	15 409	–
Impact of adjusting the CSM at locked-in interest rates	(77 099)	(60 510)	(16 589)	–	–	–	(77 099)	(75 530)	(1 569)	–

[1] *Line items do not align to the statement of comprehensive income. This is due to the reallocation of the premium relating to insurance acquisition cash flows and allocations to loss component shifted between insurance revenue and insurance service expenses in the statement of comprehensive income.*

[2] *Relates to future service. Line items without a superscript relate to current service.*

[3] *Other covers amounts for insurance contracts that existed at the transition date to which the group applied the fully retrospective approach, plus amounts for insurance contracts recognised subsequent to the transition date.*

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 December 2023

8. INSURANCE CONTRACT CARRYING AMOUNT continued

8.2 Reconciliation of net carrying amount: Life insurance – risk business continued

8.2.3 General model

Reconciliation per valuation component

	Total P'000	Best estimate of future cash flows P'000	Risk adjustment P'000	Subtotal: CSM P'000	Fair value transition approach P'000	Other[3] P'000	Total P'000	Liability for remaining coverage excluding loss component P'000	Loss component P'000	Incurred claims P'000
2023										
Changes in estimates recognised in CSM[2]	–	350 946	88 547	(439 493)	(229 612)	(209 881)	–	9 548	(9 548)	–
Premium experience adjustments related to future service	–	(9 055)	–	9 055	–	9 055	–	–	–	–
Cash flow	263 932	263 932	–	–	–	–	263 932	1 194 033	–	(930 101)
Premiums received during the year	1 410 787	1 410 787	–	–	–	–	1 410 787	1 410 787	–	–
Incurred claims – investment components[4]	–	–	–	–	–	–	–	(41 191)	–	41 191
Claims paid during the year	(971 292)	(971 292)	–	–	–	–	(971 292)	–	–	(971 292)
Insurance acquisition cash flows	(175 563)	(175 563)	–	–	–	–	(175 563)	(175 563)	–	–
Change in policy loans	–	–	–	–	–	–	–	–	–	–
Net movement for the year	408 222	661 116	80 689	(333 584)	(238 933)	(94 651)	408 221	381 228	26 904	89
Recognised in other comprehensive income – foreign currency translation differences	(1 295)	8	1 357	(2 660)	(2 660)	–	(1 295)	(1 153)	(142)	–
Balance at the beginning of the year	6 460 441	4 639 242	179 190	1 642 009	408 575	1 233 434	6 460 441	6 349 418	18 739	92 284
Balance at the end of the year	**6 867 368**	**5 300 366**	**261 236**	**1 305 765**	**166 982**	**1 138 783**	**6 867 367**	**6 729 493**	**45 501**	**92 373**

1 *Line items do not align to the statement of comprehensive income. This is due to the reallocation of the premium relating to insurance acquisition cash flows and allocations to loss component shifted between insurance revenue and insurance service expenses in the statement of comprehensive income.*

2 *Relates to future service. Line items without a superscript relate to current service.*

3 *Other covers amounts for insurance contracts that existed at the transition date to which the group applied the fully retrospective approach, plus amounts for insurance contracts recognised subsequent to the transition date.*

4 *The repayments of investment components in the year are included in this line item with the investment components incurred being shown separately in the line item above (presented as a net zero impact on the movement in the year).*

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 December 2023

8. INSURANCE CONTRACT CARRYING AMOUNT continued

8.2 Reconciliation of net carrying amount: Life insurance – risk business continued

8.2.3 General model continued

Reconciliation per valuation component continued

	Total P'000	Best estimate of future cash flows P'000	Risk adjustment P'000	Subtotal: CSM P'000	Fair value transition approach P'000	Other[3] P'000	Total P'000	Liability for remaining coverage excluding loss component P'000	Loss component P'000	Incurred claims P'000
2022										
Non-onerous contracts recognised during the year[2]	–	(230 410)	13 781	216 629	–	216 629	–	–	–	–
Recognised in the statement of comprehensive income	69 748	208 786	2 072	(141 110)	(71 637)	(69 473)	69 748	(825 714)	18 541	876 921
Recognised in insurance revenue[1]	(1 180 474)	(948 250)	(21 015)	(211 209)	(114 528)	(96 681)	(1 180 473)	(1 180 080)	(393)	–
Expected incurred claims excluding investment components	(944 800)	(944 800)	–	–	–	–	(944 800)	(944 730)	(70)	–
Expected administration and other expenses	(84 773)	(84 773)	–	–	–	–	(84 773)	(84 457)	(316)	–
Release of risk adjustment for risk expired	(21 015)	–	(21 015)	–	–	–	(21 014)	(21 007)	(7)	–
Recognition of CSM	(211 209)	–	–	(211 209)	(114 528)	(96 681)	(211 209)	(211 209)	–	–
Premium experience adjustments related to current service and other amounts	81 323	81 323	–	–	–	–	81 323	81 323	–	–
Recognised in insurance service expenses[1]	895 449	894 252	1 197	–	–	–	895 449	–	18 528	876 921
Claims incurred during the year (excluding investment component) and other incurred insurance service expenses	876 921	876 921	–	–	–	–	876 921	–	–	876 921
Expected incurred claims excluding investment components	944 800	944 800	–	–	–	–	944 800	–	–	944 800
Experience adjustment	(67 879)	(67 879)	–	–	–	–	(67 879)	–	–	(67 879)
Increase and reversal of losses on onerous contracts[2]	18 528	17 331	1 197	–	–	–	18 528	–	18 528	–
Insurance finance income or expenses	354 773	262 784	21 890	70 099	42 891	27 208	354 772	354 366	406	–
Excluding recognition of adjusting the CSM at locked-in interest rates	391 245	307 184	13 962	70 099	42 891	27 208	391 244	390 445	799	–
Impact of adjusting the CSM at locked-in interest rates	(36 472)	(44 400)	7 928	–	–	–	(36 472)	(36 079)	(393)	–

[1] *Line items do not align to the statement of comprehensive income. This is due to the reallocation of the premium relating to insurance acquisition cash flows and allocations to loss component shifted between insurance revenue and insurance service expenses in the statement of comprehensive income.*

[2] *Relates to future service. Line items without a superscript relate to current service.*

[3] *Other covers amounts for insurance contracts that existed at the transition date to which the group applied the fully retrospective approach, plus amounts for insurance contracts recognised subsequent to the transition date.*

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 December 2023

8. INSURANCE CONTRACT CARRYING AMOUNT continued

8.2 Reconciliation of net carrying amount: Life insurance – risk business continued

8.2.3 General model continued

	Total P'000	Best estimate of future cash flows P'000	Risk adjustment P'000	Subtotal: CSM P'000	Fair value transition approach P'000	Other[3] P'000	Total P'000	Liability for remaining coverage excluding loss component P'000	Loss component P'000	Incurred claims P'000
2022										
Changes in estimates recognised in CSM[2]	–	(61 164)	(45 809)	106 973	6 744	100 229	–	–	–	–
Premium experience adjustments related to future service	–	(7 918)	–	7 918	–	7 918	–	–	–	–
Cash flow	201 696	201 696	–	–	–	–	201 696	1 092 925	–	(891 229)
Premiums received during the year	1 372 870	1 372 870	–	–	–	–	1 372 870	1 372 870	–	–
Incurred claims – investments[4]	–	–	–	–	–	–	–	(36 034)	–	36 034
Claims paid during the year	(927 263)	(927 263)	–	–	–	–	(927 263)	–	–	(927 263)
Insurance acquisition cash flows	(243 911)	(243 911)	–	–	–	–	(243 911)	(243 911)	–	–
Net movement for the year	271 443	110 990	(29 957)	190 410	(64 893)	255 303	271 443	267 212	18 540	(14 309)
Recognised in other comprehensive income – foreign currency translation differences	29 090	25 876	63	3 151	3 151	–	29 089	28 890	199	–
Balance at the beginning of the year	6 159 908	4 502 376	209 084	1 448 448	470 317	978 131	6 159 908	6 053 315	–	106 593
Balance at the end of the year	6 460 441	4 639 242	179 190	1 642 009	408 575	1 233 434	6 460 440	6 349 417	18 739	92 284

[1] *Line items do not align to the statement of comprehensive income. This is due to the reallocation of the premium relating to insurance acquisition cash flows and allocations to loss component shifted between insurance revenue and insurance service expenses in the statement of comprehensive income.*

[2] *Relates to future service. Line items without a superscript relate to current service.*

[3] *Other covers amounts for insurance contracts that existed at the transition date to which the group applied the fully retrospective approach, plus amounts for insurance contracts recognised subsequent to the transition date.*

[4] *The repayments of investment components in the year are included in this line item with the investment components incurred being shown separately in the line item above (presented as a net zero impact on the movement in the year).*

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 December 2023

8. INSURANCE CONTRACT CARRYING AMOUNT continued

8.3 Expected recognition of CSM

8.3.1 Analysis per line of business

	<1 year P'000	1 to 2 years P'000	2 to 3 years P'000	3 to 4 years P'000	4 to 5 years P'000	5 to 6 years P'000	6 to 7 years P'000	7 to 8 years P'000	8 to 9 years P'000	9 to 10 years P'000	>10 years P'000
2023											
Individual life											
Balance at the beginning of the year	922 562	878 370	835 932	795 019	756 129	720 124	687 185	663 318	644 314	619 671	594 153
Accretion of interest on liabilities under the general model	38 987	42 936	38 306	35 097	33 269	31 999	37 190	38 534	29 393	25 115	189 500
Recognised in the statement of comprehensive income	(83 180)	(85 373)	(79 219)	(73 988)	(69 273)	(64 938)	(61 057)	(57 538)	(54 036)	(50 633)	(783 653)
Balance at the end of the year	878 369	835 933	795 019	756 128	720 125	687 185	663 318	644 314	619 671	594 153	–
Annuities											
Balance at the beginning of the year	417 882	397 864	378 642	360 110	342 494	326 186	311 266	300 455	291 847	280 684	269 126
Accretion of interest on liabilities under the general model	17 659	19 448	17 351	15 898	15 069	14 494	16 845	17 454	13 314	11 376	85 836
Recognised in the statement of comprehensive income	(37 677)	(38 670)	(35 883)	(33 513)	(31 378)	(29 414)	(27 656)	(26 062)	(24 476)	(22 934)	(354 962)
Balance at the end of the year	397 864	378 642	360 110	342 495	326 185	311 266	300 455	291 847	280 685	269 126	–
Total											
Balance at the beginning of the year	1 340 444	1 276 234	1 214 574	1 155 129	1 098 623	1 046 310	998 451	963 773	936 161	900 355	863 279
Accretion of interest on liabilities under the general model	56 646	62 384	55 657	50 995	48 338	46 493	54 035	55 988	42 707	36 491	275 336
Recognised in the statement of comprehensive income	(120 857)	(124 043)	(115 102)	(107 501)	(100 651)	(94 352)	(88 713)	(83 600)	(78 512)	(73 567)	(1 138 615)
Balance at the end of the year	1 276 233	1 214 575	1 155 129	1 098 623	1 046 310	998 451	963 773	936 161	900 356	863 279	–

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 December 2023

8. INSURANCE CONTRACT CARRYING AMOUNT continued

8.3 Expected recognition of CSM continued

8.3.1 Analysis per line of business continued

	<1 year P'000	1 to 2 years P'000	2 to 3 years P'000	3 to 4 years P'000	4 to 5 years P'000	5 to 6 years P'000	6 to 7 years P'000	7 to 8 years P'000	8 to 9 years P'000	9 to 10 years P'000	>10 years P'000
2022											
Individual life											
Balance at the beginning of the year	1 126 375	1 027 465	946 777	872 362	803 531	740 972	684 386	641 447	607 358	566 767	524 724
Accretion of interest on liabilities under the general model	64 435	68 820	62 523	57 144	53 705	50 899	56 661	58 451	45 529	38 014	312 135
Recognised in the statement of comprehensive income	(163 345)	(149 508)	(136 938)	(125 975)	(116 264)	(107 485)	(99 601)	(92 540)	(86 119)	(80 057)	(836 859)
Balance at the end of the year	1 027 465	946 777	872 362	803 531	740 972	684 386	641 446	607 358	566 768	524 724	–
Annuities											
Balance at the beginning of the year	515 634	470 355	433 417	399 351	367 842	339 203	313 300	293 643	278 037	259 456	240 209
Accretion of interest on liabilities under the general model	29 497	31 504	28 622	26 160	24 585	23 301	25 939	26 758	20 842	17 402	142 890
Recognised in the statement of comprehensive income	(74 776)	(68 442)	(62 688)	(57 669)	(53 224)	(49 204)	(45 596)	(42 363)	(39 424)	(36 649)	(383 099)
Balance at the end of the year	470 355	433 417	399 351	367 842	339 203	313 300	293 643	278 038	259 455	240 209	–
Total											
Balance at the beginning of the year	1 642 009	1 497 820	1 380 194	1 271 713	1 171 373	1 080 175	997 686	935 090	885 395	826 223	764 933
Accretion of interest on liabilities under the general model	93 932	100 324	91 145	83 304	78 290	74 200	82 600	85 209	66 371	55 416	455 025
Recognised in the statement of comprehensive income	(238 121)	(217 950)	(199 626)	(183 644)	(169 488)	(156 689)	(145 197)	(134 903)	(125 543)	(116 706)	(1 219 958)
Balance at the end of the year	1 497 820	1 380 194	1 271 713	1 171 373	1 080 175	997 686	935 089	885 396	826 223	764 933	–

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 December 2023

8. INSURANCE CONTRACT CARRYING AMOUNT continued

8.4 Carrying value of new insurance contracts issued during the year

	2023			2022	
	Total P'000	Groups of contracts that are expected to be profitable at initial recognition P'000	Groups of contracts that are onerous at initial recognition P'000	Total P'000	Groups of contracts that are expected to be profitable at initial recognition P'000
Estimate of the present value of future cash inflows	**(1 092 201)**	**(1 086 946)**	**(5 255)**	(1 423 462)	(1 423 462)
Estimate of the present value of future cash outflows (excluding insurance acquisition cash flows)	**930 885**	**926 198**	**4 687**	974 733	974 733
Insurance acquisition cash flows	**12 826**	**10 215**	**2 611**	218 318	218 318
Risk adjustment for non-financial risk	**10 366**	**10 261**	**105**	13 781	13 781
Contractual service margin	**140 272**	**140 272**	**–**	216 630	216 630
Net carrying amount of insurance contracts issued during the year	**2 148**	**–**	**2 148**	–	–

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 December 2023

8. INSURANCE CONTRACT CARRYING AMOUNT continued

8.5 Insurance and reinsurance contracts

Summary of net carrying amount

	2023				2022			
	Total P'000	Individual life P'000	Annuities P'000	Group business P'000	Total P'000	Individual life P'000	Annuities P'000	Group business P'000
Net insurance contract carrying amount	**7 391 186**	**(612 935)**	**7 476 366**	**527 755**	6 997 685	(553 701)	7 014 141	537 245
Insurance contract liabilities	**8 004 121**	**–**	**7 476 366**	**527 755**	7 551 386	–	7 014 141	537 245
Insurance contract liability balances	**8 004 121**	**–**	**7 476 366**	**527 755**	7 551 386	–	7 014 141	537 245
Insurance contract assets	**612 935**	**612 935**	**–**	**–**	553 701	553 701	–	–
Insurance contract asset balances	**612 935**	**612 935**	**–**	**–**	553 701	553 701	–	–
Net reinsurance contract carrying amount	**36 348**	**54 222**	**–**	**(17 874)**	45 486	55 757	–	(10 271)
Reinsurance contract liabilities	**54 222**	**54 222**	**–**	**–**	55 757	55 757	–	–
Reinsurance contract assets	**(17 874)**	**–**	**–**	**(17 874)**	(10 271)	–	–	(10 271)
Net carrying amount	**7 427 534**	**(558 713)**	**7 476 366**	**509 881**	7 043 171	(497 944)	7 014 141	526 974

Summary of result from insurance contracts

	2023				2022			
	Total P'000	Individual life P'000	Annuities P'000	Group business P'000	Total P'000	Individual life P'000	Annuities P'000	Group business P'000
Insurance service result	**286 393**	**157 708**	**41 761**	**86 924**	277 710	125 190	31 992	120 528
Insurance revenue	**2 422 502**	**875 540**	**818 982**	**727 980**	2 392 542	740 760	772 761	879 021
Insurance service expenses	**(2 120 634)**	**(718 550)**	**(777 221)**	**(624 863)**	(2 089 982)	(609 866)	(740 769)	(739 347)
Income or expense from reinsurance contracts	**(15 475)**	**718**	**–**	**(16 193)**	(24 850)	(5 704)	–	(19 146)
Insurance investment result	**315 333**	**52 432**	**209 186**	**53 715**	(121 265)	(88 628)	(52 273)	19 636
Other expenses relating to insurance operations	**(15 975)**	**–**	**–**	**–**	(13 251)	–	–	–
Result from insurance contracts	**585 751**	**210 140**	**250 947**	**140 639**	143 194	36 562	(20 281)	140 164

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 December 2023

8.6 Investment contracts

8.6.1 Composition of investment contract liabilities

	2023 P'000	Restated 2022 P'000
Individual business	**3 598 953**	3 298 512
Investments	**3 501 076**	3 154 160
Linked business	**3 501 076**	3 154 160
Life annuities	**97 877**	144 352
Guaranteed certain	**97 877**	144 352
Total investment contract liabilities	**3 598 953**	3 298 512

8.6.2 Analysis of movement in investment contract liabilities

	2023 P'000	Restated 2022 P'000
Investment contracts		
Income	**913 043**	565 790
Premium income	**438 041**	625 462
Change in fair value of investment contract liabilities	**475 002**	(59 672)
Outflow	**(607 349)**	(670 755)
Policy benefits	**(469 970)**	(552 300)
Fees and other payments to shareholders' fund	**(137 379)**	(118 455)
Other movements	**(5 253)**	62 080
Net movement for the year	**300 441**	(42 885)
Balance at the beginning of the year	**3 298 512**	3 341 397
Balance at the end of the year	**3 598 953**	3 298 512

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 December 2023

9. DERIVATIVES INSTRUMENT

	GROUP		COMPANY	
	2023 P'000	2022 P'000	2023 P'000	2022 P'000
Foreign exchange swap transaction	**25 429**	37 259	**–**	–
Reconciliation of movement during the year				
Balance at 1 January	**37 259**	42 366	**–**	–
Fair value adjustment	**(11 830)**	(5 107)	**–**	–
Closing balance at 31 December	**25 429**	37 259	**–**	–

This transaction was entered into between BIHL Group and African Life Assurance Company Botswana Proprietary Limited (ALBOTS) – a wholly-owned subsidiary of SanlamAllianz, whose sole asset and source of revenue is a 17% shareholding in BIHL. ALBOTS, which receives periodic dividends and converts the same to South African Rand, wished to swap these cash flows to mitigate against currency movements. The group (through the Botswana Life annuity portfolio) wished to gain exposure to long-dated bonds, however, given the shortage of such in Botswana, resolved to gain similar exposure synthetically. The parties then entered into a swap which saw BIHL Group, through Botswana Life, purchasing a long-dated South African Government bond and swapping the South African Rand coupons received from the note for Pula. ALBOTS swapped its Pula dividends for South African Rand and thus each party obtained exposure to their desired currency. This resulted in a synthetic Pula bond exposure for BIHL Group, which is valued in the same way all the other bonds in the annuity book are valued – via the Botswana zero curve. The South African Rand bond's value is taken to be the bond's market value at every valuation date.

The positions are valued monthly and the difference between the two is the swap contract's value at valuation date. No cash flow exchanged hands during the life of the contract (i.e. the swap value becomes unrealised gains or losses in the book).

10. EXTERNAL INVESTORS IN CONSOLIDATED FUNDS

	GROUP		COMPANY	
	2023 P'000	2022 P'000	2023 P'000	2022 P'000
Balance at the beginning of the year	**3 551 819**	3 635 183	**–**	–
Fair value losses	**88 254**	36 538	**–**	–
Net investment return	**202 721**	245 282	**–**	–
Net funds inflow/(outflow)	**(1 760 774)**	(297 730)	**–**	–
Balance at the end of the year	**2 082 020**	3 619 273	**–**	–

Net investment return comprises interest income on financial assets at fair value through profit or loss, rental income and dividend income.

	GROUP		COMPANY	
	2023 P'000	2022 P'000	2023 P'000	2022 P'000
Segregated funds accounted for on the statement of financial position	**33 890 391**	29 172 552	**–**	–

Segregated funds are excluded from investments and liabilities under investment management contracts on the statement of financial position. The assets are kept on behalf of the investors and are not assets of the group. The assets are managed by the asset management company (Bifm).

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 December 2023

11. REINSURANCE CONTRACT CARRYING AMOUNT

11.1 Analysis of net reinsurance contract carrying amount

Analysis per line of business and valuation method

	Remaining coverage component					Incurred claims component	
	Total P'000	Subtotal P'000	Best estimate of future cash flows P'000	Risk adjustment P'000	CSM P'000	Subtotal P'000	Best estimate of future cash flows P'000
2023							
Life insurance – risk business	(36 348)	(73 170)	6 947	31 704	(111 821)	36 822	36 822
Premium allocation approach[1]	17 874	17 874	17 874	–	–	–	–
General model	(54 222)	(91 044)	(10 927)	31 704	(111 821)	36 822	36 822
Net reinsurance contract carrying amount	(36 348)	(73 170)	6 947	31 704	(111 821)	36 822	36 822
Premium allocation approach[1]	(54 222)	(91 044)	(10 927)	31 704	(111 821)	36 822	36 822
General model	17 874	17 874	17 874	–	–	–	–
Net reinsurance contract carrying amount	(36 348)	(73 170)	6 947	31 704	(111 821)	36 822	36 822
2022							
Life insurance – risk business	(45 486)	(82 567)	(76 896)	12 657	(18 328)	37 081	37 081
Premium allocation approach[1]	10 271	7 437	7 437	–	–	2 834	2 834
General model	(55 757)	(90 004)	(84 333)	12 657	(18 328)	34 247	34 247
Net reinsurance contract carrying amount	(45 486)	(82 567)	(76 896)	12 657	(18 328)	37 081	37 081
Reinsurance contract liabilities	(55 757)	(90 004)	(84 333)	12 657	(18 328)	34 247	34 247
Reinsurance contract assets	10 271	7 437	7 437	–	–	2 834	2 834
Net reinsurance contract carrying amount	(45 486)	(82 567)	(76 896)	12 657	(18 328)	37 081	37 081

[1] *Only the incurred claims and the subtotal of liability for remaining coverage sections would be applicable to the PAA.*

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 December 2023

11. REINSURANCE CONTRACT CARRYING AMOUNT continued

11.2 Reconciliation of net carrying amount: Life insurance – risk business

11.2.1 Premium allocation approach

Reconciliation per valuation component

	2023				2022			
			Incurred claims component				Incurred claims component	
	Total P'000	Remaining coverage component P'000	Subtotal P'000	Best estimate of future cash flows P'000	Total P'000	Remaining coverage component P'000	Subtotal P'000	Best estimate of future cash flows P'000
Recognised in the statement of comprehensive income	**(16 193)**	**(32 252)**	**16 059**	**16 059**	(19 146)	(42 402)	23 256	23 256
Income or expense from reinsurance contracts	**(16 193)**	**(32 252)**	**16 059**	**16 059**	(19 146)	(42 402)	23 256	23 256
Income or expenses from reinsurance contracts excluding changes in non-performance risk of reinsurance contracts	**(16 193)**	**(32 252)**	**16 059**	**16 059**	(19 146)	(42 402)	23 256	23 256
Cash flow	**23 797**	**39 416**	**(15 619)**	**(15 619)**	17 536	37 958	(20 422)	(20 422)
Premiums paid	**39 416**	**39 416**	**–**	**–**	37 958	37 958	–	–
Recoveries received under reinsurance contracts held	**(15 619)**	**–**	**(15 619)**	**(15 619)**	(20 422)	–	(20 422)	(20 422)
Net movement for the year	**7 604**	**7 164**	**440**	**440**	(1 611)	(4 445)	2 834	2 834
Balance at the beginning of the year	**10 271**	**7 437**	**2 834**	**2 834**	11 882	11 882	–	–
Balance at the end of the year	**17 875**	**14 601**	**3 274**	**3 274**	10 271	7 437	2 834	2 834

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 December 2023

11. REINSURANCE CONTRACT CARRYING AMOUNT continued

11.2 Analysis of net reinsurance contract carrying amount: Life insurance – risk business continued

11.2.2 General model

Reconciliation per valuation component

	Total P'000	Best estimate of future cash flows P'000	Risk adjustment P'000	Subtotal: CSM P'000	Other[3] P'000	Total P'000	Remaining coverage component excluding LRC P'000	Incurred claims component P'000
2023								
Contracts recognised during the year for future coverage	–	2 869	(46)	(2 823)	(2 823)	–	–	–
Recognised in the statement of comprehensive income	(26 214)	(21 695)	(5 886)	(1 208)	(1 208)	(26 214)	(28 789)	2 575
Income or expense from reinsurance contracts	721	923	(1 569)	(1 208)	(1 208)	721	(1 854)	2 575
Recognition of the CSM for services received	(1 208)	–	–	(1 208)	(1 208)	(1 208)	(1 208)	–
Release of risk adjustment for risk expired	(1 569)	–	(1 569)	–	–	(1 569)	(1 569)	–
Claims experience adjustments related to current service	923	923	–	–	–	923	923	–
Changes in incurred claims related to past service[1]	2 575	–	–	–	–	2 575	–	2 575
Reinsurance finance income or expenses	(26 935)	(22 618)	(4 317)	–	–	(26 935)	(26 935)	–
Impact of adjusting the CSM at locked-in interest rates	(26 935)	(15 661)	(3 850)	–	–	(19 510)	(19 510)	–
Changes in estimates recognised in CSM[2]	–	64 483	24 980	(89 463)	(89 463)	–	–	–
Cash flow	27 749	27 751	–	–	–	27 749	27 749	–
Premiums paid	27 749	27 751	–	–	–	27 749	27 749	–
Net movement for the year	1 535	73 406	19 048	(90 994)	(90 994)	1 535	(1 040)	2 575
Balance at the beginning of the year	(55 757)	(84 333)	12 657	(18 328)	(18 328)	(55 757)	(90 004)	34 247
Balance at the end of the year	(54 222)	(10 927)	31 705	(109 322)	(109 322)	(54 222)	(91 044)	36 822

1 *Relates to past service. Line items without a superscript relate to current service.*

2 *Relates to future service. Line items without a superscript relate to current service.*

3 *Other covers amounts for reinsurance contracts that existed at the transition date to which the group applied the fully retrospective approach, plus amounts for reinsurance contracts recognised subsequent to the transition date.*

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 December 2023

11. REINSURANCE CONTRACT CARRYING AMOUNT continued

11.2 Analysis of net reinsurance contract carrying amount: Life insurance – risk business continued

11.2.2 General model continued

Reconciliation per valuation component continued

	Total P'000	Best estimate of future cash flows P'000	Risk adjustment P'000	Subtotal: CSM P'000	Other[3] P'000	Total P'000	Remaining coverage component excluding LRC P'000	Incurred claims component P'000
2022								
Contracts recognised during the year for future coverage	–	(7 306)	–	7 306	7 306	–	–	–
Recognised in the statement of comprehensive income	(25 214)	18 374	(2 730)	(1 552)	(1 552)	(25 214)	14 093	(39 307)
Income or expense from reinsurance contracts	(5 704)	34 035	1 120	(1 552)	(1 552)	(5 704)	33 603	(39 307)
Recognition of CSM for services received	(1 552)	–	–	(1 552)	(1 552)	(1 552)	(1 552)	–
Release of risk adjustment for risk expired	1 120	–	1 120	–	–	1 120	1 120	–
Premium experience adjustments related to current service and other amounts	592	592	–	–	–	592	592	–
Claims experience adjustments related to current service	33 443	33 443	–	–	–	33 443	33 443	–
Changes in incurred claims related to past service[1]	(39 307)	–	–	–	–	(39 307)	–	(39 307)
Reinsurance finance income or expenses	(19 510)	(15 661)	(3 850)	–	–	(19 510)	(19 510)	–
Impact of adjusting the CSM at locked-in interest rates	(19 510)	(15 661)	(3 850)	–	–	(19 510)	(19 510)	–
Changes in estimates recognised in CSM[2]	(1)	40 337	(3 850)	(60 812)	(60 812)	–	–	–
Cash flow	(21 315)	(21 315)	–	–	–	(21 315)	(21 315)	–
Premium paid net recoveries and other items	(21 315)	(21 315)	20 474	–	–	(21 315)	(21 315)	–
Net movement for the year	(46 530)	30 090	17 744	(55 058)	(55 058)	(46 529)	(7 222)	(39 307)
Balance at the beginning of the year	(9 228)	(114 423)	(5 089)	36 730	36 730	(9 228)	(82 781)	73 553
Balance at the end of the year	(55 757)	(84 333)	12 655	(18 328)	(18 328)	(55 757)	(90 003)	34 246

1 *Relates to past service. Line items without a superscript relate to current service.*
2 *Relates to future service. Line items without a superscript relate to current service.*
3 *Other covers amounts for reinsurance contracts that existed at the transition date to which the group applied the fully retrospective approach, plus amounts for reinsurance contracts recognised subsequent to the transition date.*

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 December 2023

11. REINSURANCE CONTRACT CARRYING AMOUNT continued

11.2 Analysis of net reinsurance contract carrying amount: Life insurance – risk business continued

11.2.3 Analysis per valuation method and line of business

Summary per valuation component

	General measurement model				Premium allocation approach	
	Total P'000	Subtotal P'000	Individual life	Annuities	Subtotal P'000	Group business
2023						
Liability for remaining coverage	**(73 170)**	**(91 044)**	**(91 044)**	**–**	**17 874**	**17 874**
Best estimate of future cash flows excluding loss component	**6 947**	**(10 927)**	**(10 927)**	**–**	**–**	**17 874**
Risk adjustment	**31 704**	**31 704**	**31 704**	**–**	**–**	**–**
Contractual service margin	**(111 821)**	**(111 821)**	**(111 821)**	**–**	**–**	**–**
Incurred claims	**36 822**	**36 822**	**36 822**	**–**	**–**	**–**
Best estimate of future cash flows	**36 822**	**36 822**	**36 822**	**–**	**–**	**–**
Net reinsurance contract carrying amount	**(36 348)**	**(54 222)**	**(54 222)**	**–**	**17 874**	**17 874**
2022						
Liability for remaining coverage	(82 567)	(90 004)	(90 004)	–	7 437	7 437
Best estimate of future cash flows excluding loss component	(76 896)	(84 333)	(84 333)	–	7 437	7 437
Risk adjustment	12 657	12 657	12 657	–	–	–
Contractual service margin	(18 328)	(18 328)	(18 328)	–	–	–
Incurred claims	37 081	34 247	34 247	–	2 834	2 834
Best estimate of future cash flows	37 081	34 247	34 247	–	2 834	2 834
Net reinsurance contract carrying amount	(45 486)	(55 757)	(55 757)	–	10 271	10 271

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 December 2023

11. REINSURANCE CONTRACT CARRYING AMOUNT continued

11.3 Expected recognition of CSM

11.3.1 Analysis per line of business

Life insurance – risk business

	<1 year P'000	1 to 2 years P'000	2 to 3 years P'000	3 to 4 years P'000	4 to 5 years P'000	5 to 6 years P'000	6 to 7 years P'000	7 to 8 years P'000	8 to 9 years P'000	9 to 10 years P'000	>10 years P'000
2023											
Balance at the beginning of the year	**111 821**	**105 522**	**99 377**	**93 391**	**87 699**	**82 309**	**78 094**	**74 747**	**70 575**	**65 934**	**61 485**
Accretion of interest on liabilities under the general model	**7 672**	**7 083**	**6 594**	**6 309**	**6 069**	**6 742**	**7 135**	**5 854**	**4 900**	**4 589**	**38 066**
Recognised in the statement of comprehensive income	**(13 972)**	**(13 227)**	**(12 581)**	**(12 001)**	**(11 459)**	**(10 957)**	**(10 482)**	**(10 026)**	**(9 540)**	**(9 038)**	**(99 551)**
Balance at the end of the year	**105 521**	**99 378**	**93 390**	**87 699**	**82 309**	**78 094**	**74 747**	**70 575**	**65 935**	**61 485**	**–**
2022											
Balance at the beginning of the year	18 328	16 679	15 334	14 094	12 946	11 904	10 960	10 245	9 677	9 000	8 299
Accretion of interest on liabilities under the general model	1 074	1 147	1 042	952	895	848	944	974	759	634	5 203
Recognised in the statement of comprehensive income	(2 723)	(2 492)	(2 282)	(2 100)	(1 938)	(1 792)	(1 660)	(1 542)	(1 435)	(1 334)	(13 502)
Balance at the end of the year	16 679	15 334	14 094	12 946	11 903	10 960	10 244	9 677	9 001	8 300	–

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 December 2023

12. NON-CONTROLLING INTERESTS

	2023 P'000	2022 P'000
Balance at the beginning of the year	**22 428**	18 728
Share of profit	**7 570**	6 224
Dividend payment	**(6 247)**	(2 524)
Balance at the end of the year	**23 751**	22 428

12.1 Proportion of equity interest held by non-controlling interests

Name	Country of incorporation and operations	2023 %	2022 %
KYS Investments Limited	Botswana	**37**	37
Bifm CEE	Botswana	**7**	11
PPB	Botswana	**26**	26

Accumulated balances of material non-controlling interest

	2023 P'000	2022 P'000
KYS Investments Limited	**12 829**	16 010
Bifm CEE	**10 879**	6 375
PPB	**43**	43
Total non-controlling interests	**23 751**	22 428

Profit/(loss) allocated to material non-controlling interest

	2023 P'000	2022 P'000
KYS Investments Limited	**–**	320
Bifm	**7 570**	6 621
Total share of profit	**7 570**	6 941

The summarised financial information of these subsidiaries is provided as follows. This information is based on amounts before inter-company eliminations.

	Bifm P'000	KYS P'000	PPB P'000
2023			
Summarised profit or loss for the year ended 31 December 2023			
Revenue	**130 331**	**401**	**–**
Administrative expenses	**(82 761)**	**(114)**	**–**
Profit before tax	**47 570**	**287**	**–**
Income tax	**(19 624)**	**–**	**–**
Profit for the year from continuing operations	**27 946**	**287**	**–**
Total comprehensive income	**27 946**	**287**	**–**
Attributable to non-controlling interests	**7 570**	**107**	**–**
Dividends paid to non-controlling interests	**(3 066)**	**–**	**–**
2022			
Summarised profit or loss for the year ended 31 December 2022			
Revenue	232 796	1 204	–
Administrative expenses	(74 237)	(342)	–
Profit before tax	158 559	862	–
Income tax	(28 789)	–	–
Profit for the year from continuing operations	129 770	862	–
Total comprehensive income	129 770	862	–
Attributable to non-controlling interests	6 621	320	–
Dividends paid to non-controlling interests	(2 524)	–	–

NOTES TO THE FINANCIAL STATEMENTS continued
For the year ended 31 December 2023

12. NON-CONTROLLING INTERESTS continued
12.2 Non-controlling interests

	Bifm P'000	KYS P'000	PPB P'000
2023			
Summarised statement of financial position as at 31 December 2023			
Trade receivables and cash and bank balances (current)	**99 410**	**1 164**	**2 544**
Property and equipment and other non-current financial assets (non-current)	**5 364 613**	**34 446**	**–**
Trade and other payables (current)	**(29 045)**	**4 022**	**(2 377)**
Interest-bearing loans and borrowing and deferred tax liabilities (non-current)	**(5 994)**	**–**	**–**
Total equity	**5 428 984**	**39 632**	**167**
Attributable to:			
Equity holders of the parent	**5 418 105**	**26 803**	**124**
Non-controlling interests	**10 879**	**12 829**	**43**
2022			
Summarised statement of financial position as at 31 December 2022			
Trade receivables and cash and bank balances (current)	106 989	1 236	2 544
Property, plant and equipment and other non-current financial assets (non-current)	6 641 954	34 112	–
Trade and other payables (current)	(33 983)	913	(2 377)
Interest-bearing loans and borrowing and deferred tax liabilities (non-current)	(6 628)	–	–
Total equity	6 708 332	36 261	167
Attributable to:			
Equity holders of the parent	6 701 957	20 251	124
Non-controlling interests	6 375	16 010	43

	Bifm P'000	KYS P'000	PPB P'000
2023			
Summarised cash flow information for the year ended 31 December 2023			
Operating	**14 905**	**(3 109)**	**–**
Investing	**(23 960)**	**–**	**–**
Financing	**(1 412)**	**–**	**–**
Net increase/(decrease) in cash and cash equivalents	**(10 467)**	**(3 109)**	**–**
2022			
Summarised cash flow information for the year ended 31 December 2022			
Operating	**14 905**	**280**	**–**
Investing	**(23 960)**	**–**	**–**
Financing	**(1 412)**	**–**	**–**
Net increase/(decrease) in cash and cash equivalents	**(10 467)**	**280**	**–**

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 December 2023

13. DEFERRED TAX

Deferred tax included in the statement of financial position and changes recorded in the income tax expense are as follows:

	GROUP	
	2023 P'000	2022 P'000
Balance at the beginning of the year	**(73 545)**	(23 780)
Transition adjustment	**–**	(58 481)
Charge to the income statement	**(11 217)**	8 716
Reallocation of tax	**(57 146)**	–
Balance at the end of the year	**(141 908)**	(73 545)

	GROUP	
	2023 P'000	2022 P'000
Representing:		
Accelerated wear and tear on equipment	**(15 600)**	(19 372)
Accelerated allowances on intangibles	**84**	(81)
Unrealised investment losses	**2 117**	11 306
Right-of-use assets	**–**	81
Impairment	**(1 254)**	1 618
Broker and agent loans	**8 137**	8 463
Difference between IFRS 17 and IFRS 4 profits	**(20 271)**	39 560
Deferred tax on transition earnings impact	**(115 121)**	(115 121)

No deferred tax asset was recognised in the holding company due to the assessable tax losses amounting to P9 million (2022: P9 million). There is uncertainty when taxable profits will be available against which the deferred tax asset can be utilised. No deferred tax liabilities have been provided for temporary differences arising from investment in subsidiaries, associates and joint ventures as the deferred tax liability mainly arises from initial recognition of goodwill.

14. INSURANCE AND OTHER PAYABLES

	GROUP		COMPANY	
	2023 P'000	Restated[1] 2022 P'000	2023 P'000	2022 P'000
Other payables				
Due to brokers and agents	**59 971**	67 127	**–**	–
Other payables				
Other accounts payable	**165 693**	226 766	**20 504**	18 015
Payroll-related liabilities	**58 587**	60 011	**11 303**	10 226
Other accruals	**69 573**	44 217	**707**	534
Total other payables	**353 824**	398 121	**32 514**	28 775

[1] *The prior year has been restated. Refer to the table on* *page 95 for further details.*

Terms and conditions of the above financial liabilities are:

Trade payables are non-interest-bearing insurance-related liabilities and their terms and conditions are as follows:

- Due to agents and brokers – these are intermediary retention balances held on behalf of brokers and agents and are released on the anniversary of the policy
- Short-term insurance payables are settled within 30 days.

Other payables relate to payroll accruals – leave pay, bonuses and gratuities.

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 December 2023

15. REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregation of revenue from contracts with customers

	GROUP		COMPANY	
	2023 P'000	2022 P'000	2023 P'000	2022 P'000
Management fee income	**158 167**	141 136	**–**	–
Fees and other payments to the shareholders' fund	**137 379**	118 455	**–**	–
Total revenue from contracts with customers	**295 546**	259 591	**–**	–
Timing of revenue recognition				
Contract revenue earned at a point in time	**1 187**	–	**–**	–
Contract revenue earned over time	**294 359**	259 591	**–**	–
Total revenue from contracts with customers	**295 546**	259 591	**–**	–

All revenue from contracts with customers was earned from contracts in Botswana.

Fees for asset management or administration services in respect of investment contracts are recognised as services are rendered. Initial fees that relate to the future rendering of services are deferred and recognised as those future services are rendered. Related performance fees are also recognised over time, however, represent variable consideration and therefore recognition is constrained until there is a 'high degree of confidence' that revenue will not be reversed in a subsequent reporting period; this is typically on crystallisation of the fee. Clients' assets are managed on an ongoing basis and if there is an outperformance of a specific benchmark over a certain period, a fee is recouped from the client's account.

16. INVESTMENT RETURNS

16.1 Shareholders' interest income

	GROUP		COMPANY	
	2023 P'000	2022 P'000	2023 P'000	2022 P'000
Interest income using EIR	**4 395**	4 127	**1 221**	1 091

16.2 Other interest income from external investors in consolidated funds[1]

	GROUP		COMPANY	
	2023 P'000	2022 P'000	2023 P'000	2022 P'000
Total other interest income from external investors in consolidated funds	**202 721**	245 282	**–**	–

[1] *The presentation has been reviewed to enhance information to the users and decision-makers of the financial statements and renamed to 'Other interest income from external investors in consolidated funds' from 'Interest income on financial assets at fair value through profit or loss'. The prior year balance was not affected and remained unchanged.*

16.3 Investment income on shareholders' assets

	GROUP		COMPANY	
	2023 P'000	2022 P'000	2023 P'000	2022 P'000
Interest income	**284 903**	125 819	**1 028**	1 466
Dividends	**–**	–	**844 101**	482 646
Total investment income	**284 903**	125 819	**845 129**	484 112

16.4 Net losses from financial assets held at fair value through profit or loss

	GROUP		COMPANY	
	2023 P'000	2022 P'000	2023 P'000	2022 P'000
Fair value changes from external investors in consolidated funds	**88 254**	36 538	**–**	–
Change in fair value of investment contract liabilities	**(31 903)**	84 315		
Fair value (losses)/gains from derivative investments	**(11 830)**	(5 107)	**–**	–
	1 631 302	(568 514)	**–**	–

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 December 2023

17. ADMINISTRATION EXPENSES AND IMPAIRMENTS

17.1 Administration expenses include:

	GROUP		COMPANY	
	2023 P'000	2022 P'000	2023 P'000	2022 P'000
Auditor's remuneration				
– Audit fee current period	**5 356**	5 175	**574**	574
Depreciation of property and equipment	**12 059**	16 726	**842**	837
Amortisation of intangible assets	**9 852**	11 080	**115**	248
Depreciation of right-of-use asset	**5 771**	6 481	**1 734**	1 734
Directors' fees				
– For services as directors	**5 099**	5 065	**2 854**	2 878
– For managerial services	**36 933**	21 821	**12 504**	8 605
– Pension contribution	**2 600**	2 037	**952**	840
Staff costs	**195 112**	196 740	**44 348**	37 167
Salaries and wages for administration staff	**159 663**	161 374	**36 498**	28 644
Pension costs	**19 425**	19 294	**2 682**	3 308
Share-based payment	**16 024**	16 071	**5 168**	5 215
Average number of employees	**434**	397	**26**	25

The disclosure of administration expenses by nature only discloses the significant expense lines of the group.

17.2 Sales remuneration

	GROUP		COMPANY	
	2023 P'000	2022 P'000	2023 P'000	2022 P'000
Sales remuneration	**37 067**	63 588	**–**	–

17.3 Impairments

		GROUP		COMPANY	
	Note	2023 P'000	2022 P'000	2023 P'000	2022 P'000
Impairment expense of investment in subsidiaries and associates	4.5	**–**	–	**(8 078)**	(2 782)
Impairment on premiums receivable	25.6	**10 013**	2 155	**–**	–
Impairment reversal of loan at amortised cost	4.3	**–**	(2 391)	**–**	–
Impairment on staff loans	25.6	**1 196**	–	**–**	–
ECLs on broker and agent loans	5	**(328)**	5 210	**–**	–
Total impairments		**10 881**	4 974	**(8 078)**	(2 782)

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 December 2023

18. RESULT FROM INSURANCE CONTRACTS

18.1 Analysis of contribution to result from insurance contracts: Life insurance – risk business

General model

Analysis per valuation component

	Total P'000	Best estimate of future cash flows P'000	Risk adjustment P'000	Subtotal: CSM P'000	Fair value transition approach P'000	Other[5] P'000	Incurred claims component P'000
2023							
Insurance revenue	1 694 522	1 534 953	20 701	138 868	69 326	69 542	–
Movement in net liability recognised as insurance revenue[2]	1 278 929	1 119 225	20 836	138 868	69 326	69 542	–
Allocation of premium relating to insurance acquisition cash flows	418 412	418 412	–	–	–	–	–
Allocations to loss component[3]	(2 819)	(2 684)	(135)	–	–	–	–
Insurance service expenses	(1 495 771)	(562 324)	(3 257)	–	–	–	(930 190)
Movement in net amount recognised as insurance service expenses[2]	(956 060)	(22 478)	(3 392)	–	–	–	(930 190)
Amortisation of insurance acquisition cash flows	(418 412)	(418 412)	–	–	–	–	–
Allocations to loss component	3 258	3 123	135	–	–	–	–
Administration and other expenses[1]	(124 557)	(124 557)	–	–	–	–	–
Expected expenses	(158 854)	(158 854)	–	–	–	–	–
Experience adjustment	34 297	34 297	–	–	–	–	–
Income or expense from reinsurance contracts[4]	721	923	(1 569)	(1 208)	–	(1 208)	2 575
Insurance service result	199 472	973 552	15 875	137 660	69 326	68 334	(927 615)
Insurance investment result	261 618	365 939	(3 642)	(100 679)	(60 005)	(40 674)	–
Insurance finance income or expense (excluding recognition of assumption changes in CSM at locked-in interest rates)	(463 795)	(363 791)	675	(100 679)	(60 005)	(40 674)	–
Accretion of interest on liabilities under the general model	(363 347)	(253 047)	(9 621)	(100 679)	(60 005)	(40 674)	–
Recognition of assumption changes in CSM at locked-in interest rates	77 099	60 510	16 589	–	–	–	–
Economic assumption changes	(177 547)	(171 254)	(6 293)	–	–	–	–
Investment return on assets	752 348	752 348	–	–	–	–	–
Investment return on assets backing liabilities under the variable fee approach	752 348	752 348	–	–	–	–	–
Result from insurance contracts	461 090	1 339 491	12 233	36 981	9 321	27 660	(927 615)

1 *Administration and other expenses relate to attributable insurance service expenses.*
2 *Movement in net liability recognised as insurance revenue is equal to the 'Recognised in insurance revenue' line in the reconciliation of net carrying amount. Movement in net amount recognised as insurance service expenses is equal to the 'Recognised in insurance service expenses' line in the reconciliation of net carrying amount. Refer to note 8.*
3 *Allocation of loss component would be deducted as it is included in movement in net liability recognised as insurance result and should not form part of insurance revenue.*
4 *Only applicable to reinsurance contracts held.*
5 *Other covers amounts for insurance contracts that existed at the transition date to which the group applied the fully retrospective approach, plus amounts for insurance contracts recognised subsequent to the transition date.*

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 December 2023

18. RESULT FROM INSURANCE CONTRACTS continued

18.1 Analysis of contribution to result from insurance contracts: Life insurance – risk business continued

General model continued

Analysis per valuation component continued

	Total P'000	Best estimate of future cash flows P'000	Risk adjustment P'000	Subtotal: CSM P'000	Fair value transition approach P'000	Other[5] P'000	Incurred claims component P'000
2022							
Insurance revenue	1 513 521	1 289 222	21 008	203 291	114 528	88 763	–
Movement in net liability recognised as insurance revenue[2]	1 180 474	956 168	21 015	203 291	114 528	88 763	–
Allocation of premium relating to insurance acquisition cash flows	337 662	337 662	–	–	–	–	–
Allocations to loss component[3]	(4 615)	(4 608)	(7)	–	–	–	–
Insurance service expenses	(1 350 635)	(472 525)	(1 190)	–	–	–	(876 920)
Movement in net amount recognised as insurance service expenses[2]	(895 448)	(17 331)	(1 197)	–	–	–	(876 920)
Amortisation of insurance acquisition cash flows	(337 662)	(337 662)	–	–	–	–	–
Allocations to loss component	(5 090)	(5 097)	7	–	–	–	–
Administration and other expenses[1]	(112 435)	(112 435)	–	–	–	–	–
Expected expenses	(84 773)	(84 773)	–	–	–	–	–
Experience adjustment	(27 662)	(27 662)	–	–	–	–	–
Income or expense from reinsurance contracts[4]	(5 110)	34 628	1 120	(1 552)	–	–	(39 307)
Insurance service result	157 776	851 325	20 938	201 739	114 528	88 763	(916 227)
Insurance investment result	(140 902)	(52 991)	(17 812)	(70 099)	(42 891)	(27 208)	–
Insurance finance income or expense (excluding recognition of assumption changes in CSM at locked-in interest rates)	(349 018)	(264 957)	(13 962)	(70 099)	(42 891)	(27 208)	–
Accretion of interest on liabilities under the general model	(226 814)	(149 800)	(6 915)	(70 099)	(42 891)	(27 208)	–
Recognition of assumption changes in CSM at locked-in interest rates	42 226	42 226	–	–	–	–	–
Economic assumption changes	(164 430)	(157 383)	(7 047)	–	–	–	–
Investment return on assets	227 627	227 627	–	–	–	–	–
Investment return on assets backing liabilities under the variable fee approach	–	–	–	–	–	–	–
Result from insurance contracts	16 874	798 334	3 126	131 640	71 637	61 555	(916 227)

[1] *Administration and other expenses relate to attributable insurance service expenses.*
[2] *Movement in net liability recognised as insurance revenue is equal to the 'Recognised in insurance revenue' line in the reconciliation of net carrying amount. Movement in net amount recognised as insurance service expenses is equal to the 'Recognised in insurance service expenses' line in the reconciliation of net carrying amount. Refer to note 8.*
[3] *Allocation of loss component would be deducted as it is included in movement in net liability recognised as insurance result and should not form part of insurance revenue.*
[4] *Only applicable to reinsurance contracts held.*
[5] *Other covers amounts for insurance contracts that existed at the transition date to which the group applied the fully retrospective approach, plus amounts for insurance contracts recognised subsequent to the transition date.*

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 December 2023

18. RESULT FROM INSURANCE CONTRACTS continued

18.1 Analysis of contribution to result from insurance contracts: Life insurance – risk business continued

Premium allocation approach

Reconciliation per valuation component

	2023			2022		
	Total P'000	Liability for remaining coverage/ remaining coverage component excluding loss component P'000	Incurred claims/ incurred claims component best estimate of future cash flows P'000	Total P'000	Liability for remaining coverage/ remaining coverage component excluding loss component P'000	Incurred claims/ incurred claims component best estimate of future cash flows P'000
Insurance revenue[1]	**727 980**	**727 980**	**–**	879 021	879 021	–
Movement in net liability recognised as insurance revenue[2]	**727 980**	**727 980**	**–**	879 021	879 021	–
Insurance service expenses	**(624 863)**	**(302 693)**	**(322 170)**	(739 347)	(236 938)	(502 409)
Movement in net amount recognised as insurance service expenses[2]	**(553 435)**	**(231 265)**	**(322 170)**	(636 974)	(236 938)	(400 036)
Administration and other expenses[3]	**(71 428)**	**(71 428)**	**–**	(102 373)	–	(102 373)
Income or expense from reinsurance contracts[4]	**(16 193)**	**(16 193)**	**–**	(19 146)	(19 146)	–
Insurance service result	**86 924**	**409 094**	**(322 170)**	120 528	622 937	(502 409)
Insurance investment result	**53 715**	**53 715**	**–**	19 636	19 636	–
Insurance finance income or expense	**–**	**–**	**–**	–	–	–
Reinsurance finance income or expense[4]	**–**	**–**	**–**	–	–	–
Investment return on assets	**53 715**	**53 715**	**–**	19 636	19 636	–
Result from insurance contracts	**140 639**	**462 809**	**(322 170)**	140 164	642 573	(502 409)

[1] *Relates to expected premium receipts allocated to each coverage period.*

[2] *Movement in net liability recognised as insurance revenue is equal to the 'Recognised in insurance revenue' line in the reconciliation of net carrying amount. Movement in net amount recognised as insurance service expenses is equal to the 'Recognised in insurance service expenses' line in the reconciliation of net carrying amount. Refer to note 8.*

[3] *Administration and other expenses relate to attributable insurance service expenses.*

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 December 2023

19. TAXATION

	GROUP		COMPANY	
	2023 P'000	2022 P'000	2023 P'000	2022 P'000
Current tax	**(220 728)**	(86 866)	**–**	–
Deferred tax	**(11 217)**	8 716	**–**	–
Withholding tax on dividends	**(70 792)**	(27 269)	**(61 953)**	(20 555)
Tax charge	**(302 737)**	(105 419)	**(61 953)**	(20 555)

Tax reconciliation

Reconciliation between tax expense and accounting profit at the standard tax rate.

	GROUP		COMPANY	
	2023 P'000	2022 P'000	2023 P'000	2022 P'000
Profit before tax	**1 081 801**	554 221	**769 951**	428 654
Tax calculated at a tax rate of 22%	**237 996**	121 929	**169 389**	94 916
Expenses not deductible for tax	**16 808**	8 320	**16 808**	11 829
Income not subject to income tax	**(5 494)**	(4 478)	**(186 197)**	(106 745)
Tax on dividends	**70 792**	27 269	**61 953**	20 555
Associates' share of income	**(17 365)**	(47 620)	**–**	–
Tax charge	**302 737**	105 419	**61 953**	20 555
Effective tax rate (%)	**28**	19	**8**	5

Income not subject to income tax includes dividends from subsidiaries and associates. Expenses not deductible relate to head office expenses incurred in the generation of non-taxable income.

The holding company had assessable losses amounting to P9,7 million (2022: P9 million). In terms of Botswana tax laws, the amounts can be carried for a period not exceeding five years.

19.1 Tax paid

	GROUP		COMPANY	
	2023 P'000	2022 P'000	2023 P'000	2022 P'000
Opening balance	**26 246**	3 441	**(271)**	(116)
Tax charge	**291 520**	167 431	**61 953**	20 555
Withholding tax paid at source	**(70 792)**	(34 780)	**(61 097)**	(19 680)
Closing balance	**(18 624)**	(26 246)	**767**	271
Tax paid	**228 350**	109 846	**1 352**	1 030

20. EARNINGS PER SHARE (GROUP ONLY)

Earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

	GROUP	
	2023 P'000	Restated[1] 2022 P'000
Net profit attributable to ordinary equity holders of the parent for basic earnings and diluted earnings	**773 953**	442 578
Weighted number of shares		
At the beginning of the year	**282 371**	282 371
New shares issued	**2 500**	–
Weighted number of shares at the end of the year	**284 871**	282 371
Treasury and share scheme shares	**(2 451)**	(2 463)
Shares used for calculating basic earnings per share	**282 420**	279 908
Earnings per share (thebe) attributable to ordinary equity holders of the parent		
Basic earnings per share (thebe)	**274**	158

[1] *Diluted earnings per share have been restated. Refer to note 28.3 for further details.*

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 December 2023

20. EARNINGS PER SHARE (GROUP ONLY) continued

The calculation of diluted earnings per share is based on after-tax net earnings attributable to ordinary shareholders and the weighted average number of shares in issue during the year, adjusted for the effects of dilutive potential ordinary shares as follows:

	GROUP	
	2023 P'000	Restated 2022 P'000
Shares used for calculating basic earnings per share	**282 420**	279 908
Weighted number of dilutive options	**2 028**	1 679
Weighted number of shares at the end of the year	**284 447**	281 587
Earnings per share (thebe) attributable to ordinary equity holders of the parent		
Diluted earnings per share (thebe)	**272**	157

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these annual financial statements.

21. DIVIDENDS PER SHARE PAID AND PROPOSED (NET OF WITHHOLDING TAX)

Declared and paid during the year:

	P'000
Final dividend for the year to 31 December 2022: 101 thebe (2021: 71 thebe)	285 194
Special dividend for the year to 31 December 2022: 89 thebe (2021: nil thebe)	251 310
Interim dividend for the six months to 30 June 2023: 70 thebe (2022: 65 thebe)	197 660
Special dividend for the six months to 30 June 2023: 7 thebe (2022: nil thebe)	19 766
	753 930
Dividend proposed after year-end not recognised in the annual financial statements:	
Final dividend for the year to 31 December 2023: 110 thebe (2022: 101 thebe)	313 358
Special dividend for the year to 31 December 2023: nil thebe (2022: 89 thebe)	–
Dividend proposed for approval at the annual general meeting (before withholding tax – not recognised as a liability as at 31 December)	313 358

22. RELATED PARTY DISCLOSURES

The consolidated group annual financial statements include the financial statements of BIHL, subsidiaries, associates and joint ventures as listed in the following table:

Principal subsidiaries – directly held	Country of incorporation	% of interest held 2023	2022	Nature of business
Botswana Life Insurance Limited	Botswana	**100**	100	Life insurance
Bifm Holdings Limited	Botswana	**100**	100	Holding company
Bifm Unit Trusts Proprietary Limited	Botswana	**89**	89	Unit trusts
BIHL Trust	Botswana	**100**	100	Corporate social responsibility
BIHL Employee Share Scheme Trust	Botswana	**n/a**	n/a	Employee share trust
KYS Investments Proprietary Limited	Botswana	**63**	63	Hospitality industry
Private Property (Botswana) Proprietary Limited	Botswana	**74**	74	Dormant
Indirectly held				
Botswana Insurance Fund Management Limited (referred to as Bifm)	Botswana	**89**	89	Asset management
Botswana Life Properties Proprietary Limited	Botswana	**100**	100	Dormant
Bifm Holdings and Financial Services Limited	Isle of Man	**100**	100	Holding company
Bifm Capital Investment Fund 1	Botswana	**100**	100	Corporate finance
Bifm Unit Trusts Proprietary Limited	Botswana	**100**	–	Unit trusts

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 December 2023

22. RELATED PARTY DISCLOSURES continued

Collective investment undertaking	Country of incorporation	% of interest held 2023	% of interest held 2022	Nature of business
Balanced Prudential Fund	Botswana	**19**	20	Collective investment undertaking
Pula Money Market	Botswana	**20**	28	Collective investment undertaking
Local Equity Funds	Botswana	**68**	74	Collective investment undertaking
Letlotlo	Botswana	**77**	83	Collective investment undertaking
Yamasa	Botswana	**67**	77	Collective investment undertaking
Bifm Loc Priv Debt B1	Botswana	**52**	–	Collective investment undertaking
Bifm Global Sustainable Growth Fund	Botswana	**67**	77	Collective investment undertaking
Bifm Global Balanced Conservative Fund B1	Botswana	**5**	11	Collective investment undertaking
Bifm Local Balanced Conservative Fund Class B	Botswana	**99**	99	Collective investment undertaking
Bifm Offshore Bond Fund B1	Botswana	**–**	56	Collective investment undertaking
Bifm Off Money Market Fund B1	Botswana	**24**	11	Collective investment undertaking
Bifm Off Private Equity B1	Botswana	**35**	35	Collective investment undertaking
Bifm Local Bond Fund B1	Botswana	**85**	86	Collective investment undertaking
Bifm Local Equity Fund B1	Botswana	**49**	56	Collective investment undertaking
Bifm Local Property B1	Botswana	**24**	35	Collective investment undertaking
Bifm Local Money Market B1	Botswana	**31**	21	Collective investment undertaking

Holding company

The ultimate holding company of the group is SanlamAllianz, a joint venture between Sanlam and Allianz.

Associates and joint ventures

The group's interest in associates and joint ventures is disclosed in note 4.5 to the annual financial statements.

22.1 Related party transactions

	GROUP 2023 P'000	GROUP 2022 P'000	COMPANY 2023 P'000	COMPANY 2022 P'000
Transactions on insurance contracts (expense)/income				
SanlamAllianz Limited (58% shareholder of BIHL)				
– Recoveries, travel claims and other meeting expenses	**6 867**	3 189	**–**	–
Letshego Africa Holdings Limited (associate company of Botswana Life)				
Credit life income	**249 620**	202 261	**–**	–
Claims paid	**(189 035)**	(159 864)	**–**	–
FSG Limited (associate company of BIHL)				
Share of net insurance income	**–**	(8 762)	**–**	–

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 December 2023

22. RELATED PARTY DISCLOSURES continued

22.1 Related party transactions continued

	GROUP		COMPANY	
	2023 P'000	2022 P'000	2023 P'000	2022 P'000
Summary of transactions with related parties				
Shared expenses				
Botswana Life Insurance Limited (subsidiary)				
Payment of staff and administration costs	–	–	(26 018)	(45 295)
Inter-company settlement	–	–	21 356	45 107
Rental income	–	–	(1 863)	(1 782)
Bifm (subsidiary)				
Payment of administration costs	–	–	13 238	12 930
Inter-company settlement	–	–	(12 154)	(14 046)
BIHL Unit Trusts (subsidiary)				
Payment of administration costs	–	–	255	195
Inter-company settlement	–	–	(146)	(195)
BIHL Trust (CSI)				
Payment of administration costs	–	–	301	3 582
Inter-company settlement	–	–	(1 292)	(3 611)
BIHL Employee Share Scheme (subsidiary)				
Payment of administration costs	–	–	7 287	9 773
Inter-company settlement	–	–	(6 623)	(9 300)
Dividends received				
– Botswana Life Insurance Limited (100% owned by BIHL)	–	–	711 504	374 025
– Bifm (74,9% owned by BIHL)	–	–	79 660	77 739

22.2 Related party disclosures

	GROUP		COMPANY	
	2023 P'000	2022 P'000	2023 P'000	2022 P'000
Investment returns				
Balanced Prudential Fund	4 369	(442)	–	–
Pula Money Market	29 273	24 806	–	–
Local Equity Funds	3 106	1 190	–	–
Letlotlo	3 206	(41)	–	–
Yamasa	1 482	299	–	–
Bifm Global Sustainable Growth Fund	4 778	(1 810)	–	–
Global Balanced Conservative Fund B1	8	10	–	–
Local Balanced Conservative Fund Class B	92 215	71 151	–	–
Offshore Bond Fund B1	–	(13 104)	–	–
Off Private Equity B1	754	648	–	–
Local Bond Fund B1	411 234	22 972	–	–
Local Equity Fund B1	56 974	28 233	–	–
Local Property B1	36 472	26 491	–	–
Local Money Market B1	40 711	21 524	–	–
Year-end balances arising from transactions on other services other than insurance contracts				
Amount receivable				
– Botswana Life Insurance Limited (100% owned by BIHL)	–	–	–	1 352
– Botswana Insurance Fund Management (100% owned by BIHL)	–	–	400	–
– BIHL Employee Share Scheme Trust	–	–	–	473
– Bifm Unit Trust (100% owned by BIHL)	–	–	109	–
– BIHL Trust	–	–	984	–
Total	–	–	1 493	1 825

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 December 2023

22. RELATED PARTY DISCLOSURES continued

22.2 Related party disclosures continued

	GROUP		COMPANY	
	2023 P'000	2022 P'000	2023 P'000	2022 P'000
Amount payable				
– Botswana Life Insurance Limited (100% owned by BIHL)	–	–	3 310	–
– Botswana Insurance Fund Management (100% owned by Botswana Life)	–	–	–	685
– BIHL Trust	–	–	–	8
– BIHL Employee Share Scheme Trust	–	–	191	–
– SanlamAllianz (59% shareholder of BIHL)	6 867	3 189	–	–
Total amount payable	**6 867**	3 189	**3 501**	693
Year-end balances arising from transactions on insurance contracts				
Net due from:				
Balanced Prudential Fund	5	4	–	–
Pula Money Market	335 555	234 304	–	–
Local Balanced Conservative Fund Class B	1 714	1 516	–	–
Offshore Bond Fund B1	1 601	1 414	–	–
Local Bond Fund B1	31 221	37 415	–	–
Total year-end balances	**370 096**	274 653	–	–

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

Loans to directors (group)

There were no loans to directors.

Terms and conditions of transactions with related parties

The transactions between related parties are made at terms equivalent to those that prevail in arm's-length transactions. Outstanding balances at year-end are unsecured and interest-free and are generally settled in 90 days. There have been no guarantees provided or received for any related party receivables or payables.

Transactions with key management

Compensation of key management personnel of the group

	GROUP		COMPANY	
	2023 P'000	2022 P'000	2023 P'000	2022 P'000
Short-term employee benefits	28 372	18 705	17 971	12 343
Pension costs and gratuity – defined contribution plans	2 868	2 037	2 118	1 233
Share-based payments	8 297	3 116	4 635	1 585
Total compensation	**39 537**	23 858	**24 724**	15 161

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel.

Directors' shareholding in the group

	2023 Number of shares	2022 Number of shares
K Jefferis	6 175	–
M Mpugwa	5 569	5 569
C Chauhan[1]	n/a	75 020
TC Masire	–	591
C Lesetedi	242 199	211 271
K Mukushi	150 079	103 993
Total directors' shareholding	**404 022**	396 444

[1] *C Chauhan resigned during the year.*

Non-executive directors' remuneration

	GROUP		COMPANY	
	2023 P'000	2022 P'000	2023 P'000	2022 P'000
For services as directors	**5 099**	5 065	**2 854**	2 878

Executive directors' emoluments (group and company)

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

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 December 2023

22. RELATED PARTY DISCLOSURES continued

22.2 Related party disclosures continued

Transactions with key management continued

Executive directors' emoluments (group and company) continued

Short-term emoluments

	Months of service	Salary P'000	Bonus P'000	Other benefits P'000	Total P'000
2023					
C Lesetedi	**12**	**3 431**	**1 864**	**2 147**	**7 442**
K Mukushi	**12**	**2 585**	**1 265**	**1 525**	**5 375**
Total executive directors		**6 016**	**3 129**	**3 672**	**12 817**
2022					
C Lesetedi	12	3 695	1 500	761	5 956
K Mukushi	12	2 528	961	–	3 489
Total executive directors		6 223	2 461	761	9 445

Long-term emoluments

	Number of options	Number of grants – CSP	Strike or spot price (Pula)	Exercised	Forfeited	Outstanding
2023						
C Lesetedi						
Granted 2010	**231 413**	**–**	**17,13**	**(231 413)**	**–**	**–**
Granted 2013	**–**	**89 489**	**15,20**	**(89 489)**	**–**	**–**
Granted 2013	**–**	**66 158**	**16,30**	**(66 158)**	**–**	**–**
Granted 2014	**–**	**65 270**	**18,55**	**(65 270)**	**–**	**–**
Granted 2015	**–**	**105 846**	**17,50**	**(105 846)**	**–**	**–**
Granted 2016	**–**	**80 402**	**17,50**	**(80 402)**	**–**	**–**
Granted 2017	**–**	**71 423**	**17,50**	**(71 423)**	**–**	**–**
Granted 2018	**–**	**102 426**	**17,50**	**(102 426)**	**–**	**–**
Granted 2019	**–**	**43 468**	**17,50**	**(43 468)**	**–**	**–**
Granted 2020	**–**	**121 238**	**17,50**	**(121 238)**	**–**	**–**
Granted 2021	**–**	**93 485**	**17,50**	**–**	**–**	**93 485**
Granted 2022	**–**	**96 965**	**17,50**	**–**	**–**	**96 965**
Granted 2023	**–**	**139 507**	**17,71**	**–**	**–**	**139 507**
Total	**231 413**	**936 170**		**(977 133)**	**–**	**329 957**
2022						
C Lesetedi						
Granted 2010	231 413	–	17,13	(231 413)	–	–
Granted 2013	–	89 489	15,20	(89 489)	–	–
Granted 2013	–	66 158	16,30	(66 158)	–	–
Granted 2014	–	65 270	18,55	(65 270)	–	–
Granted 2015	–	105 846	17,50	(105 846)	–	–
Granted 2016	–	80 402	17,50	(80 402)	–	–
Granted 2017	–	71 423	17,50	(71 423)	–	–
Granted 2018	–	102 426	17,50	(102 426)	–	–
Granted 2019	–	43 468	17,50	(43 468)	–	–
Granted 2020	–	121 238	17,50	–	–	121 238
Granted 2021	–	93 485	17,50	–	–	93 485
Granted 2022	–	96 965	17,50	–	–	96 965
Total	231 413	936 170		(855 895)	–	311 688

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 December 2023

22. RELATED PARTY DISCLOSURES continued

22.2 Related party disclosures continued

Transactions with key management continued

Executive directors' emoluments (group and company) continued

Long-term emoluments continued

	Number of options	Number of grants – CSP	Strike or spot price (Pula)	Exercised	Forfeited	Outstanding
2023						
K Mukushi						
Granted 2016	**–**	**173 227**	**17,50**	**(173 227)**	**–**	**–**
Granted 2017	**–**	**85 780**	**17,50**	**(85 780)**	**–**	**–**
Granted 2018	**–**	**51 213**	**17,50**	**(51 213)**	**–**	**–**
Granted 2020	**–**	**86 086**	**17,50**	**(86 086)**	**–**	**–**
Granted 2021	**–**	**53 934**	**17,50**	**–**	**–**	**53 934**
Granted 2022	**–**	**55 408**	**17,50**	**–**	**–**	**55 408**
Granted 2023	**–**	**69 754**	**17,71**	**–**	**–**	**69 754**
Total	**–**	**575 402**		**(396 306)**	**–**	**179 096**
2022						
Granted 2016	–	173 227	17,50	(173 227)	–	–
Granted 2017	–	85 780	17,50	(85 780)	–	–
Granted 2018	–	51 213	17,50	(51 213)	–	–
Granted 2020	–	86 086	17,50	–	–	86 086
Granted 2021	–	53 934	17,50	–	–	53 934
Granted 2022	–	55 408	17,50	–	–	55 408
Total	–	505 648		(310 220)	–	195 428

All shares as disclosed above are granted and are exercisable until the expiry date as disclosed. Refer to note 23 for additional information on the scheme.

23. EMPLOYEE BENEFITS

Retirement benefit plan

Defined contribution plan

A defined contribution plan is a pension plan under which the group pays fixed contributions; there is no legal or constructive obligation to pay further contributions. The assets of the plan are held separately from those of the group in a fund under the control of trustees. The total expense charged to income of P19,6 million (2022: P19,2 million) represents contributions payable to these plans by the group at rates specified in the rules of the plan.

Share-based payment

The group has a share-based payment scheme. The group introduced two additional new schemes in 2010. These are the (i) SOS and (ii) CSP.

Conditional share plan

The purpose of the plan is to recognise contributions made by selected employees and to provide for an incentive for their continuing relationship with the group. The awards are given as grants. The awards are aligned to strategic periods and targets. Employees must remain in service for a period of three consecutive years from the date of grant. Vesting is based on satisfactory performance of individuals as per their scorecards over the stated three years. BIHL grants employees the option to obtain shares in BIHL. The employer companies will, however, remain responsible for funding the procurement and settlement of shares issued to employees in terms of the scheme at the time the shares are so procured.

The amount carried in the share-based reserve as at 31 December 2023 is P63 million (2022: P110 million). The expense recognised in the income statement is P16 million (2022: P16 million).

	2023		2022	
	Number of grants '000	Weighted average fair value price at grant/exercise date P	Number of grants '000	Weighted average fair value price at grant/exercise date P
Movement during the year				
Outstanding at the beginning of the year	**1 679**	**17,52**	1 878	17,50
Granted	**1 008**	**17,71**	551	17,55
Forfeited	**(10)**	**17,71**	(138)	17,55
Exercised	**(649)**	**17,71**	(612)	17,50
Outstanding at the end of the year	**2 028**	**17,61**	1 679	17,52

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 December 2023

23. EMPLOYEE BENEFITS continued

Share-based payment continued

Conditional share plan continued

The weighted average remaining contractual life for the grants outstanding as at 31 December 2023 is three years (2022: three years).

The number of conditional shares granted during the year was 1 008 000 (2022: 551 000).

The weighted average fair value exercise price for grants outstanding at the end of the year was P20,01 (2022: P17,71).

The following assumptions have been used in the valuation model of the SOS:

	2023	2022
Dividend yield (%)	**0 – 8,35**	0 – 7,69
Risk-free interest rate (%)	**7,38**	7,38
Spot price	**20,01**	17,71
% of remaining employees	**100,00**	100,00

Options pricing model

Since the BIHL employee share options are not tradable, IFRS 2 requires that the fair value of these options be calculated using a suitable option pricing model. In terms of best practice, management and the directors have adopted a modified binomial tree model for valuation purposes, which can be described, at a high level, as follows:

- The life of the option is divided into a large number of small time periods
- A binomial tree is developed with time-dependent nodes corresponding to projected upward and downward movements of the BIHL share. This projection is calculated as a function of the volatility of the underlying share, and by assuming that the share price follows a stochastic process
- Starting from the maturity date of the option, the model works backward through the tree, and at each node determines two possible values for the option: (a) the value of the option if one were to continue to hold it at that point in time, and (b) the value of the option if one were to exercise it at that node. Value (a) above is calculated using arbitrage-free principles and a risk-neutral valuation theory, while value (b) is calculated simply as the difference between the projected spot price of the underlying share at that node and the strike price of the option
- For time periods subsequent to the vesting date of each option, the model uses the greater of the two values referred to above to estimate the option's value at that node. For time periods prior to the vesting date, only value is used to estimate the option's value, reflecting the fact that the option cannot be exercised prior to vesting date
- Once the value at a particular node has been determined, that value is discounted to the prior period using the risk-free yield curve, and taking into account the probability of realising that value. Eventually, the value at the first node (i.e. corresponding with a valuation date) is calculated. This represents the fair value of the option.

Other inputs used

Generally, there are six variables that determine the price of an employee share option:

- The market price of the underlying share at the grant date
- The strike price of the option
- The time remaining until the option expires (i.e. the expiry date of the option)
- The time remaining until the option vests
- The expected dividend yield of the underlying share over the life of the option
- The expected volatility of the underlying share over the life of the option.

Volatility

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

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

Bifm CEE scheme

BIHL provides an employee share scheme for the benefit of the employees of Bifm through the establishment of a Trust registered as a Deed of Trust signed on 18 December 2017 and a share plan scheme signed on 18 December 2017. A total of 21 849 246 Bifm shares, comprising 25,1% of the issued capital, have been reserved for the share scheme. The Trust was established for purposes of subscribing for 8 739 698 ordinary shares, representing 10,1% of the issued share capital in Bifm, to be held for the benefit of the citizen employees of Bifm.

Participants to the Bifm CEE scheme are given participation rights in the form of units which in turn are linked to the performance of the Bifm Limited share price. The vesting of the conditional awards is subject to the participant being continuously employed for three years until the vesting date and fulfilling performance conditions.

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 December 2023

23. EMPLOYEE BENEFITS continued

Share-based payment continued

Bifm CEE scheme continued

After the grant options have vested, employees are given a period of 30 days from the date of vesting to exercise their options. The expense recognised in the income statement is P5 million (2022: P4,4 million).

	2023		2022	
	Number of unit options P'000	Weighted average exercise price P'000	Number of unit options P'000	Weighted average exercise price P'000
Movement during the year				
Outstanding at the beginning of the year	**2 806**	**2,91**	2 779	2,91
Granted	**1 154**	**4,30**	1 064	4,30
Exercised	**(1 159)**	**4,31**	(1 037)	4,31
Outstanding at the end of the year	**2 801**	**3,48**	2 806	2,91
Exercisable as at 31 December	**2 801**	**3,48**	2 806	2,91

The Bifm CEE scheme is cash-settled and is thus repriced at each reporting date. The fair value of shares granted under this scheme during the current financial year has been calculated using the closing price of P5,41 (2022: P4,25) and adjusted for expected future dividends that will be declared by Bifm during the vesting period.

Included in the share-based payment liability is an amount of P8,8 million (2022: P5,5 million) arising from the Bifm CEE scheme.

24. CASH GENERATED FROM OPERATIONS

	GROUP		COMPANY	
	2023 P'000	2022 P'000	2023 P'000	2022 P'000
Profit before tax	**1 084 260**	554 221	**769 951**	431 436
Non-cash flow items	**408 414**	297 566	**15 937**	10 816
Depreciation	**12 059**	16 726	**842**	837
Amortisation	**9 852**	11 080	**115**	248
Depreciation of right-of-use asset	**5 771**	6 481	**1 734**	1 734
Impairment expense of an associate/subsidiary	**–**	–	**8 078**	2 782
Insurance service result: Revenue	**(186 015)**	(85 490)	**–**	–
Insurance service result: Service expenses	**19 232**	16 918	**–**	–
Insurance service result: Income or expense from reinsurance contracts	**(12 025)**	(4 108)	**–**	–
Insurance investment result: Insurance finance income or expense	**490 730**	354 772	**–**	–
Insurance investment result: Reinsurance finance income or expense	**26 935**	15 496	**–**	–
Share-based payments	**16 024**	16 071	**5 168**	5 215
Net unrealised losses from financial assets held at fair value through profit or loss	**290 975**	281 820	**–**	–
Fair value adjustment on investment properties and property funds	**31 903**	(84 314)	**–**	–
Fair value adjustment in external investors in consolidated funds	**(88 254)**	(36 538)	**–**	–
Fair value adjustment in derivative instrument	**11 830**	5 107	**–**	–
Profit on disposal of subsidiary	**(141 669)**	–	**–**	–
Equity-accounted earnings	**(78 934)**	(216 456)	**–**	–

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 December 2023

24. CASH GENERATED FROM OPERATIONS continued

	GROUP		COMPANY	
	2023 P'000	2022 P'000	2023 P'000	2022 P'000
Items disclosed separately	**(325 805)**	(364 771)	**(845 016)**	(480 444)
Interest income	**(269 716)**	(295 056)	**(1 221)**	(1 091)
Interest expense	**762**	1 076	**306**	478
Dividend income	**(56 851)**	(70 791)	**(844 101)**	(479 831)
Net disposals/(acquisition) of investments	**640 227**	(386 402)		
Working capital changes:	**1 551**	75 321	**(12 862)**	6 235
Net decrease/(increase) in other receivables	**51 308**	(51 142)	**(19 409)**	300
(Increase)/decrease in reinsurance	**(9 139)**	48 140	**–**	–
Net decrease/(increase) in insurance and other payables	**(40 619)**	78 323	**6 547**	6 547
Net movement in insurance and investment contract liabilities	**(194 083)**	92 133		
Net change in external investors in consolidated funds	**(1 555 594)**	(23 380)	**–**	–
Cash generated from/(utilised in) operations	**58 971**	244 688	**(71 990)**	(34 739)

24.1 Cash and cash equivalents

	GROUP		COMPANY	
	2023 P'000	2022 P'000	2023 P'000	2022 P'000
Cash and bank	**168 549**	334 585	**20 556**	66 126
Funds on deposit	**2 034**	66 126	**–**	–
Cash and cash equivalents	**170 583**	400 711	**20 556**	66 126

Cash and cash equivalents consists of cash on hand, call deposits and negotiable certificates of deposit with maturity profiles of less than 90 days and are classified at amortised cost. The cash balances are held with reputed financial institutions regulated by the Bank of Botswana. The balances were subjected to an ECL test and immaterial ECL was noted.

25. RISK MANAGEMENT

25.1 Financial risks

The main categories of financial risks associated with the financial instruments held by the business' shareholders' fund are summarised in the following table:

Type of risk	Description
Market risk	Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise the following: • **Equity price risk:** The risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. • **Interest rate risk:** The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. • **Currency risk:** The risk that the fair value or future cash flows of a financial instrument or liability will fluctuate owing to changes in foreign exchange rates.
Credit risk	Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk includes: • **Reinsurance risk:** Concentration risk with individual reinsurers, due to the nature of the reinsurance market and the restricted range of reinsurers that have acceptable credit ratings.
Liquidity risk	Liquidity risk is the risk that the business will encounter difficulty in meeting its obligations associated with financial liabilities.

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 December 2023

25. RISK MANAGEMENT continued

25.1 Financial risks continued

Type of risk	Description
Life insurance risk	Insurance risk is the risk, other than financial risk, transferred from the holder of a contract to the insurer. The group has included: • **Underwriting risk:** The risk that the actual experience relating to mortality, longevity, disability and medical (morbidity) will deviate negatively from the expected experience used in the pricing of solutions and valuation of policy liabilities. • **Policyholder behaviour risk:** The risk of loss resulting from unanticipated changes in policyholder behaviour. • **Reinsurance risk:** The risk arising from the inability to obtain reinsurance at the right time and appropriate price, or that of failure to recover contracted reinsured amounts. • **Persistency risk:** The risk of financial loss due to negative lapse, surrender and paid-up experience. It covers the risk of loss or adverse change in insurance liabilities due to unanticipated change in the rate of policy lapses, terminations, renewals and surrenders. • **Expense risk:** The risk of loss due to actual expense experience being worse than that assumed in premium rates and the valuation of policy liabilities. It covers the risk of loss or adverse change in insurance liabilities due to adverse variation in the expenses incurred in servicing insurance and reinsurance contracts. • **Concentration risk:** The risk of financial loss due to having written large proportions of claims with businesses of the same/similar risk profile.
Capital adequacy risk	Capital adequacy risk is the risk that there are insufficient reserves to provide for variations in actual future experience, worse (to the extent as defined) than that which has been assumed in the financial soundness valuation.

The credit risk and liquidity risk notes include financial instruments from the shareholder and policyholder, while the market risk notes only include shareholder instruments and policyholder instruments that are not linked or not market-related.

25.2 Market risk

The group is exposed to financial risk, credit risk and liquidity risk on shareholder financial instruments as well as financial instruments backing non-participating or not market-linked insurance contract liabilities. For investment contracts, policyholder assets and liabilities will offset one another and therefore there is no exposure to market risk. Market risk arises from the uncertain movement in the fair value of financial instruments that stems principally from potential changes in sentiment towards the instrument, the variability of future earnings that is reflected in the current perceived value of the instrument and the fluctuations in interest rates and foreign currency exchange rates.

The shareholders' fund investments in equities and interest-bearing instruments are valued at fair value and are therefore susceptible to fluctuations.

Comprehensive measures and limits are in place to control the exposure to market risk. Market risk is managed by investing in appropriate asset classes. Investment decisions are taken and governed by the local investment committees. Limits are applied in respect of the exposure to asset classes and individual counters.

25.3 Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. It is the group's and company's objective to minimise interest rate risk.

Floating rate instruments expose the group and company to cash flow interest risk, whereas fixed interest rate instruments expose the group and company to fair value interest risk.

The group's and company's interest risk policy requires them to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires them to manage the maturities of interest-bearing financial assets and interest-bearing financial liabilities. Interest on floating rate instruments is repriced at intervals of less than one year. Interest on fixed interest rate instruments is priced at inception of the financial instrument and is fixed until maturity.

The investment committee sets the limits in the investment mandates, and meets quarterly to review compliance with the agreed mandates, and where necessary reviews the limits.

Sensitivity analysis to interest rate risk

The group is exposed to interest rate risk through a change in interest income or expense based on floating rate instruments and through changes in fair value of financial instruments at fair value through profit or loss based on fixed rate instruments. The impact on equity is the post-tax amount.

The purpose of this note is to enable the user to have a better understanding of the effect of interest rate movement on interest-bearing instruments. The expected changes as analysed in the following tables are projected to have an impact on the fair value of the units exposed to floating rate instruments; fixed interest instruments are not expected to be a significant risk to the group.

The Botswana Pula interest rate sensitivity relates to the Pula-denominated shareholder money market and call deposit instruments while the US Dollar sensitivity relates to the US Dollar-denominated shareholder bonds and money market instruments.

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 December 2023

25. RISK MANAGEMENT continued

25.3 Interest rate risk continued

Variable interest rates

GROUP

	Change in variables %	Value P'000	Increase/ (decrease) in profit before tax P'000	Increase/ (decrease) in equity P'000
2023				
BWP	**0,75**	**495 057**	**3 713**	**2 896**
BWP	**(0,75)**	**495 057**	**(3 713)**	**(2 896)**
USD	**0,5**	**19 068**	**95**	**74**
USD	**(0,5)**	**19 068**	**(95)**	**(74)**
2022				
BWP	0,75	389 097	2 918	2 276
BWP	(0,75)	389 097	(2 918)	(2 276)
USD	0,5	15 158	76	59
USD	(0,5)	15 158	(76)	(59)

COMPANY

	Change in variables %	Value P'000	Increase/ (decrease) in profit before tax P'000	Increase/ (decrease) in equity P'000
2023				
BWP	**0,5**	**20 556**	**103**	**80**
BWP	**(0,5)**	**20 556**	**(103)**	**(80)**
2022				
BWP	0,5	66 126	331	258
BWP	(0,5)	66 126	(331)	(258)

25.4 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The group's principal transactions are carried out in Botswana Pula and its exposure to foreign exchange risk arises primarily with US Dollar. It is the group's objective to minimise currency risk.

The main foreign exchange risk arises from recognised assets denominated in currencies other than those in which insurance and investment liabilities are expected to be settled. The group is exposed to foreign exchange risk through the investments in offshore unit trusts. The offshore unit trusts comprise funds on deposit and listed equity instruments.

	P'000
2023	
Equity instruments	**31 221**
Money market instruments	**17 354**
Bonds	**1 714**
Foreign currency exposure (US Dollar)	**50 289**
Average rate	**13,33**
Closing rate	**12,75**
2022	
Equity investments	37 415
Money market instruments	13 643
Bonds	1 516
Foreign currency exposure (US Dollar)	52 574
Average rate	12,25
Closing rate	12,75

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 December 2023

25. RISK MANAGEMENT continued

25.4 Foreign currency risk continued

Currency sensitivity

The following table demonstrates the sensitivity (for shareholder funds and assets backing non-participating policies) to a reasonably possible change in the US Dollar exchange rate, with all other variables held constant, of the group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	GROUP			
	Change in variables %	Value P'000	Increase/ (decrease) in profit before tax P'000	Increase/ (decrease) in equity P'000
2023				
USD	**3**	**50 289**	**1 509**	**1 177**
USD	**(3)**	**50 289**	**(1 509)**	**(1 177)**
2022				
USD	3	52 574	1 577	1 230
USD	(3)	52 574	(1 577)	(1 230)

25.5 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk) in equities and debt securities, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The group's price risk exposure relates to financial assets and liabilities whose values will fluctuate as a result of changes in market prices, principally investment securities not held for the account of unit-linked business.

The group's price risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans and limits on investments in each country, sector and market. The price risk movement on bonds is included in the interest rate risk note.

Price sensitivity analysis

The following table shows the effect of price changes on domestic market and foreign market equities. The sensitivity analysis uses the Domestic Company Index which is the principal stock index of the BSE and the Morgan Stanley Capital Index which is a market capitalisation weighted benchmark index made up of equities from 23 countries including the United States. Indices are free-float weighted equity indices.

The disclosures are based on shareholder financial instruments as well as financial instruments backing non-participating or non-market-linked insurance contract liabilities.

	GROUP			
	Change in variables %	Value P'000	Increase/ (decrease) in profit before tax P'000	Increase/ (decrease) in equity P'000
2023				
World Equity Index	**1,8**	**31 221**	**562**	**438**
Botswana Unit Trusts	**1**	**462 235**	**4 622**	**3 605**
Total exposure		**493 456**	**5 184**	**4 043**
2022				
World Equity Index	2	37 415	673	525
Botswana Unit Trusts	1	350 166	3 502	2 732
Total exposure		387 581	4 175	3 257

25.6 Credit risk

Credit risk in the group arises from the possibility of investments in bonds, offshore money markets, reinsurance contract assets, other receivables, local money markets and other loans, related party receivables and cash and bank balances with banks not being redeemed by the relevant counterparties when they become due.

The following policies and procedures are in place to mitigate the group's exposure to credit risk:

- A group credit risk policy setting out the assessment and determination of what constitutes credit risk for the group. Compliance with the policy is monitored and exposures and breaches are reported to the investment committee. The policy is regularly reviewed for pertinence and for changes in the risk environment. It is the group's objective to minimise credit risk
- Net exposure limits are set for each counterparty or group of counterparties, geographical and industry segments i.e. limits are set for investments and cash deposits, foreign exchange trade exposures and minimum credit ratings for investments that may be held
- The group sets the maximum amounts and limits that may be advanced to corporate counterparties by reference to their long-term credit ratings
- Reinsurance is placed with highly rated counterparties and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year and are subject to regular review
- The credit risk in respect of customer balances, incurred on non-payment of premiums or contributions, will only persist during the grace period specified in the policy document or trust deed until expiry, when the policy is either paid up or terminated. There is no concentration of risk with respect to customer balances as the company has a large number of varied customers.

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 December 2023

25. RISK MANAGEMENT continued

25.6 Credit risk continued

The funds follow specific investment mandates that have been agreed with asset managers. These mandates depict how much each type of asset holds in each portfolio based on their perceived risk, thereby reducing concentration of specific assets and currency. There is also diversity in the different sectors of the economy in which our funds are invested (see note 4). Investments in Government bonds, money markets and corporate bonds are managed by Bifm, the asset management subsidiary, as per signed mandates.

There is no concentration in money markets, cash and bank; the risk is spread as the group and company invest with various banks in the country.

Maximum credit risk exposure

The table below shows the maximum exposure to credit risk for the components of the balance sheet. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting or collateral agreements and the use of credit derivatives.

The disclosures are based on both shareholder and policyholder assets.

GROUP	2023 P'000	Restated 2022 P'000
Bonds		
– Government	**5 711 026**	5 755 585
– Corporate (listed, unlisted)	**2 832 679**	2 671 067
Money market instruments	**2 072 695**	3 190 081
Other receivables	**135 021**	186 503
Cash, deposits and similar securities	**170 583**	400 711
Maximum credit risk exposure	**10 939 878**	12 203 947

COMPANY	2023 P'000	2022 P'000
Other receivables	**19 976**	151
Related party balances	**1 493**	1 825
Cash, deposits and similar securities	**20 556**	66 126
Maximum credit risk exposure	**42 025**	68 102

Cash and cash equivalents are held by entities with acceptable credit ratings. Related party balances are considered to be of acceptable/high credit quality due to the financial position of the counterparties.

Financial assets pledged as collateral

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

Credit quality of interest-bearing financial assets

The table below shows the maximum exposure to credit risk for the components of the balance sheet. Generally, most companies' financial instruments do not have official credit ratings therefore the majority of balances are not rated. Moody's Investors Service retained the stable outlook and the A2 rating (2022: A2 rating) for both foreign and domestic bonds. The A2 rating is based on the assessment that balances potential challenges associated with a country having a small-size economy and middle-income status, against the strength relating to the country's sound policy framework and effectiveness of Government. The assessment further noted that the country has institutional strength supporting a well-designed macroeconomic framework and a stable political environment.

GROUP	Botswana Pula P'000	A2 rated P'000	Not rated P'000	Total P'000
2023				
Long-term reinsurance assets	**17 874**	**–**	**17 874**	**17 874**
Government bonds	**4 931 695**	**4 931 695**	**–**	**4 931 695**
Corporate bonds and other	**3 612 010**	**–**	**3 612 010**	**3 612 010**
Money markets	**2 072 695**	**–**	**2 072 695**	**2 072 695**
Other receivables	**135 021**	**–**	**135 021**	**135 021**
Cash and bank balances	**170 583**	**–**	**170 583**	**170 583**
Total assets	**10 939 878**	**4 931 695**	**6 008 183**	**10 939 878**
2022				
Long-term reinsurance assets	7 555	–	7 555	7 555
Government bonds	4 210 472	4 210 472	–	4 210 472
Corporate bonds and other	4 216 180	–	4 216 180	4 216 180
Money markets	3 190 081	–	3 190 081	3 190 081
Other receivables	186 503	–	186 503	186 503
Cash and bank balances	400 711	–	400 711	400 711
Total assets	12 211 502	4 210 472	8 001 030	12 211 502

Corporate bonds and other are held by reputable financial institutions and parastatals. An annual independent evaluation is performed on the financial strengths of the corporates to assess the credit risk on these bonds. Continuous monitoring is also performed. Money market investments are with reputable local banks and reputable foreign fund managers with good financial wealth. Policy loans were secured by the policy investment value. Trade and other receivables are on 30-day terms (refer to note 5).

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 December 2023

25. RISK MANAGEMENT continued

25.6 Credit risk continued

Collateral held in respect of financial assets

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and the valuation parameters. Collateral is mainly obtained for securities lending. Credit risk is also mitigated by entering into collateral agreements. Management monitors the market value of the collateral, requests additional collateral when needed and performs an impairment valuation when applicable. Government bonds do not have collateral as these are deemed low-risk and recoverable.

No transfer of ownership takes place in respect of collateral, and any such collateral accepted from counterparties may not be used for any purpose other than being held as security.

	2023		2022	
	Collateral held P'000	Credit exposure P'000	Collateral held P'000	Credit exposure P'000
Unlisted bonds				
Allied Investments Limited	**297 710**	**160 000**	231 930	160 000
Botho Park	**149 800**	**11 000**	197 000	26 000
Cash Bazaar Holdings	**150 000**	**87 500**	150 000	100 000
First National Bank of Botswana	**–**	**360 966**	–	410 993
Flip Coin Proprietary Limited	**–**	**–**	123 905	83 312
Meybeernick Investment Proprietary Limited	**–**	**–**	–	100 000
Prime Time Holdings	**105 710**	**65 000**	93 065	65 000
RDC Properties Limited	**139 000**	**125 000**	139 000	125 000
Real People Investment Holdings	**–**	**–**	–	3 924
Stanbic Bank PLC	**–**	**921 516**	–	813 011
Stanbic Bank Botswana Limited (SBL061)	**–**	**–**	–	21 715
Standard Bank	**–**	**487 958**	–	423 007
Three Partners Resort Proprietary Limited	**–**	**–**	566 000	63 430
Debt Participation Capital Fund (DPCF006)	**–**	**4 670**	–	4 670
Water Utilities Corporation (WUC002)	**–**	**73 500**	–	73 500
Total	**1 591 359**	**2 517 540**	1 500 900	2 473 562

Impairment assessment

Accounting policy note 7 on financial liabilities – Impairment of financial assets, details the approach to determining whether an instrument or a portfolio of instruments is subject to 12-month ECLs or lifetime ECLs. For financial assets outside the scope of IFRS 9, the group applies the incurred loss model.

Impairment of insurance receivables at amortised cost – incurred loss model

The group applies the incurred loss model in calculating impairments for insurance receivables. The group reviews its receivables ageing for balances which meet the criteria below:

- More than 90 days past due
- Over 90 days and assessed as unlikely to pay its credit obligations in full without realisation of collateral.

Arrear balances meeting the above criteria are provided for at 100% of the amount exceeding 90 days.

	Impairment method	Balance at 31 December P'000	Balances >90 days P'000	Provision %	Loss allowance P'000
2023					
Premium debtors and reinsurance debtors					
Outstanding premiums	Incurred loss[1]	**157 675**	**10 013**	**100**	**10 013**
Due from reinsurers	Incurred loss[1]	**40 095**	**–**	**–**	**–**
2022					
Premium debtors and reinsurance debtors					
Outstanding premiums	Incurred loss[1]	118 851	2 155	100	2 155
Due from reinsurers	Incurred loss[1]	51 740	–	–	–

[1] *Provision based on actual defaults as at the reporting date.*

The outstanding premiums and amounts were assessed at 31 December 2023. The receivables are generally collected over a maximum of 45 days to 90 days and the collection period is unlikely to exceed 12 months. The increase of P10 million in the impairment provision is attributed to an increase in the outstanding balance over 90 days.

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 December 2023

25. RISK MANAGEMENT continued

25.6 Credit risk continued

Impairment of financial assets at amortised cost – general approach

The group applied the general approach to brokers' loans, agents loans', staff loans and loans at amortised cost. ECLs are recognised in three stages as follows:

- **Stage 1:** Upon initial recognition and annually thereafter, for exposures where there has not been a significant increase in credit risk, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL)
- **Stage 2:** For exposures where there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL)
- **Stage 3:** For exposures where the balances are credit-impaired (non-performing), the ECLs are provided for over the remaining life of the exposure (a lifetime ECL).

Broker loans and agent advances/commissions

	Impairment method	Balance at 31 December 2023 P'000	PiT (PD) %	Exposed to default P'000	LGD %	ECLs (lifetime) P'000
Broker loans	GA/Stage 2	**17 499**	**96,00**	**16 799**	**40**	**6 723**
Loans to agents	GA/Stage 2	**32 419**	**100,00**	**32 419**	**93**	**30 264**
						36 987
Other receivables						
Staff debtors	GA/Stage 2	**2 094**	**76,00**	**1 591**	**75**	**1 196**
Sundry debtors	GA/Stage 2	**89 536**	**–**	**–**	**–**	**–**
						1 196
Total estimated credit losses at 31 December 2023						**38 183**

GA = ECL calculated using the general approach.
Stage 2 = Lifetime ECL due to significant increase in risk.

The gross carrying amounts of the other receivables in the current year were lower than the prior year by P54,5 million (2022: P15,5 million higher). The exposure to default was also lower by P22,3 million (2022: P13 million higher) in the current year. The decrease in exposure to default resulted in a decrease in the provision for credit loss. The company considers that there has been a significant decrease in credit risk when contractual payments are more than 30 days past due.

The loan receivable from BOPEU was settled during the year and the impairment provision reversed.

Broker loans and agent advances/ commissions	Impairment method	Balance at 31 December 2022[1] P'000	PiT (PD) %	Exposed to default P'000	LGD %	ECLs (lifetime) P'000
Broker loans	GA/Stage 2	1 221	70,04	855	100	855
Broker advances	GA/Stage 2	16 462	96,00	15 803	71	11 255
Loans to agents	GA/Stage 3	29 488	100,00	29 488	72	21 269
						33 379
Other receivables						
Staff debtors	GA/Stage 2	1 708	76,36	1 305	25	326
Sundry debtors	GA/Stage 2	163 643	13,75	22 498	23	5 130
						5 456
Total estimated credit losses at 31 December 2022						38 835

[1] *The prior year balances have been restated. Refer to the table on* *page 95 for further details.*

Related party receivables

For the year ended 31 December 2023, the group has not recorded any impairment of receivables relating to amounts owed by related parties (2022: Pnil). Related party balances are all cleared within 60 days and as at 31 December 2023, the related party balances were immaterial.

25.7 Liquidity risk

Liquidity risk arises from the potential inability of the group paying its policyholders and short-term creditors when they become due or they mature because assets are not properly matched. The actuarial committee and investment committee meet periodically to review the matching of assets and liabilities and other investment decisions; the group is continually looking for investments that match its liabilities.

The group's objective is to maintain a balance between continuity of funding and flexibility through the use of debt facilities from various financiers.

The maturity analysis of policyholder liabilities is based on expected maturities as modelled by the actuaries. The investment contracts are due on demand. Asset maturities have been disclosed on the basis of contractual maturities. The disclosures are based on both shareholder and policyholder assets.

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 December 2023

25. RISK MANAGEMENT continued

25.7 Liquidity risk continued

COMPANY

	<1 year P'000	1 to 5 years P'000	>5 years P'000	On demand P'000	Total P'000
2023					
Financial assets					
Other receivables	**19 976**	**–**	**–**	**–**	**19 976**
Related party balances	**1 493**	**–**	**–**	**–**	**1 493**
Cash, deposits and similar securities	**11 334**	**–**	**–**	**9 222**	**20 556**
Total financial assets	**32 803**	**–**	**–**	**9 222**	**42 025**
Financial liabilities					
Other payables	**32 514**	**–**	**–**	**–**	**32 514**
Related party balances	**3 501**	**–**	**–**	**–**	**3 501**
IFRS 16 – Lease liability	**2 032**	**1 857**	**–**	**–**	**3 889**
Total financial liabilities	**38 047**	**1 857**	**–**	**–**	**39 904**
2022					
Financial assets					
Other receivables	151	–	–	–	151
Related party balances	1 825	–	–	–	1 825
Cash, deposits and similar securities	17 501	–	–	48 625	66 126
Total financial assets	19 477	–	–	48 625	68 102
Financial liabilities					
Other payables	28 775	–	–	–	28 775
Related party balances	693	–	–	–	693
IFRS 16 – Lease liability	2 376	3 890	–	–	6 266
Total financial liabilities	31 844	3 890	–	–	35 734

The related party assets and liabilities are not settled on demand; the average payment cycle ranges from three to six months.

Maturity analysis of financial assets and financial liabilities

The tables that follow summarise the maturity profile of the financial assets and financial liabilities of the group based on remaining undiscounted contractual obligations, including interest payable and receivable.

GROUP

	Carrying value P'000	<1 year P'000	1 to 5 years P'000	>5 years P'000	On demand P'000	Total P'000
2023						
Financial assets						
Investment in unlisted property companies	**1 277 962**	**–**	**–**	**–**	**1 277 962**	**1 277 962**
Bonds (Government, public authority, listed and unlisted corporates)	**8 543 705**	**963 746**	**3 411 146**	**9 315 801**	**–**	**13 690 693**
Equity investments	**3 040 954**	**–**	**–**	**–**	**3 040 954**	**3 040 954**
Money market instruments	**2 072 695**	**2 072 695**	**–**	**–**	**–**	**2 072 695**
Insurance contract assets	**612 935**	**1 360**	**15 098**	**542 146**	**16 600**	**575 204**
Reinsurance contract assets	**17 874**	**401**	**4 284**	**7 899**	**5 291**	**17 875**
Other receivables	**135 021**	**135 021**	**–**	**–**	**–**	**135 021**
Cash, deposits and similar securities	**170 583**	**78 019**	**–**	**–**	**92 564**	**170 583**
Total undiscounted assets	**15 871 729**	**3 251 242**	**3 430 528**	**9 865 846**	**4 433 371**	**20 980 987**
Financial liabilities						
Insurance contract liabilities	**8 004 121**	**20 069**	**222 727**	**7 478 710**	**244 883**	**7 966 389**
Investment contract liabilities	**3 598 953**	**192 853**	**729 216**	**2 676 884**	**–**	**3 598 953**
External investors in consolidated funds	**2 082 020**	**673 226**	**19 591**	**35 180**	**1 361 163**	**2 089 161**
Reinsurance contract liability	**54 222**	**1 215**	**12 996**	**23 962**	**16 048**	**54 221**
Related party balances	**6 867**	**6 867**	**–**	**–**	**–**	**6 867**
Other payables	**353 824**	**353 824**	**–**	**–**	**–**	**353 824**
IFRS 16 – Lease liability	**12 707**	**5 988**	**3 292**	**352**	**–**	**9 632**
Total undiscounted liabilities	**14 112 714**	**1 254 042**	**987 822**	**10 215 088**	**1 622 094**	**14 079 047**

Investment contract liabilities are payable on demand but have been presented on an expected basis.

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 December 2023

25. RISK MANAGEMENT continued

25.7 Liquidity risk continued

Maturity analysis of financial assets and financial liabilities continued

GROUP

	Carrying value P'000	<1 year P'000	1 to 5 years P'000	>5 years P'000	On demand P'000	Total P'000
2022						
Financial assets						
Investment in unlisted property companies	1 205 650	–	–	–	1 205 650	1 205 650
Bonds	8 426 652	535 321	2 331 224	9 066 510	–	11 933 055
Equity investments	2 589 245	–	–	–	2 589 245	2 589 245
Money market instruments	3 190 081	3 190 081	–	–	–	3 190 081
Insurance contract assets	553 701	1 385	16 082	502 866	14 629	534 962
Reinsurance contract assets	10 271	257	2 899	4 187	2 928	10 271
Other receivables	186 503	186 503	–	–	–	186 503
Cash, deposits and similar securities	400 711	214 445	–	–	186 266	400 711
Total undiscounted assets	16 562 814	4 127 992	2 350 205	9 573 563	3 998 718	20 050 478
Financial liabilities						
Insurance contract liabilities	7 551 386	20 161	234 078	7 065 469	212 939	7 532 647
Investment contract liabilities	3 298 512	190 120	669 545	2 438 846	70 447	3 298 511
External investors in consolidated funds	3 619 273	1 170 301	34 056	61 155	2 366 174	3 631 686
Reinsurance contract liability	55 757	1 397	15 736	22 728	15 896	55 757
Related party balances	3 189	3 189	–	–	–	3 189
Other payables	398 121	398 121	–	–	–	398 121
IFRS 16 – Lease liability	16 210	6 716	9 338	156	–	16 210
Total undiscounted liabilities	14 942 448	1 790 005	962 753	9 588 354	2 595 009	14 936 121

Policyholders' insurance liabilities are allocated to the maturity profiles based on the estimated present value of claims obtained through an actuarial modelling process.

25.8 Insurance risk

The risk exposure is mitigated by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

26. FAIR VALUE DISCLOSURES

Determination of fair value and fair value hierarchy

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

- **Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities
- **Level 2:** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (prices) or indirectly (i.e. derived from prices)
- **Level 3:** Inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 December 2023

26. FAIR VALUE DISCLOSURES continued

Determination of fair value and fair value hierarchy continued

	Fair value measurement using			
	Quoted prices in active markets (Level 1) P'000	Significant observable inputs (Level 2) P'000	Significant unobservable inputs (Level 3) P'000	Total fair value P'000
2023				
Non-financial assets				
Investment properties – physical properties	–	–	26 480	26 480
Financial assets				
Investment properties – investment in unlisted property companies	–	–	1 277 962	1 277 962
Bonds	4 931 695	–	3 612 010	8 543 705
Government	4 931 695	–	–	4 931 695
Corporate bonds – unlisted	–	–	3 612 010	3 612 010
Money market instruments	–	2 072 695	–	2 072 695
Equity investments	2 664 825	–	376 129	3 040 954
Total assets at fair value	7 596 520	2 072 695	5 292 581	14 961 796
Financial liabilities				
External investors in consolidated funds	–	1 791 176	290 844	2 082 020
Derivatives instrument	–	25 429	–	25 429
Total liabilities at fair value	–	1 816 605	290 844	2 107 449

	Fair value measurement using			
	Quoted prices in active markets (Level 1) P'000	Significant observable inputs (Level 2) P'000	Significant unobservable inputs (Level 3) P'000	Total fair value P'000
2022				
Non-financial assets				
Investment properties – physical properties	–	–	12 260	12 260
Financial assets				
Investment properties – investment in unlisted property companies	–	–	1 205 650	1 205 650
Bonds	4 210 472	–	4 216 180	8 426 652
Government	4 210 472	–	–	4 210 472
Corporate bonds – unlisted	–	–	4 216 180	4 216 180
Money market instruments	–	3 190 081	–	3 190 081
Equity investments	2 307 134	–	282 111	2 589 245
Total assets at fair value	6 517 606	3 190 081	5 716 201	15 423 888
Financial liabilities				
External investors in consolidated funds	–	3 619 273	–	3 619 273
Derivatives instrument	–	37 259	–	37 259
Total liabilities at fair value	–	3 656 532	–	3 656 532

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker or industry group, and those prices represent actual and regularly occurring market transactions on an arm's-length basis. The quoted market price used for financial assets held by the group is the last trading price. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market (e.g. over-the-counter derivatives) is determined by using valuation techniques to maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 December 2023

26. FAIR VALUE DISCLOSURES continued

Determination of fair value and fair value hierarchy continued

Level 2

- **Money market instruments:** Refer to note 4.1 for interest rates. Also refer to the accounting policy note on fair value and the valuation techniques table on the next page
- **External investors in consolidated funds:** Refer to the accounting policy note on fair values and the valuation techniques table on the next page
- **Policyholder liabilities under insurance contracts:** Refer to the accounting policy note on fair values and the valuation techniques table on the next page.

Level 3 valuation

- **Investment properties:** Refer to note 4.4 on how fair value is determined
- **Unlisted bonds:** Refer to note 4.1 on how the fair value is determined
- **Policy loans and other loan advances:** Refer to note 4.3 on how the fair valuation is determined
- **Equity investments:** The fair value of the assets is calculated based on units held and unit prices provided by the fund managers
- **External investors in consolidated funds:** Refer to the accounting policy note on fair values and the valuation techniques table on the next page.

If one or more of the significant inputs is not based on observable market data, the unlisted instrument is included in Level 3.

Reconciliation of recurring fair value measurements categorised within Level 3 of the fair value hierarchy:

Level 3 financial assets

GROUP

	Investment in physical properties P'000	Investment in unlisted property companies P'000	Equity investments P'000	Bonds P'000	Total assets P'000
2023					
Opening balance	**12 260**	**1 205 650**	**282 111**	**4 216 180**	**5 716 201**
Total gains/(loss) in comprehensive income	**14 220**	**(6 375)**	**9 454**	**625 787**	**643 086**
Acquisitions	**–**	**78 687**	**84 564**	**–**	**163 251**
Disposals	**–**	**–**	**–**	**(1 229 957)**	**(1 229 957)**
Closing balance	**26 480**	**1 277 962**	**376 129**	**3 612 010**	**5 292 581**
2022					
Opening balance	10 160	1 173 325	276 891	5 313 745	6 774 121
Total gains/(loss) in comprehensive income	2 100	(4 433)	9 861	482 048	489 576
Acquisitions	–	36 758	–	–	36 758
Disposals	–	–	(4 641)	(1 579 613)	(1 584 254)
Closing balance	12 260	1 205 650	282 111	4 216 180	5 716 201

GROUP

	2023 P'000	2022 P'000
Total gains or losses included in profit or loss for the period	**643 086**	489 576
Total unrealised gains or losses included in profit or loss for the period for assets held at the end of the reporting period	**896 666**	(348 681)

There were no transfers from Level 1 to Level 2 fair value measurements during the year ended 31 December 2023 (2022: nil).

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 December 2023

26. FAIR VALUE DISCLOSURES continued

Valuation techniques used in determining the fair value of financial instruments

Instrument	Applicable to level	Valuation basis	Main assumptions	Significant unobservable inputs
Investment in physical properties	2	Market comparison method	Comparison method	External valuers' estimate
Investment in unlisted property companies	3	NAV of underlying assets derived using the DCF model	Capitalisation rate Discount rate occupancy	Discount rate: 10%
Money markets	2	Units held multiplied by unit prices	n/a	n/a
Equity investments (unlisted)	3	DCF model and earnings multiple	Cost of capital and consumer price index	Discount rate: 10%
Unit funds (unlisted)	2	Units held multiplied by unit prices	n/a	n/a
Unlisted bonds	3	DCF model	Cost of capital and consumer price index, interest rate curve	Discount rate: 10%
External investors in consolidated funds	2 and 3	Units held multiplied by unit prices	Unit prices	n/a
Derivative instrument: Foreign exchange swap transaction	2	DCF mode, currency, interest rate	Unit prices	n/a

Sensitivity of Level 3 financial instruments measured at fair value to changes in key assumptions

The following table shows the impact on the fair value of Level 3 instruments using reasonably possible alternative assumptions by class of instrument:

Financial assets

GROUP

	Carrying amount P'000	Effect of a 10% increase in estimated cash flows P'000	Effect of a 10% decrease in estimated cash flows P'000	Effect of a 1% increase in discount rate P'000	Effect of a 1% decrease in discount rate P'000
2023					
Investment in physical properties	**26 480**	**2 065**	**(2 065)**	**(3 115)**	**3 115**
Investment in unlisted property companies	**1 277 962**	**99 681**	**(99 681)**	**(150 348)**	**150 348**
2022					
Investment in physical properties	12 260	792	(792)	(813)	813
Investment in unlisted property companies	1 205 650	91 519	(91 519)	(93 866)	93 866

Group bonds	Carrying amount P'000	Effect of a 10% increase in estimated cash flows P'000	Effect of a 10% decrease in estimated cash flows P'000	Effect of a 2% increase in discount rate P'000	Effect of a 2% decrease in discount rate P'000
2023	**3 612 010**	**(281 737)**	**281 737**	**(56 347)**	**56 347**
2022	4 216 180	(328 862)	328 862	(65 772)	65 772

Equity investments	Carrying amount P'000	Effect of a 1% increase in discount rate P'000	Effect of a 1% decrease in discount rate P'000
2023	**376 129**	**2 934**	**(2 934)**
2022	282 111	2 200	(2 200)

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 December 2023

26. FAIR VALUE DISCLOSURES continued

Sensitivity of Level 3 financial instruments measured at fair value to changes in key assumptions continued

Investment policy

The BIHL Group through its asset management company, Bifm, a traditional investment manager, manages a comprehensive range of distinct asset classes, each against an appropriate benchmark that acts as the neutral position. Bifm is an active investment manager that implements positions that deviate from the benchmark within predetermined constraints. Bifm aims to capture and create value from long-term relative valuation differences, both between asset classes and within an asset class between individual securities.

Bifm implements a value-style bias that complements its investment philosophy. Bifm is of the view that pockets of inefficiency exist in capital markets. This presents opportunities to purchase undervalued securities and hold them until their market value equals or exceeds their intrinsic value. Bifm aims to realise these relative value anomalies over the long term and avoid short-term fluctuations or market noise.

Bifm combines investment strategies with the aim of delivering superior investment returns given a level of risk over the long term (three years and more). For local equity security selection, Bifm uses a bottom-up approach. The bottom-up approach is research-intensive and focuses on individual companies as a starting point. Companies, sectors and geographical regions not covered by a portfolio manager's universe may be neglected.

To compensate, Bifm also applies a top-down decision-making process to implement tactical positions. The top-down approach utilises macroeconomic data, relative asset class valuations, market sector valuations and the prospects of geographical regions.

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

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

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

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

- **Long-dated bonds**: Bifm believes that value can be created through active duration management, taking into account macroeconomic factors such as inflation and interest rates. This reflects a top-down approach for the management of bonds, which is applied both locally and offshore. Bifm utilises fixed and floating instruments as different assets to match different liabilities, to benefit from the shape of the yield curve, and as a tool to manage duration
- **Cash and money market**: Bifm manages cash and short-dated money market instruments primarily for liquidity purposes. Bifm minimises credit risk by investing with reputable banks. Bifm negotiates to obtain high interest rates on behalf of its clients.
- **Property**: Property is a unique asset class, with bond-like and equity-like features, that matches the liability profiles of a large number of pension funds. Enhanced yields and rental escalations are received over time. The philosophy is to invest in A-grade properties that we believe are more likely to attract and retain corporate tenants. Property investments constitute a significant area of Bifm's drive to develop the local economy and capital markets. Bifm's subsidiary, Khumo Property Asset Management, is a fully fledged property development and management company.

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

- Private equity is becoming a more important asset class globally. In the Botswana context, private equity is a progressive approach to investment management because it is a catalyst for economic development. Bifm invests in local, regional and global private equity funds
- Specialised portfolios and insurance portfolios utilise private debt instruments for matching purposes. In Botswana, private debt is a substitute for listed debt instruments. Listed debt instruments are in short supply in Botswana
- Offshore hedge funds are currently used as an alternative to offshore bonds given our bearish view on the prospects for offshore bonds.

The collective investment undertaking funds are now consolidated in the group's financials where the group has invested more than 20%, and a corresponding liability to the investors is reflected in note 8 and the assets are included as part of note 4.

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 December 2023

27. CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

	GROUP						
	Financial assets designated at fair value through profit or loss P'000	Financial assets at amortised cost P'000	Financial assets mandatorily at fair value through profit or loss P'000	Financial liabilities designated at fair value through profit or loss P'000	Financial liabilities mandatorily held at fair value through profit or loss P'000	Financial liabilities measured at amortised cost P'000	Total P'000
2023							
Financial assets							
Investment in unlisted property companies	–	–	1 277 962	–	–	–	1 277 962
Bonds (Government, public authority, listed and unlisted corporates)	8 543 705	–	–	–	–	–	8 543 705
Money market instruments	–	–	2 072 695	–	–	–	2 072 695
Equity investments	–	–	3 040 954	–	–	–	3 040 954
Other receivables	–	135 021	–	–	–	–	135 021
Cash, deposits and similar securities	–	170 583	–	–	–	–	170 583
Total financial assets	8 543 705	305 604	6 391 611	–	–	–	15 240 920
Financial liabilities							
External investors in consolidated funds	–	–	–	2 082 020	–	–	2 082 020
Derivatives instrument	–	–	–	–	25 429	3 598 953	3 624 382
Lease liabilities	–	–	–	–	–	12 707	12 707
Related party balances	–	–	–	–	–	6 867	6 867
Other payables	–	–	–	–	–	353 824	353 824
Total financial liabilities	–	–	–	2 082 020	25 429	3 972 351	6 079 800

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 December 2023

27. CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES continued

	GROUP						
	Financial assets designated at fair value through profit or loss P'000	Financial assets at amortised cost P'000	Financial assets mandatorily at fair value through profit or loss P'000	Financial liabilities designated at fair value through profit or loss P'000	Financial liabilities mandatorily held at fair value through profit or loss P'000	Financial liabilities measured at amortised cost P'000	Total P'000
2022							
Investment in unlisted property companies	–	–	1 205 650	–	–	–	1 205 650
Bonds (Government, public authority, listed and unlisted corporates)	8 426 652	–	–	–	–	–	8 426 652
Money market instruments	–	–	3 190 081	–	–	–	3 190 081
Equity investments	–	–	2 589 245	–	–	–	2 589 245
Other receivables	–	186 503	–	–	–	–	186 503
Cash, deposits and similar securities	–	400 711	–	–	–	–	400 711
Total financial assets	8 426 652	587 214	6 984 976	–	–	–	15 998 842
Financial liabilities							
External investors in consolidated funds	–	–	–	3 619 273	–	–	3 619 273
Derivatives instrument	–	–	–	–	37 259	–	37 259
Lease liabilities	–	–	–	–	–	16 210	16 210
Related party balances	–	–	–	–	–	3 189	3 189
Other payables	–	–	–	–	–	398 121	398 121
Total financial liabilities	–	–	–	3 619 273	37 259	417 520	4 074 052

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 December 2023

27. CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES continued

	COMPANY						
	Financial assets designated at fair value through profit or loss P'000	Financial assets at amortised cost P'000	Financial assets mandatorily at fair value through profit or loss P'000	Financial liabilities designated at fair value through profit or loss P'000	Financial liabilities mandatorily held at fair value through profit or loss P'000	Financial liabilities measured at amortised cost P'000	Total P'000
2023							
Financial assets							
Other receivables	**–**	**19 976**	**–**	**–**	**–**	**–**	**19 976**
Related party balances	**–**	**1 493**	**–**	**–**	**–**	**–**	**1 493**
Cash, deposits and similar securities	**–**	**20 556**	**–**	**–**	**–**	**–**	**20 556**
Total financial assets	**–**	**42 025**	**–**	**–**	**–**	**–**	**42 025**
Financial liabilities							
Other payables	**–**	**–**	**–**	**–**	**–**	**32 514**	**32 514**
Related party payables	**–**	**–**	**–**	**–**	**–**	**3 501**	**3 501**
Total financial liabilities	**–**	**–**	**–**	**–**	**–**	**36 015**	**36 015**
2022							
Financial assets							
Other receivables	–	151	–	–	–	–	151
Related party balances	–	1 825	–	–	–	–	1 825
Cash, deposits and similar securities	–	66 126	–	–	–	–	66 126
Total financial assets	–	68 102	–	–	–	–	68 102
Financial liabilities							
Other payables	–	–	–	–	–	28 775	28 775
Related party payables	–	–	–	–	–	693	693
Total financial liabilities	–	–	–	–	–	29 468	29 468

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 December 2023

28. RESTATEMENTS OF PRIOR YEARS

28.1 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.

	Audited 2022 As previously reported P'000	Adjustments P'000	Restated 2022 P'000
Net cash flows from operating activities	630 895	(386 402)	244 493
Cash generated from operations	631 093	(386 402)	244 691
Interest received	295 053	–	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	(362 938)	386 402	23 464
Purchase of property and equipment	(6 652)	–	(6 652)
Purchase of computer software	(5 201)	–	(5 201)
Acquisition of property investments	(39 091)	39 091	–
Net purchases and withdrawals of bonds	(54 242)	54 242	–
(Purchase)/withdrawals of equity investments	(247 282)	247 282	–
Net purchases and withdrawals of money market instruments	(45 787)	45 787	–
Receipts from loans receivable at amortised cost	35 317	–	35 317

This correction has no impact on amounts and balances reported in other components of the condensed group annual financial statements.

28.2 Associates

During the current financial year, the group's associate, Letshego Africa Holdings Limited, identified an error in the manner in which it previously estimated ECLs 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.

	Audited 2022 As previously reported P'000	Adjustments P'000	Restated 2022 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 share of profit of associates, joint ventures and other income (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

[1] *Restated for transition to IFRS 17. Refer to accounting policies and basis of preparation.*

28.3 Earnings per share

	Audited 2022 As previously reported P'000	Adjustments P'000	Restated 2022 P'000
IFRS 17 restatement			
Shares used for calculating basic earnings per share	279 969	–	279 969
Net profit attributable to ordinary equity holders of the parent	603 538	(160 960)	442 578
Basic earnings per share	216	–	158
Diluted earnings per share 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. The impact of this is disclosed as follows.			
Weighted number of dilutive options	279 969	1 679	281 648
Diluted earnings per share	216	–	157

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 December 2023

28. RESTATEMENTS OF PRIOR YEARS continued

28.4 Separate presentation of investment contract liabilities

The group had not disclosed the investment contract liabilities separately on the statement of financial position in its previous financial statements. Instead, this 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[1] P'000
Extract of the statement of financial position as of 31 December 2021			
Policyholder labilities	10 447 441	(3 234 340)	7 213 101
Investment contract liabilities	–	3 341 397	3 341 397
Trade and other payables	613 452	(107 057)	506 395
Net restatement		–	
Extract of the statement of financial position as of 31 December 2022			
Policyholder labilities	10 511 760	(3 177 051)	7 334 709
Investment contract liabilities	–	3 298 512	3 298 512
Trade and other payables	750 518	(121 461)	629 057
Net restatement		–	

[1] *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 Contracts*' on* *page 95.*

The correction of the 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 the cash flow statement as explained in note 28.1 were incorrectly reflected in the cash flow statements included in the interim results
- The error in accounting for associates detailed in note 28.2 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
- The error in calculation of diluted earnings per share explained in note 28.3 was not corrected in the statements of profit or loss included in the interim results
- The error detailed in note 28.4 did not impact the balances disclosed in the interim results.

29. EVENTS AFTER THE REPORTING PERIOD

29.1 Dividends declared

The directors have resolved to award a final dividend of 110 thebe (2022: 101 thebe) per share (net of tax) and a special dividend of nil thebe (2022: 91 thebe) per share not subject to tax.

There have been no other events, facts or circumstances of a material nature that have occurred subsequent to the reporting date which necessitate an adjustment to the disclosure in these annual financial statements or the notes thereto.

Vision

is not driven by he, she or we, it's driven by US.

It takes a single step to start the journey but many people to get you there. No matter how bold or big your dream, you will always need the support of others.

IMPROVING LIVELIHOODS

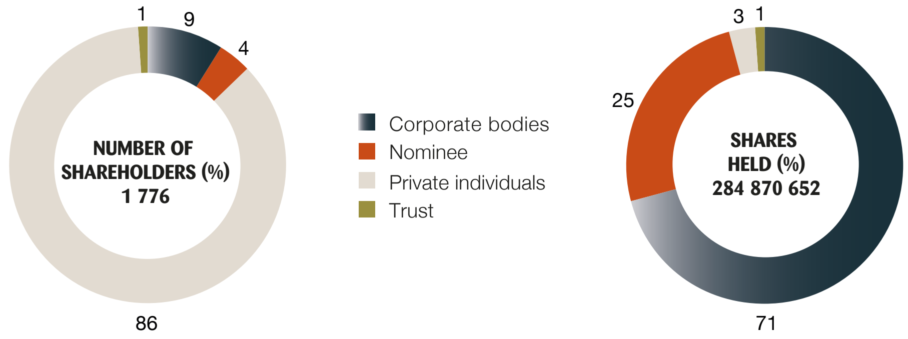
SHAREHOLDER ANALYSIS

SHARE ANALYSIS – ORDINARY SHAREHOLDERS

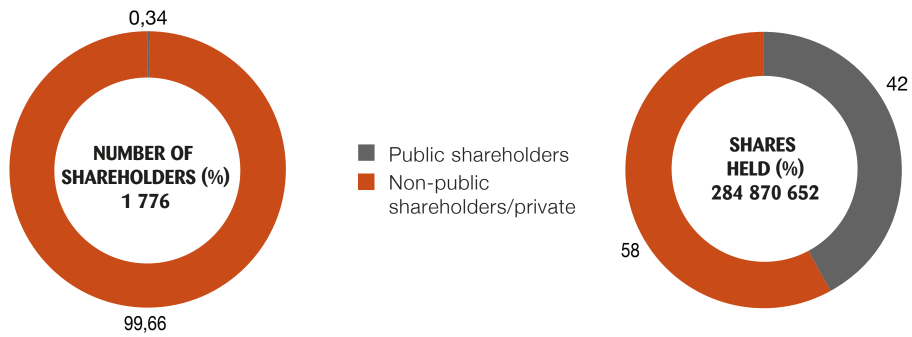
	Shareholders		Shares held	
	Number of holders	% of holders	Shares held	% of issued shares
1 to 5 000	1 393	78,43	1 340 137	0,50
5 001 to 10 000	109	6,14	720 244	0,30
10 001 to 50 000	152	8,56	3 308 826	1,20
50 001 to 100 000	37	2,08	2 618 824	0,90
100 001 to 500 000	60	3,38	13 313 363	4,70
500 001 to 1 000 000	6	0,34	4 682 590	1,60
Over 1 000 000	19	1,07	258 886 668	90,90
Total	1 776	100,00	284 870 652	100,00

TOP 10 SHAREHOLDERS

	Shares held	% of issued shares
Sanlam Allianz Africa Proprietary Limited	116 388 211	40,86
African Life Assurance Company (Botswana) Proprietary Limited	48 603 380	17,06
FNB Botswana Nominees Re: Bifm – Act Mem & Dp Eq	24 758 332	8,69
Botswana Public Officers Pension Fund	16 647 645	5,84
Motor Vehicle Fund	11 395 140	4,00
Botswana Public Pension Fund Vunani	10 626 928	3,73
Stanbic Nominees Botswana Re Bifm Plef	3 976 835	1,40
Stanbic Nominees Botswana Re Bpopf Wt Pro Port Mcp	3 962 110	1,39
Stanbic Nominees Botswana Re Morula Re Dpf	2 790 298	0,98
Stanbic Nominees Botswana Re Bifm Mlf	2 709 529	0,95
Other	43 012 244	15,10
Total	284 870 652	100,00



	Shareholders		Shares held	
	Number of holders	% of holders	Shares held	% of issued shares
Corporate bodies	165	9,00	201 996 071	71,00
Nominee	63	4,00	71 112 889	25,00
Private individuals	1 529	86,00	9 171 658	3,00
Trust	19	1,00	2 590 034	1,00
Category (i)	1 776	100,00	284 870 652	100,00
Non-public	6	0,34	165 395 613	58,00
Public	1 170	99,66	119 475 039	42,00
Category (ii)	1 776	100,00	284 870 652	100,00



NOTICE OF ANNUAL GENERAL MEETING

For the year ended 31 December 2023

BIHL GROUP

BOTSWANA INSURANCE HOLDINGS LIMITED
(Incorporated in the Republic of Botswana in 1990)
(Registration number: BW00000798601)
(Share code: BIHL ISIN: BW 000 000 0033)
(BIHL or the group or the company)

Notice is hereby given that the 32nd annual general meeting (AGM) of Botswana Insurance Holdings Limited (BIHL or the company) will be held at the Botswana Life Insurance Limited Boardroom, Plot 66458, Block A, 3rd Floor, Fairgrounds Office Park, Gaborone, Botswana on 28 June 2024 at 16:00 for the following business:

ORDINARY BUSINESS

1. Ordinary resolution number 1: Minutes of the previous meeting

To receive and adopt the minutes of the AGM held on 30 June 2023.

2. Ordinary resolution number 2: Consideration of the audited financial statements

To present, consider and adopt the audited financial statements for the year ended 31 December 2023, that have been distributed to shareholders as required, including the consolidated audited financial statements of the company and its subsidiaries as well as the auditor's report.

The full set of audited financial statements of the company for the year ended 31 December 2023 can be accessed on X-News, the company's website (**www.bihl.co.bw**), and can be obtained free of charge from the Company Secretary by emailing **kmokgothu@bihl.co.bw**.

3. Ordinary resolution number 3: Ratification of dividends

To ratify the dividends declared by the board of directors on 16 August 2023 and 25 March 2024 as follows:

3.1 **16 August 2023:** 70 thebe per share net of tax and a special dividend of 7 thebe per share net of tax.

3.2 **25 March 2024:** 110 thebe per share.

4. Ordinary resolution number 4: Re-election of a director

To re-elect the following director in accordance with the provisions of the Constitution of the company. The director retires by rotation at this meeting and, being eligible, offers himself for re-election:

4.1 Mr Andrew Willis Cartwright

Ordinary resolution number 4.1: Re-election of Mr Andrew Willis Cartwright as a director

To re-elect Mr Andrew Cartwright who retires by rotation in terms of Article 19 of the Constitution of the company, and being eligible, offers himself for re-election.

- **Tenure:** Independent non-executive director since 28 May 2019
- **Age:** 66
- **Qualifications and experience:** Mr Cartwright is a valued and highly experienced member of the finance sector, having served in various industry and professional bodies in South Africa and India. He holds a Bachelor of Honours in Business Science from the University of Cape Town, the Senior Management Programme at the University of Stellenbosch, the Old Mutual Leadership Programme from the London Business School, professional qualifications from the Financial Planning Institute (South Africa) and Fellowships from the Institute and Faculty of Actuaries (UK), the Actuarial Society of South Africa and the Institute of Actuaries in India
- **BIHL Group directorships:** Botswana Life Insurance Limited director
- **Major external positions, directorships or associations:** Director at Upper Kenilworth Improvement District NPC
- **Fields of expertise:** Board experience, financial and insurance sectors
- **Committee:** Chairman of Botswana Insurance Holdings Limited's audit and risk committee.

5. Ordinary resolution number 5: Appointment of directors

To ratify the appointment of the following directors of the company:

5.1 Ms Catherine Kate Maphage

Ordinary resolution number 5.1: Appointment of Ms Catherine Kate Maphage as a director

- **Tenure**: Independent non-executive director since 20 September 2023
- **Age:** 63
- **Qualifications and experience:** Ms Maphage is an entrepreneur with extensive experience in a variety of industries and executive roles. She holds a Bachelor of Commerce degree from the University of Swaziland and a Master's in Business Leadership from the University of South Africa. Ms Maphage has formed and led many organisations and teams, including being part of a team that established the first-ever mobile network in Botswana, a travel company and an energy company
- **BIHL Group directorships:** Botswana Life Insurance Limited director
- **Major external positions, directorships or associations:** Director of RDC Properties Limited
- **Fields of expertise:** Board experience, financial, telecommunications, energy and insurance sectors
- **Committee:** Chairman of Botswana Insurance Holdings Limited's human resources committee.

5.2 Mr Edwin Tornado Elias

Ordinary resolution number 5.2: Appointment of Mr Edwin Tornado Elias as a director

- **Tenure**: Independent non-executive director since 22 August 2023
- **Age:** 50
- **Qualifications and experience:** Mr Elias is a metallurgical engineer by profession with at least 20 years of experience in the mining industry. He holds an Executive Master's in Business Administration from the University of Toronto, a Bachelor of Science – Metallurgical Engineering from Missouri University of Science and Technology and an Emerging Leaders Programme Certification from the London Business School. He is also a member of the Institute of Directors South Africa and a member of the Canadian Institute of Mining, Metallurgy and Petroleum
- **BIHL Group directorships:** Botswana Insurance Fund Management director
- **Major external positions, directorships or associations:** Director at Botswana International University of Science and Technology and Botswana Institute of Technology Research and Innovation and Chief Executive Officer at Morupule Coal Mine
- **Fields of expertise:** Board experience, mining, engineering and insurance sectors
- **Committees:** Member of Botswana Insurance Holdings Limited's audit and risk committee and independent review committee.

NOTICE OF ANNUAL GENERAL MEETING continued

For the year ended 31 December 2023

5.3 Mr Mustafa Tassadak Sachak

Ordinary resolution number 5.3: Appointment of Mr Mustafa Tassadak Sachak as a director

- **Tenure**: Independent non-executive director since 29 July 2023
- **Age:** 66
- **Qualifications and experience:** Mr Sachak has over 37 years of work experience in the engineering and financial services industries including the management and operational leadership of publicly listed regional conglomerates. He holds a Bachelor of Science in Chemical Engineering from University College London, a Bachelor of Science in Electrical Engineering from Florida Atlantic University and a Master of Business Administration from Florida International University
- **BIHL Group directorships:** Botswana Life Insurance Limited director
- **Major external positions, directorships or associations:** Chief Executive Officer of Zimnat Life Assurance Company
- **Fields of expertise:** Board experience, engineering, financial and insurance sectors
- **Committee:** Member of Botswana Insurance Holdings Limited's human resources committee.

5.4 Dr Keith Robert Jefferis

Ordinary resolution number 5.4: Appointment of Dr Keith Robert Jefferis as a director

- **Tenure**: Independent non-executive director since 11 July 2023
- **Age:** 67
- **Qualifications and experience:** Dr Jefferis is a seasoned economist who has worked closely with the International Monetary Fund, the World Bank and the African Development Bank and has amassed over 44 years' experience in the fields of economics and financial services. He holds a Bachelor of Science in Economics with Statistics degree from the University of Bristol, a Master's of Science in Economics degree from the University of London and a Doctorate in Economics from the Open University (UK). Dr Jefferis has experience in terms of research and analysis, financial industrial policy development and economic policy issues. He has written extensively on economic issues in Botswana and the Southern African Development Community
- **BIHL Group directorships:** Botswana Insurance Holdings Limited Board Chairman
- **Major external positions, directorships or associations:** Managing Director at Econsult Botswana, director at Kwanokeng, Truspot and Sefalana Holdings Company and a trustee at Thabantle
- **Fields of expertise:** Board experience, finance and insurance sectors
- **Committees:** Member of Botswana Insurance Holdings Limited's nominations committee, human resources committee, independent review committee and investment committee.

6. Ordinary resolution number 6: Approval of directors' fees for the ensuing year

To note the total amount of non-executive directors' and executive directors' remuneration for the financial year ended 31 December 2023 as set out in note 22 on page 180 to the BIHL annual financial statements.

The BIHL Group carries out a review of directors' fees every three years to ensure up-to-date data-guided remuneration of non-executive directors. The last review was conducted in 2019 and the updated fees were implemented in 2022. The gap between the review and implementation was due to COVID-19 which placed a lot of strain on the business from a cost point of view. Bowmans, a firm based in South Africa, was tasked with conducting the benchmark study. The proposed fees as per the table below will result in an overall increase of only P315 696 in fees. This includes the impact from *ad hoc* meetings for the company which are considered immaterial.

The findings of the exercise concluded that BIHL board members were remunerated below the 25th percentile, the audit and risk committee members were remunerated at the 75th percentile while the human resources committee members were being remunerated at the median market range. Below is a summary of the recommended fees:

		Current fee/ annum P	Increase %	Proposed new fees/ annum P
BIHL board	Chairman[1]	498 750	45	723 188
	Member[2]	182 580	10	200 838
Audit and risk committee	Chairman	287 644	–	287 644
	Member	126 404	–	126 404
Human resources committee	Chairman	85 280	61	137 301
	Member	56 700	37	77 679
Nominations committee	Chairman[1]	68 250	–	68 250
	Member	*Ad hoc* rate	25	*Ad hoc* rate
Independent review committee[3]	Chairman	*Ad hoc* rate	25	*Ad hoc* rate
	Member	*Ad hoc* rate	25	*Ad hoc* rate
Ad hoc rate per hour		2 800/hr	25	3 500/hr

[1] *All-inclusive fee.*
[2] *No* ad hoc *claims for directors on a retainer.*
[3] *Independent review committee, which is an* ad hoc *committee.*

NOTICE OF ANNUAL GENERAL MEETING continued

For the year ended 31 December 2023

7. Ordinary resolution number 7: Remuneration of the external auditor

To ratify the remuneration paid to the external auditor for the year ended 31 December 2023 of P5 356 000 as indicated in note 17.1 to the BIHL annual financial statements.

8. Ordinary resolution number 8: Appointment of the external auditor

To appoint PricewaterhouseCoopers as the external auditor of the company for the year ending 31 December 2024, and to authorise the directors to determine their remuneration.

VOTING AND PROXIES

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend, speak at and vote in his/her stead. The proxy need not be a member of the company.
2. The instrument appointing such a proxy must be deposited at the registered office of the transfer secretary not less than 48 hours before the meeting.
3. The completion and lodging of this form of proxy will not preclude the relevant member from attending the AGM and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.
4. A shareholder/s entitled to attend and vote at this AGM is/are entitled to appoint one or more proxies (who need not be shareholders of the company), to attend, speak at and vote on behalf of the shareholder/s at the AGM.

By order of the board

Kagiso Mokgothu
Company Secretary

7 June 2024

Registered office of the transfer secretary
Plot 70667, 4th Floor, Fairscape Precinct, Fairgrounds Office Park
Telephone: +267 367 4400 /11/12
Fax: +267 3180175
Email: **csd@bse.co.bw**

FORM OF PROXY

BIHL GROUP

BOTSWANA INSURANCE HOLDINGS LIMITED
(Incorporated in the Republic of Botswana in 1990)
(Registration number: BW00000798601)
(Share code: BIHL ISIN: BW 000 000 0033)
(BIHL or the group or the company)

To be completed by certified shareholders with 'own name' registration

I/We ____________________________ being a shareholder/s of

Botswana Insurance Holdings Limited, holding ______________ number of shares hereby appoint:

1. ____________________________ or failing him/her,
2. ____________________________ or failing him/her,
3. the Chairman of the AGM as my/our proxy to vote for me/us on my/our behalf at the AGM of the company to be held at the Botswana Life Insurance Limited Boardroom, Plot 66458, Block A, 3rd Floor, Fairgrounds Office Park, Gaborone, Botswana on 28 June 2024 at 16:00, and at any adjournment thereof for the purpose of voting:

	For	Against	Abstain
1. **Ordinary resolution number 1:** To receive and adopt the minutes of the AGM held on 30 June 2023			
2. **Ordinary resolution number 2:** To receive, approve and adopt the annual financial statements for the year ended 31 December 2023			
3. **Ordinary resolution number 3:** To ratify the dividends declared by the directors on 16 August 2023 and 25 March 2024			
4. **Ordinary resolution number 4:** To re-elect a director in accordance with the provisions of the Constitution of the company. The following director retires by rotation at this meeting and, being eligible, offers himself for re-election:			
4.1 Mr Andrew Willis Cartwright			
5. **Ordinary resolution number 5:** To ratify the appointment of the following directors of the company:			
5.1 Ms Catherine Kate Maphage			
5.2 Mr Edwin Tornado Elias			
5.3 Mr Mustafa Tassadak Sachak			
5.4 Dr Keith Robert Jefferis			
6. **Ordinary resolution number 6:** To approve the directors' fees for the ensuing year			
7. **Ordinary resolution number 7:** To approve the remuneration of the auditor for the year ended 31 December 2023			
8. **Ordinary resolution number 8:** To appoint PricewaterhouseCoopers, as the external auditor of the company for the year ending 31 December 2024, and authorise the directors to determine their remuneration			

Signed at ____________________ on the ______ day of ______________ 2024

Signature ____________________________

NOTES TO THE FORM OF PROXY

1. A shareholder may insert the name of a proxy or names of two alternate proxies with or without deleting 'the Chairman of the AGM'; such a deletion must be initialled by the shareholder. The person, whose name appears first on the form of proxy and has not been deleted, will be entitled to act as a proxy to the exclusion of those whose names appear below his/hers.
2. A shareholder's instructions to the proxy must be indicated by the insertion of a cross or a tick or the relevant number of votes exercisable by the shareholder in the appropriate space provided.

   Failure to comply with the above will be deemed to authorise the proxy to vote or abstain from voting at the AGM as he/she deems fit in respect of the entire shareholder's votes exercisable thereat. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or his/her proxy, but the total of the votes cast and in respect whereof abstention is recorded, may not exceed the total of the votes exercisable by the shareholder or his/her proxy.
3. Completed forms must be lodged with or posted to the company's registered office
   - BIHL , Block A, 3rd Floor, Fairgrounds Office Park, Plot 50371, Gaborone, Botswana, or
   - PO Box 336, Gaborone, Botswana, or
   - Faxed to: +267 397 3657, or
   - emailed to **kmokgothu@bihl.co.bw**

   for the attention of the Company Secretary, so as to be received by no later than 48 hours before the time appointed for the holding of the AGM (excluding Saturdays, Sundays or public holidays) or any adjournment thereof.
4. The completion and lodging of this form of proxy shall not preclude the relevant shareholder from attending the AGM and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.
5. Any alteration made to or on this form of proxy must be initialled by the signatory/ies.
6. The Chairman of the AGM may reject or accept any form of proxy not completed and/or received other than in accordance with these notes provided that he is satisfied as to the manner which the shareholder concerned wishes to vote.
7. An instrument of proxy shall be valid for the AGM as well as any adjournment thereof, unless the contrary is stated thereon.
8. A vote given in accordance with the terms of a proxy shall be valid, notwithstanding the previous death or insanity of the shareholder, or revocation of the proxy, or of the authority under which the proxy was executed, or the transfer of the ordinary shares in respect of which the proxy is given, provided that no intimation in writing of such death, insanity or revocation shall have been received by the company not less than one hour before the commencement of the AGM or adjourned AGM at which the proxy is to be used.
9. At a meeting of shareholders, a poll may be demanded by:
   - not less than five (5) shareholders having the right to vote at the meeting, or
   - a shareholder or shareholders representing not less than 10% of the total voting rights of all shareholders having the righthood at the meeting, or
   - a shareholder or shareholders holding shares that confer a right to vote at the meeting and on which the aggregate amount paid up is not less than 10% of the total amount paid up on all shares that confer that right, or
   - the Chairman.

When a poll is taken, votes shall be counted according to votes attached to the shares of each shareholder present in person or by proxy and voting.

RECEIPT AND ADOPTION OF THE ANNUAL FINANCIAL STATEMENTS TOGETHER WITH THE REPORTS OF THE STATUTORY ACTUARY AND THE AUDITOR

The directors are required to present to members at the AGM the annual financial statements for the period ended 31 December 2023, together with the reports of the valuator and the auditor.

ELECTION OF DIRECTORS

In terms of the company's Constitution, one-third of the directors are required to retire at each AGM and may offer themselves for re-election. The Constitution also provides that the appointment of any person as a director of the company requires confirmation by shareholders at the first AGM of the company after the appointment of such person as director.

DEFINITIONS

FINANCIAL DEFINITIONS

Basic earnings per share	Earnings attributable to ordinary shareholders divided by the weighted average number of ordinary shares
Claim	A demand to the insurer for indemnification for a loss incurred from an insured peril
Dividends per share (thebe)	Total dividends paid to ordinary shareholders divided by the number of ordinary shares issued calculated in thebe
Intermediary	A person who negotiates contracts of insurance or reinsurance with the insurer or reinsurer on behalf of the insured or reinsured
Net asset value	Equity attributable to equity holders of BIHL Limited
Remuneration	Money that is paid or other financial compensation provided in exchange for an employee's services performed
Shares in issue	The number of ordinary shares in issue as listed by the BSE
Underwriting	The process of examining, accepting or rejecting insurance risks, and classifying or segmenting those selected, to charge the proper premium for each

SUBSIDIARIES AND ASSOCIATES

ALBOTS	African Life Assurance Company Botswana Proprietary Limited
BIC	Botswana Insurance Company Limited
Bifm	Botswana Insurance Fund Management Limited
BIHL	Botswana Insurance Holdings Limited
BIHL Trust	Botswana Insurance Holdings Trust
Botswana Life	Botswana Life Insurance Limited
FSG	FSG Limited
Khumo	Khumo Property Asset Management Proprietary Limited
KYS	Kgolo Ya Sechaba Investments Limited
Letshego/LHL	Letshego Holdings Limited
Nico	National Insurance Company Limited
PPB	Private Property Botswana Limited

A GLOSSARY OF INSURANCE-SPECIFIC TERMINOLOGY

Assumptions	Underlying variables and uncertainties, which are taken into account in determining values, which could be insurance contract liabilities or financial assets at fair value.
Benefit experience variation	Difference between the expected benefit payout and the actual payout.
Deferred revenue	Initial and other front-end fees for rendering future investment management services, which are deferred and recognised as revenue when the related services are rendered.
Discretionary participation features	A contractual right to receive, as a supplement to guaranteed benefits, additional benefits that are likely to be a significant portion of the total contractual benefits whose amount or timing is contractually at the discretion of the issuer, and that are contractually based on: • the performance of a specified pool of contracts or a specified type of contract • realised and/or unrealised investment returns on a specified pool of assets held by the insurer • the profit or loss of the company, fund or other entity that issues the contract.
Embedded value	This is an estimate of the economic worth of a life insurance business. The measurement principles, however, do differ from the measurement principles under IFRS.
Insurance contract	A contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.
Investment contract	Investment contracts are those contracts that transfer significant financial risk. Financial risk is the risk of a possible future change in one or more specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rates, credit rating or credit index or other variable, provided in the case of non-financial variable that the variable is not specific to a party to the contract.
Investment management services	Managing of investment, for which a service fee will be charged.
Liability adequacy test	Reassessment of the sufficiency of the insurance liability to cover future insurance obligations.
Life insurance	Contract under which the term of insurance covers a period longer than 12 months e.g. whole life or term insurance.
Premiums earned	Premiums earned are when premiums are payable by the policyholder.
Premiums written	Premiums written are on acceptance of an insurance contract by the policyholder.
Reinsurance	Insurance risk is ceded to a reinsurer, but the ultimate obligation to the policyholder remains with the entity who issued the original insurance contract.
Unearned premiums	Reserve for premiums received for which the underlying risks have not yet expired. This reserve is released over the term of the contract as the underlying risk expires.

DEFINITIONS continued

ACRONYMS AND ABBREVIATIONS

AGM	Annual general meeting
AI	Artificial intelligence
AIDS	Acquired immunodeficiency syndrome
ALBOTS	African Life Assurance Company Botswana Proprietary Limited
AML/CFT and P	Anti-money laundering/combating financial terrorism and proliferation
AUM	Assets under management
BIC	Botswana Insurance Company Limited
Bifm	Botswana Insurance Fund Management Limited
BIHL	Botswana Insurance Holdings Limited
BOPEU	Botswana Public Employees Union
Botswana Life	Botswana Life Insurance Limited
BSE	Botswana Stock Exchange
BSR	Bonus stabilisation reserve
BWP	Botswana Pula, the functional currency of Botswana
CEE	Citizen economic empowerment
CEESOS	Citizen economic empowerment share option scheme
CEO	Chief Executive Officer
CFA	Chartered Financial Analyst
CFO	Chief Financial Officer
COO	Chief Operating Officer
CSI	Corporate social investment
CSM	Contractual service margin
CSP	Conditional share plan
CSR	Corporate social responsibility
DCF	Discounted cash flow
DPF	Discretionary participation features
ECL	Expected credit loss/es
EIR	Effective interest rate
ERM	Enterprise risk management
ESG	Environmental, social and corporate governance
Exco	Executive committee
FRA	Full retrospective approach
FSG	FSG Limited
FVA	Fair value approach
GDP	Gross domestic product
GMM	General measurement method
HIV	Human immunodeficiency virus
HR	Human resources
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IESBA Code	International Code of Ethics for Professional Accountants (including International Independence Standards)
IFRIC	International Financial Reporting Interpretations Committee
IFRS® Accounting Standards	Previously International Financial Reporting Standards or IFRS
<IR> Framework	International Integrated Reporting Framework of the IFRS Foundation
ISAs	International Standards on Auditing
IT	Information technology
Khumo	Khumo Property Asset Management Company
King IV™	King IV Report on Corporate Governance for South Africa, 2016™
KYC	Know Your Customer
KYS	Kgolo Ya Sechaba Investments Limited
Letshego/LHL	Letshego Holdings Limited
LGD	Loss given default
LRC	Loss recovery component
LTI	Long-term incentive
MPC	Monetary Policy Committee
NAV	Net asset value
NBFIRA	Non-Bank Financial Institutions Regulatory Authority
Nico	National Insurance Company Limited
PAA	Premium allocation approach
PCT	Prescribed capital target
PD	Probability of default
PiT	Point in time
PPB	Private Property Botswana Limited
QR	Quick response
RA	Risk adjustment
RICS	Royal Institute of Chartered Surveyors
SAM	Solvency assessment management
SDGs	United Nations Sustainable Development Goals
SMEs	Small and medium enterprises
SMMEs	Small, medium and micro enterprises
SOS	Share option scheme
STI	Short-term incentive
TCFD	Task Force on Climate-related Financial Disclosures
Teledimo	Teledimo Proprietary Limited
TGP	Total guaranteed package
The board	The board of directors of BIHL
The company	Botswana Insurance Holdings Limited
The group	The company and its subsidiaries
The year	The year ended December 2023
TI	Trans Industries Proprietary Limited
UK	United Kingdom
UNICEF	United Nations Children's Fund
USD	United States Dollar
VAT	Value added tax
VFA	Variable fee approach

SHAREHOLDERS' DIARY

RESULTS ANNOUNCEMENT

Announcement of 2023 financial results	27 March 2024
Announcement of 2024 interim results	30 August 2024

INTEGRATED ANNUAL REPORT

2023 integrated annual report available to shareholders	14 June 2024

ANNUAL GENERAL MEETING

28 June 2024

DIVIDEND DISTRIBUTION

YEAR-END DATES

Declaration of final dividend	25 March 2024
Ex-dividend date	15 April 2024
Record date/last day to register	17 April 2024
Payment date	25 April 2024

INTERIM DATES

Declaration of interim dividend	21 August 2024
Ex-dividend date	4 October 2024
Record date/last day to register	8 October 2024
Payment date	18 October 2024

CORPORATE INFORMATION

BOTSWANA INSURANCE HOLDINGS LIMITED

Incorporated in 1990 in Botswana
Company registration number: BW00000798601

REGISTERED OFFICE

Plot 66458, Block A
3rd Floor
Fairgrounds Office Park
Gaborone, Botswana
PO Box 336
Gaborone, Botswana
Tel: +267 370 7400
Fax: +267 397 3705
www.bihl.co.bw

DIRECTORS

Dr Keith Jefferis *(Chairman)*
Catherine Lesetedi *(Group Chief Executive Officer)*
Kudakwashe Mukushi (*Group Chief Financial Officer)*[3]
Andrew Cartwright[2]
Robert Dommisse[2]
Edwin Elias
John Hinchliffe[1]
Kate Maphage
Lieutenant General Tebogo Masire
Mustafa Sachak[4]
Nigel Suliaman[2]
Kobus Vlok[2]

[1] *British*
[2] *South African*
[3] *Zimbabwean*
[4] *American*

COMPANY SECRETARY

Kagiso Mokgothu
Plot 66458, Block A
Fairgrounds Office Park
Gaborone, Botswana

AUDITOR

PricewaterhouseCoopers Proprietary Limited
Plot 64289
Tlokweng Road
PO Box 294
Gaborone, Botswana

STATUTORY ACTUARY

Daan du Plessis
Sanlam Group Office
2 Strand Street, Belville 7530
South Africa

TRANSFER SECRETARIES

Central Securities Depository Botswana
Plot 70667, 4th Floor, Fairscape Precinct
Fairgrounds Office Park, Gaborone, Botswana
Tel: +267 367 4400 /11/12
Fax: +267 3180175
Email: csd@bse.co.bw

BOTSWANA LIFE INSURANCE LIMITED

Block A, Fairgrounds Office Park
Private Bag 00296
Gaborone, Botswana
Tel: +267 364 5100
Fax: +267 390 6386
www.botswanalife.co.bw

BOTSWANA INSURANCE FUND MANAGEMENT LIMITED

Block A, Fairgrounds Office Park
Private Bag BR 185
Gaborone, Botswana
Tel: +267 395 1564
Fax: +267 390 0358
www.bifm.co.bw

purple.frog

REGISTERED OFFICE

Plot 66458, Block A
3rd Floor
Fairgrounds Office Park
Gaborone, Botswana
Tel: +267 370 7400
Fax: +267 397 3705

Postal address

PO Box 336
Gaborone, Botswana

BIHL GROUP

WWW.BIHL.CO.BW

Bifm   Botswana Life   BIC BOTSWANA INSURANCE COMPANY