

RESTATEMENT NOTICE

The shareholders are referred the published Group's integrated report and abridged annual financial statement for the year ended 2023 which were circulated via x-new on the 14th of June 2024 and are accessible through the BIHL website, in which the 2021 and 2022 comparative figures were restated.

Pursuant to section 5.6(d) of the Listings Requirements of the Botswana Stock Exchange (BSE), BIHL is required to issue a restatement notification containing details and the reason for restatement of previously published results. Shareholders are hereby informed that the Group restated its previously reported results for both 2022 and 2021 due to the following.

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 cashflows from operating activities. This correction has no impact on amounts and balances reported in other components of the condensed group annual financial statements and has been corrected through retrospective restatement of previously reported amounts, as set out below.

P'000	2022 As previously reported Audited	Adjustments	2022 Restated
Net cashflows 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 cashflows 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

2. Separate presentation of investment contract liabilities

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

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

3. Error in an associate

During the current financial year, the Group's associate, Letshego Africa Holdings Limited, identified an error in the manner in which it previously estimated Expected Credit Losses (ECL) on those loans which had defaulted at the reporting date. The historical ECL calculation had incorrectly applied a discount factor to such loans, resulting in a material misstatement of the ECL balances and resultant charges to income in prior periods. The Group has corrected the impact of this error through a retrospective restatement of its equity accounted share of the associate's results after tax and resulted in a decrease of P20.2 million on the profit after tax.

P'000	2022 As previously reported Audited	Adjustments	2022 Restated
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	<u>1,930,412</u>	<u>(20 218)</u>	<u>1,910,194</u>
Income statement impact			
Profit before share of profit of associates as restated ¹	-	-	-
Equity-accounted earnings	337,765	-	337,765
	236,674	(20,218)	216,456
Profit after tax	<u>574,439</u>	<u>(20,218)</u>	<u>554,221</u>

4. Earnings per share (EPS)

EPS was restated for two reasons.

- The net earnings for 2022 were impacted and restated due to the adoption of IFRS 17 and an error in an associate.
- Diluted EPS was also restated as a result of an error in adjusting for an incorrect number of unvested shares under the share scheme, which are accounted for as treasury shares in the group financial statements. The impact of this is disclosed below.

P'000	2022 As previously reported Audited	Adjustments	2022 Restated
IFRS 17 restatement and error in an associate			
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 (restated)	216	-	158
Diluted EPS due to an error in unvested treasury shares			
Weighted number of dilutive options	279,969	1,679	281,648
Diluted EPS (restated)	216	-	157

5. The adoption of new IFRS® accounting standard applicable to insurance business (IFRS 17)

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. When determining the insurance liabilities at transition, the IFRS 17 Standard should be applied retrospectively as if it had always applied unless it is “impracticable” to do so based on the requirements in IAS 8: Accounting policies, Changes in Accounting Estimates and Errors. Where it was impracticable to apply IFRS 17 retrospectively (also referred to as the full retrospective approach (FRA)), the Group applied the fair value approach (FVA). The transition impact resulted in a net increase to retained earnings of P408 million as detailed below by recognition and measurement basis:

	Gross Balance P'000	Reinsurance P'000	Net of reinsurance P'000	
Insurance contracts under IFRS 17				
Individual Life Risk - <i>General measurement model</i>	(694,952)	64,840	(640,967)	
Annuities - <i>General measurement model</i>	6,722,174	-	6,722,174	
	6,027,222	64,840	6,092,062	
Group life and credit life - <i>Premium Allocation Approach</i>	597,765	(10,855)	586,910	
	597,765	(10,855)	586,910	
Total	6,624,987	53,985	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)	(a) - (b)
Deferred tax impact at 22%			115,120	
Transition adjustment to retained earnings (net of tax impact)			(408,154)	

Below is the Restated Statement of financial position due to correction of prior period errors and adoption of IFRS 17: Insurance Contracts

P'000	Note(s)	2022 As previously reported Audited	Correction of prior period error (i)	Correction of prior period error (ii)	Adoption of IFRS 17	2022 Restated	2021 As previously reported Audited	Correction of prior period error (i)	Adoption of IFRS 17	2021 Restated
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
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

Notes with respect to Adoption of IFRS 17

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

These details are disclosed in note 28 of the annual financial statement and as an appendix in the abridged annual financial statement which are accessible in x-news and the group's website.

By order of the Board

19 June 2024