



FIDELITY LIFE

ASSURANCE OF ZIMBABABWE

2020 Annual Report





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FIDELITY LIFE

ASSURANCE OF ZIMBABWE

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Get a perfect send off



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FIDELITY

FUNERAL SERVICES

Fidelity Funeral Services
147 Harare Street,
Harare, Zimbabwe
Tel: 0242 757911/773791
Hotline: 773900232



www.fidelitylife.co.zw

12 Woodbury Rd
Thorngroove
Bulawayo, Zimbabwe
Tel 0292 66685

BOARD OF DIRECTORS



Fungai Ruwende
Chairman



Rueben Java
Chief Executive Officer (CEO)



Ruwadzano Maramba
Non - Executive Director*



Gary Dhombo
Non - Executive Director



Ignatius Mvere
Non - Executive Director



Stanley Kudenga
Non - Executive Director



Francis Dzanya
Non - Executive Director



Henry Nemaire
Non - Executive Director

* Retired July 2020.

CHAIRMAN'S STATEMENT

for the year ended 31 December 2020

I am pleased to present the audited financial results of Fidelity Life Assurance of Zimbabwe Limited Group (the Group) for the year ended 31 December 2020. The commentary on financials is based on the inflation adjusted numbers.

OPERATING ENVIRONMENT

The year 2020 was a challenging year not just for Fidelity Life Assurance of Zimbabwe (FLA) but for Zimbabwe and the world at large as we all grappled with the impact of the Covid 19 pandemic. We have all been affected personally in one way or another by this pandemic. As the Fidelity Life family our thoughts go out to all the families and especially our customers who lost loved ones during this time.

Zimbabwe's economy suffered a second consecutive year of economic decline as the COVID-19 pandemic disrupted economic activity for the better part of the year. The year was a tale of two halves. The first half was characterised by the rapid deterioration of the local currency and runaway inflation. The official foreign currency exchange platform became dysfunctional and the economy defaulted to the parallel exchange rate for the pricing of goods and services. Inflation was on the rampage and averaged more than 20% per month. Rising inflation posed a danger to the relevance of insurance products as it rekindled the sad memories of the devastating loss of value that was suffered in the period preceding the adoption of the multiple currency regime in 2009.

A raft of measures by the Central Bank aimed at curbing foreign currency trading on the thriving parallel market, particularly the introduction of the Foreign Currency Auction System and the ban on Mobile Money Transfer Agents stabilised the Zimbabwe dollar resulting in inflation showing a downward trend in the second half of the year and ending the year at 349% from a peak of 837% in July 2020. The parallel market exchange rate premium reduced from a peak of 300% at half year to around 20% by the end of the year. Foreign currency allotments under the auction system continued to improve as the year progressed and the current exchange rate regime has been a relative success.

Lockdown restrictions that were introduced in April 2020 were gradually eased in the last quarter of the year but the end of December witnessed an upsurge in COVID-19 infections and emergence of more virulent strains. This came at a time a number of countries had announced COVID-19 vaccines breakthrough and were set for massive vaccination programmes. Zimbabwe has since kick-started its own vaccination programme amid reluctance and pessimism in some quarters. Expectations are that a successful vaccination programme will lead to herd immunity and possible eradication of the pandemic. Our business remained operational throughout the lockdown period as part of the essential services providers. The digitalisation drive that the business embarked on prior to the onset of COVID-19 made it possible to continue offering the full range of products and services with more than 90% of the staff complement working from

their homes. While COVID-19 is still in our midst, the business has weathered the worst of the pandemic and is poised to continue providing relevant financial solutions to its customers

COMPLETION OF THE REGULATORY ASSET SEPARATION EXERCISE

As shareholders are aware, Fidelity Life Assurance Company (FLA) conducted an exercise to separate its Pooled Fund assets between policyholders and shareholders to ensure compliance with the requirements of the Insurance Act (Chapter 24:07) and the Pensions and Provident Act (Chapter 24:09).

I am pleased to advise shareholders that the Insurance and Pensions Commission (IPEC) approved the asset separation proposed by FLA, with an effective implementation date of 31 December 2018.

The Board and Management of FLA are required to ensure that relevant financial statements and actuarial reports are restated in line with the results of the asset separation exercise and the IPEC Guidelines on Adjusting Insurance and Pensions Values in Response to the 2019 Currency reforms. Management is the process of implementing the asset separation in line with IPEC Guidelines.

GROUP FINANCIAL RESULTS

Despite the negative impact of COVID 19 during the year under review, the Group managed to post positive results recording profit before tax of ZWL\$69.2 million on an inflation adjusted basis for the year ended 31 December 2020.

Inflation adjusted Group total revenue decreased by 47% from ZWL\$2,180.7 million recorded in prior year to ZWL\$1,150.0 million recorded in the current year. The decrease in total revenue was as a result of a slump in investment income which decreased by 88%. Investment income is mainly driven by fair value gains on investment properties which are driven by the movement in exchange rate. The subsidiary in Malawi continues to provide diversification relief to the Group against the unstable currency movements in Zimbabwe.

Inflation adjusted Group total expenses decreased by 41% from ZWL\$1,822.0 million recorded in prior year to ZWL\$1,092.7 million in the current year. The Group recorded major savings on the Southview water pipeline works which resulted in project development costs decreasing by 82% from ZWL\$448.9 million prior year to ZWL\$79.7 million current year. However, operating expenses decreased by a much lower 31% from ZWL\$366.0 million to ZWL\$252.4 million recorded in the current year.

The Group's total assets increased by 19% in real terms from ZWL\$4,600.7 million as at 31 December 2019 to ZWL\$5,473.6 million as at 31 December 2020. The asset growth was driven by investment property and equity investments which account for 70% of the group's total

CHAIRMAN'S STATEMENT

for the year ended 31 December 2020

assets. This real growth evidences management efforts to protect value of investments for our key stakeholders, policyholders and shareholders.

SOLVENCY

Statutory Instrument 95 (SI 95) requires Insurance companies to hold minimum regulatory capital of ZWL\$75 million. The Company has excess assets of ZWL\$115.4 million as at 31 December 2020 representing a solvency ratio of 154%.

SUCCESSFUL EXECUTION OF STRATEGY

We believe the strategy that we followed over the last few years is proving to be resilient and adaptive. In particular, the COVID-19 pandemic has demonstrated the value of our drive to digitalise our business. This technology drive has helped us navigate in a remote world, being technologically adept has never been more apparent.

In 2020, we achieved the goals that we set for ourselves for the year and delivered on our financial goals. Below are some of the highlights of the major achievements.

DIGITAL TRANSFORMATION

With the Board mandate that management fully enhance the digital value chain to support the new systems of work and the emerging digital future, the company has taken several steps towards achieving this strategy. Our sustained Digital transformation journey, which began in 2018, has cushioned the business from the full impact of Covid-19, in terms of business continuity and service delivery. FLA managed to provide seamless and cost effective services to its clients and stakeholders through the support of a robust work-from-home program, automated systems and various self-help platforms for customers.

Management made good strides in implementing our Contact Centre; this will be open to serve customers in 2021.

In addition to the existing digital self-service portfolio which includes Fidelity Life App for assurance customers, Health/Lifestyle Management App for our medical aid members, online payment functionality and a suite of social media platforms which allow for real-time communication with clients; FLA enhanced its WhatsApp for business platform to allow customers to make payments and apply for new policies and services.

Our Malawi based subsidiary, Vanguard Life, successfully implemented a mobile-based funeral product in partnership with one of the country's leading mobile network providers. This product allows customers to apply and get funeral cover using a USSD code on their mobile phone. The product was launched in the last quarter of 2020. This development will be truly transformational for the Malawi business and plans are well underway for similar developments in Zimbabwe.

GROWTH

The business continues to carefully select markets in order to earn the right colour of revenue. Work is still ongoing to de-risk from the Zimbabwe market by exploring investment opportunities in the region and beyond. Despite the delays we have experienced due to various lockdowns both in Zimbabwe and in the region the group remains resolute to add to its regional presence as soon as possible.

During the period under review the group embarked on various initiatives to ensure continued growth. These include the setting up of a Bureau de Change to increase USD earnings for the Group as well as finalising an agreement to become a money transfer agent with a reputable partner. In our medical aid business we have ensured that we continue to offer relevant services by introducing Covid cover, while the life business looks to remain relevant to our customers by reviewing both premiums and policy benefits and offering USD denominated products.

The Group began a balance sheet restructuring program at the beginning of the year to fully optimise key assets, improve solvency and performance. Over the year we have made good progress in our various initiatives to restore the balance sheet and the impact of this is now being felt.

SOUND GOVERNANCE FRAMEWORK

The Board is pleased with the progress made in creating a robust governance framework that is underpinned by effective internal controls for all operations. We have effectively dealt with any legacy governance issues and we are pleased with the defence lines that are now in place.

DIVIDEND

The Board resolved not to declare a dividend to ensure internal resources are preserved for the strengthening of the Group's underwriting capacity and capital position in these turbulent times.

LOOKING TO THE FUTURE

While national lockdowns related to Covid-19 have been relaxed to varying degrees, the threat and subsequent arrival of a second wave in the early part of 2021 reminds us that Covid 19 will continue to be challenge to our business and the economic environment remains uncertain and fragile.

Whilst our technology-driven platforms and processes offer significant advantages, it remains challenging for us all. The outlook for 2021 is therefore difficult to forecast, however I am optimistic that the management team has put in place strategies that will see us prevailing despite these challenges. Importantly, our strong balance sheet and diversified income streams provide offsetting stability and growth. Our ability to de-risk from Zimbabwe by actively seeking opportunities in the region and beyond will also play a major role in our prospects for the coming year. We are continuing to invest for the future through the on-going development into technology to drive our business, make the lives of our customers better and create a leaner more efficient organisation.

CHAIRMAN'S STATEMENT

for the year ended 31 December 2020

BOARD CHANGES AND EXECUTIVE APPOINTMENTS

During the year Mrs R.G. Maramba retired from the Board as a non-executive director with effect from 1 July 2020. I take this opportunity to thank her for her valued service and contribution to the board and wish her well in her future endeavours. We also appointed a new Chief Finance officer, Zvenyika Zvenyika, from February 2020. We welcome Zvenyika to the Group. The Group continues to maintain high standards of corporate governance, by ensuring the board has the requisite skills and experience that is expected in the industry and markets in which it operates.

APPRECIATION

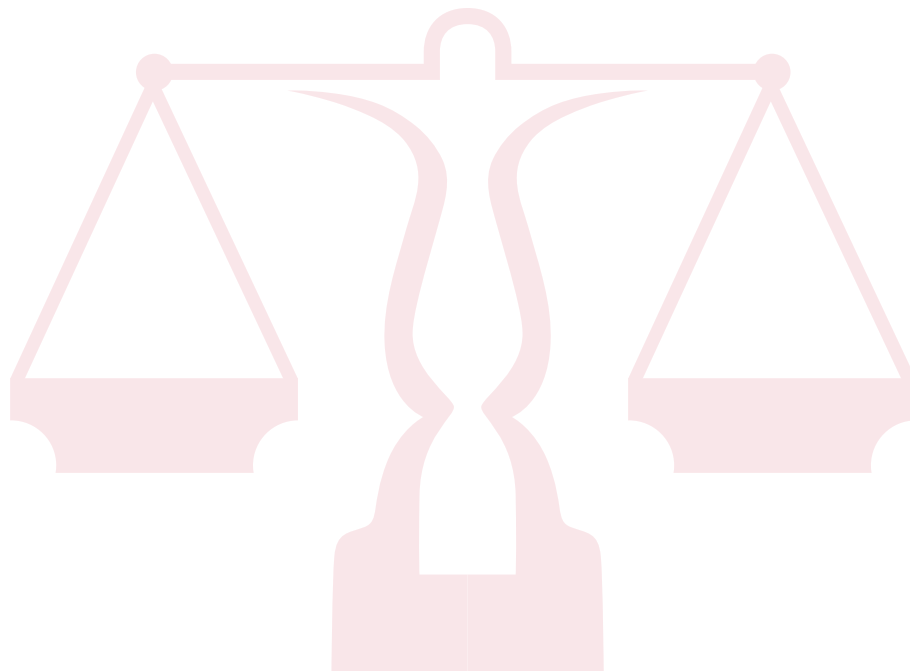
Finally, I would like to thank our CEO and Executive Team for their efforts. Many thanks to my Board colleagues

for their considerable contribution and support. We all appreciate the dedication, skills and professionalism of our employees in all our businesses. Above all, I would like to thank our loyal policyholders and shareholders for your ongoing support.

We all are committed to continue creating substantial value for our key stakeholders, the policyholders and shareholders, and I look forward to reporting on our progress.



F. Ruwende
Chairman



CHIEF EXECUTIVE OFFICER'S STATEMENT

for the year ended 31 December 2020

TRADING ENVIRONMENT

As with many businesses across the country, the Covid-19 pandemic presented significant challenges to our operations. I am pleased to report that Fidelity Life Assurance adapted well to those challenges. In late March 2020, almost all of our staff moved to working from home, with no significant impact on our customer service delivery.

During this period, our investments in technology were able to provide flexible solutions to both internal operations and outward-facing new business activities. Under difficult circumstances we have delivered a resilient profit result for the year. However, the wider effects of Covid-19 on the world and local economies and investor confidence are likely to continue well into 2021.

Zimbabwe's economy suffered a second year of economic decline as the COVID-19 pandemic disrupted economic activity for the better part of the year. The year was made up of two distinct halves, the first half was one that was characterized by a deteriorating currency and high and rising inflation. As the second half dawned and after a host of interventions by the Government, the economic field began to stabilize. Towards the end of the year inflation took a downward turn ending the year at 349% from a peak of 837% in July 2020.

Financial performance overview

Summary of performance (Inflation Adjusted)

	Fidelity life Assurance		Vanguard life Assurance		Fidelity life Financial Services		Other Operating Subsidiaries		Adjustments	Consolidated	
	2020	2019	2020	2019	2020	2019	2020	2019		2020	2019
(Millions)	ZWL\$	ZWL\$	ZWL\$	ZWL\$	ZWL\$	ZWL\$	ZWL\$	ZWL\$		ZWL\$	ZWL\$
Core Revenue	266.1	259.7	220.9	259.3	41.1	103.6	37.6	52.0	(47.4)	518.3	674.7
Non-Core Revenue	506.2	1,139.5	71.3	64.6	2.1	12.6	7.4	-	44.6	631.7	1,584.8
Total Revenue	772.3	1,399.3	292.2	323.9	43.2	116.2	45.0	52.0	(2.8)	1,150.0	2,180.7
Profit Before Tax	23.4	64.6	19.1	33.2	(30.3)	(108.6)	8.6	18.8	48.5	69.2	358.7

VANGUARD LIFE ASSURANCE COMPANY (VLA) – MALAWI

VLA continues to complement the Group's total core revenue, with a 43% contribution (ZWL\$220.9) to core revenue in the current year. VLA recorded total revenue of ZWL\$292.2 million in 2020 compared to ZWL\$323.9 million in 2019. The biggest driver to VLA's total revenue was investment income which grew by 88% in 2020. VLA posted a profit before tax of ZWL\$19.1 million compared to profit before tax of ZWL\$33.2 million in 2019, this was due to an increase in total expenses which grew by 19% from prior year, driven by the changes in actuarial liabilities which account for 43% of the total expenses of the subsidiary. This subsidiary is a foreign asset and therefore a good hedge against the negative impact of the fluctuating currency in Zimbabwe.

FIDELITY LIFE ASSURANCE (FLA, THE COMPANY)

Fidelity Life Assurance of Zimbabwe (the Company) is the largest subsidiary of the Group, contributing 51% (ZWL\$266.1million) to Core revenue of the Group. Inflation adjusted Core revenue grew by 2% on the back of product modifications, reviews of premiums (and policy benefits), pushing sales of US\$ products and exploring new market segments. Inflation adjusted total revenue for the Company decreased by 45% from ZWL\$1,399.3 million in 2019 to ZWL\$772.3 million recorded in the current period. A decrease in investment income of 89% from ZWL\$1,203.7 million to ZWL\$134.9 million in 2020 resulted in the decline in the total revenue of the Company. Total expenses decreased by 44% from ZWL\$1,334.6 million in 2019 to ZWL\$749.0 million in current year. The decrease in expenses was mostly driven by the reduction of the Southview water works project development costs by 82% from ZWL\$448.9 million to ZWL\$79.7 million in the current year as the project is nearing completion. Changes in insurance liabilities increased by 25% from ZWL\$379.9 million in 2019 to ZWL\$473.8 million as a result of two things; transfers arising from conclusion of the Asset Separation Exercise and aligning with IPEC Guidelines on policy adjustments following the currency reforms of 2019. The Company recorded inflation adjusted profit before tax of ZWL\$23.4 million compared to profit before tax of ZWL\$64.6 million in 2019.

FIDELITY LIFE FINANCIAL SERVICES (FLFS)

FLFS was mostly affected by the impact of COVID 19 lockdowns which resulted in a decrease in loan disbursements during the year. Due to the nature of its product, a monetary asset, FLFS was largely impacted by the hyperinflationary environment. This resulted in a significant decline in core revenue of 60% from ZWL\$103.6 million in 2019 to ZWL\$41.1 million in the current year. The subsidiary's existing loan book continued to grow organically which was aided by improved interest rates that were in line with inflation. The subsidiary closed the year with a loss before tax of ZWL\$30.3 million, an improvement from a loss before tax of ZWL\$108.6 million posted in 2019.

CHIEF EXECUTIVE OFFICER'S STATEMENT

for the year ended 31 December 2020

OTHER NON-INSURANCE SUBSIDIARIES

The non-insurance subsidiaries (Actuarial Consulting Services, Asset Management and Funeral Services companies) continue to post fair profits. The entities remain important to the Group's strategic thrust as they provide services to internal and external customers. Growth from these entities will be unlocked further locally and in the regional market, in line with the Group's regional expansion strategy.

OPERATIONS

Customer service during Covid-19 Outbreak

The COVID-19 pandemic has brought to the fore the importance of technology in all our lives. Technology has become one of the most important tools for ensuring that we continue to service our valued customers despite lockdown restrictions.

The Impact of Covid-19 and the economic challenges in Zimbabwe has and will continue to create a dynamic and fluid operating future and as FLA, our ability to adapt to the evolving landscape is key to ensuring that the business remains future fit. The key strategic responses by the organisation during the period were as follows;

To protect the value of our policyholder funds;

- Asset Preservation through investing in hyperinflation resilient investment options.
- Cost management initiatives to contain the financial impact of Covid-19.
- Revenue protection achieved through careful selection of markets in order to target the right color of money.

To improve quality of customer service and ensure remote accessibility;

- Accelerating our Digitalisation journey in order to exploit the benefits of end to end automation of the value chain. This will also involve implementation of a full-fledged Contact Centre to give us a single view of the customer while creating endless possibilities for the customers to engage with FLA across its bouquet of financial solutions, from anywhere and at any time.
- Adapting the business to be future fit includes evolving our systems of work, adjusting our current processes and enriching bandwidth of our digitally savvy skills to support innovation in the new space.

Country Diversification;

- Continued pursuit of the regionalisation thrust to de-risk from Zimbabwe's economic challenges.

Our clients are at the heart of all that we do;

During these challenging but evolving times, our customers' immediate and future financial wellbeing is at the heart of our operations. Further, it is important that we are able to respond to changing customer needs and circumstances as influenced by the changing economic environment. To that end, we have deployed a number of customer solutions and Policyholder Protection initiatives.

FUNERAL SERVICES DURING COVID-19

In our Funeral Services Unit, we have trained and equipped our team to be able to fully service our customers during this pandemic. We strictly follow and adhere to the full set of guidelines relating to numbers who gather, social distancing, sanitization, mask wearing, and body-removal protocols. All our staff have been trained on what is expected of them when dealing with funerals during the Covid-19 pandemic to ensure the safety of our customers and their loved ones.

MEDICAL AID – COVID-19 COVER

Whilst Covid-19 is categorized as a pandemic and not ordinarily applicable for cover under Medical Aid, in response to mounting requests from members for Covid-19 cover, Fidelity Life Medical Aid Services (FLIMAS) introduced cover against Covid-19 for its members. This cover was effective from 1 June 2020. Covid-19 cover is available after one has tested positive to a Polymerase Chain Reaction (PCR) test. Members are covered for medication, medical management including hospitalization and treatment of complications, as well as rehabilitation.

MEDI-EXPRESS DRUG DELIVERY SERVICE

FLIMAS also reintroduced the Medi-Express Drug delivery service. This is a service that allows customers to have their chronic medication delivered directly to their homes. The service is open to FLIMAS members only and members must register for the service first by simply sending a request to a FLIMAS WhatsApp number.

ENHANCED LIFE AND FUNERAL ASSURANCE

In line with an ever changing environment we continue to review our products to ensure that they remain appropriate and continue to add value to customers' lives. With increases in costs associated with providing good funeral services it has become necessary that we phase in price adjustments to enable us to continue providing services that meet the expectations of our clients. In addition to these changes in our ZWL product portfolio and in response to the ever changing economic environment we introduced US dollar denominated life and funeral assurance products in both our individual life and pensions segments.

BUREAU DE CHANGE

In the last quarter of 2020 the group opened a Bureau De Change under the Financial Services subsidiary as part of our ongoing alternative revenue creation strategy. This will be an additional source of income for the group. While the Bureau De Change is currently operating in Harare only there are plans to roll this out to our other branches. Our clients will enjoy convenience of wholesome financial services of micro-lending, currency swap/change in a safe and secure trading environment, under one roof.

MONEY TRANSFER SERVICES

Our strategic thrust to diversify our income streams will be further supported by targeting such markets as the diaspora with the implementation of our money transfer agency. In the later part of 2020, Fidelity Life Financial

CHIEF EXECUTIVE OFFICER'S STATEMENT

for the year ended 31 December

services finalized an agreement to become an agent of Western Union, the roll out of the agency agreement will begin in earnest in 2021. This brings convenience to our customers in the diaspora and to our locally based customers as well.

MOBILE FUNERAL COVER IN MALAWI

In December 2020 Vanguard Life Assurance introduced mobile based funeral cover in partnership with one of the country's mobile network providers. This product allows customers to apply and get funeral cover using their mobile phone. The product, a first of its kind in Malawi, was launched in the later part of 2020. The platform is based on a simple USSD code that allows customer to follow a few simple steps and get Funeral Cover on any mobile phone at any time. This innovation is expected to add customer volumes to VLA and help reduce unit cost.

WHATSAPP CHAT BOT

In 2020 we introduced a WhatsApp Chat bot that allows customers to apply, update and pay for their funeral policies on WhatsApp. This convenient tool is easy to use and has easy to follow step by step instructions.

PERFORMANCE AND VALUES BASED CULTURE

Our ambition is to drive a high-performance culture, putting technology at the heart of Fidelity Life while remaining true to our vision: of being a lifelong partner to a great financial legacy. It is our commitment to deliver value to all our stakeholders through responsive financial solutions, superior customer service and stable and consistent

stakeholder returns.

Our people and their commitment are foundational to FLA's culture. During the year, we conducted several staff welfare interventions to ensure value is shared with our staff as well; this helps with staff buy-in and alignment to our strategic priorities. I am pleased to see a steady improvement in employee engagement and performance, which are important drivers of performance.

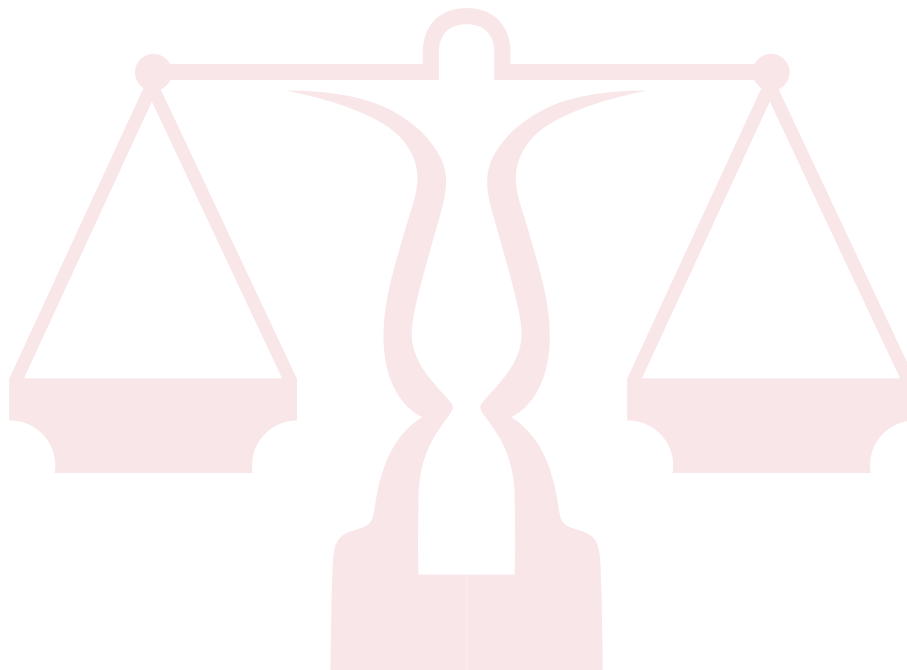
OUTLOOK AND APPRECIATION

While the year ahead will be challenging, Fidelity Life is well positioned to achieve its set targets, through the continued development of innovative products and services combined with our technology drive and stability in operations.

I would like to thank the Board for their support and guidance throughout the year. My sincere appreciation also goes to the executive leadership team and our valuable staff for their focus on work that generates value. Finally to our customers, thank you for entrusting us with your business and for your unwavering support in 2020, we look forward to being of service to you in the future.



R. Java
Chief Executive Officer
2 June 2021





DIRECTORS' STATEMENT OF RESPONSIBILITY

The directors are responsible for maintaining adequate accounting records for the Group and the Company to enable compliance with the requirements of the Companies and Other Business Entities Act (Chapter 24:31). It is their responsibility to ensure that the consolidated and separate financial statements fairly present the financial position of the Group and Company respectively, as at the end of the financial year, and the results of the Group and Company's operations and cash flows for the year then ended, in conformity with International Financial Reporting Standards and with the requirements of the Companies and Other Business Entities Act (Chapter 24:31).

The directors acknowledge that they are ultimately responsible for the system of internal financial control employed within the Group and place considerable importance on maintaining a strong control environment. To enable the directors to meet this responsibility, the Board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. While operating risk cannot be fully eliminated, the Board endeavors to minimize it by ensuring that appropriate infrastructure, controls, systems and ethical behavior are applied and managed within predetermined procedures and constraints. The directors are of the opinion, based on the information provided by, and interactions with management, that the system of internal control currently in place provides reasonable assurance that the financial records may be relied upon for the preparation and fair presentation of the financial statements.

DIRECTORS' STATEMENT ON GOING CONCERN ASSUMPTION

The directors have assessed the ability of the Group and Company to continue operating as going concerns and believe that the preparation of the financial statements on a going concern basis remains appropriate.

DIRECTORS' STATEMENT ON AUDIT RESULTS

The independent auditor is engaged to express an independent opinion on whether the consolidated and separate financial statements give a true and fair view of the financial position and financial performance of the Group and Company. The consolidated and separate financial statements and related notes have been audited by the Group's independent auditor and the auditor's report is presented on pages 20 to 27.

These audited consolidated and separate financial statements were prepared under the direction and supervision of the Chief Finance Officer, Zvenyika Zvenyika, FCA (Z), (PAAB Number 03505. The Directors are ultimately responsible for the financial statements.

The consolidated and separate financial statements and the related notes set out on pages 29 to 86, were approved by the Board on 2 June 2021 and were signed on its behalf by:

F. Ruwende
Chairman

R. Java
Chief Executive Officer

SUSTAINABILITY REPORT

At Fidelity Life in our day-to-day business, we ensure that we meet our legal and regulatory obligations, as well as going beyond and exceeding people's expectations by being true to our mission of being a life partner to a great financial legacy. The group strives to be responsive to the needs of the communities in which it does business and contributes to their social and economic development, and to the stewardship of the natural environments in which it operates.

Our areas of Focus



Our people



Our Customers



Our Community

FIDELITY LIFE ASSURANCE IN THE COMMUNITY

At Fidelity Life Assurance, Corporate Social Investment (CSI) is aligned with the group's values, policies and codes, demonstrates the organisation's corporate social responsibility and its commitment to the local communities in which it does business, and fits into its drive for sustainability and business growth. CSI is one of several methods used to build enduring relationships, enhance business value propositions, build our brand, gain competitive advantage in capital, labour and customer markets, and to positively influence service delivery systems.

Policy

FLA is committed to playing a leadership role in society through active corporate citizenship. CSI is viewed as an investment in the future, in the group's people and their various communities, and in the environmental sustainability of the planet.

FLA Group CSI activity involves the following aspects:

1. A central corporate CSI programme which represents group operations and attempts to address the foremost problems in society in a structured manner by making investments in various causes and needs. This can take the shape of development partnership that is sustainable and long term.
2. Through volunteerism, employees are encouraged to become involved in their communities through structured team forums or individually. To facilitate this process, the group is committed to allowing staff time off for volunteerism.
3. Through Sponsorships and donations, a charitable donation is a gift to a worthwhile cause without the establishment of a development partnership. Sponsorships are support for events, activities, persons, or organisations financially or through the provision of products or services. Our Commitment to the development of the Insurance and Pensions Industry.

We played a vital role in the development of the insurance and pensions industry in 2020, through donations to industry associations.

ZAPF Virtual Annual Conference

Fidelity Life Assurance was one of the major sponsors of the 2020 Zimbabwe Association of Pension Funds annual conference. Due to the Covid 19 pandemic the 2020 annual conference was held virtually. Despite the virtual nature of the conference it was still an important gathering to discuss the pertinent issues that affect the pensions industry in Zimbabwe.

Insurance Institute of Zimbabwe Annual Conference

The IIZ Annual conference was also held virtually and as Fidelity Life we played our role in development of the Insurance Industry through its sponsorship. Discussions around the further development of the insurance sector and its people and the critical role insurance plays in the economy were some of the highlights of this year's conference.

Covid 19 Donations

In this time of the Covid 19 pandemic it became critical for all us to come together in fighting the pandemic. In addition to playing our part in spreading the message of Covid 19 and prevention and safe behaviour not just amongst our customers but to the general public. Fidelity Life also made a donation of Protective clothing through the Association of Health Funders (AFHOZ).



AHFOZ representative making donations

Paint Donation to Tose Respite

In Fidelity Life Assurance through its medical Aid Unit FLIMAS donated paint to Tose Respite Care Centre home for the refurbishment to their buildings. TOSE provides a service of care and relief to people with learning disabilities (PLWDs) and that the services remain a shared responsibility with the families or careers. They also aim to facilitate the care of people with learning disabilities so that they are given dignity and respect both at TOSE and in their communities.



Tose Respite Care Centre

OUR PEOPLE

Fidelity Life Assurance aims to be an employer of choice within the markets it operates. We are committed to ensuring that our staff welfare is one of our key strategic objectives. Fidelity Life management provides an exciting working environment where our staff have the opportunity for continued professional development.

During the Covid 19 pandemic we have ensured that our staff are protected through onsite testing, implementation of a working environment that is safe for them, where we follow Government and WHO guidelines carefully. When needed in times of lockdown we have implemented a well-structured work from home policy.

In order to ensure we maintained sound mental health during this time staff were kept abreast best practices of coping in such times as well as being given access to counselling services were needed.

Throughout the year our staff were kept apprised of all developments within the group through regular updates from the group CEO and our Group Human Capital department.

Diversity and Inclusion

We are committed to ensuring diversity in our workforce across all our business units. Fidelity Life provides an environment that offers all employees regardless of different ethnic backgrounds, race, culture, gender, qualifications equal opportunities. In our recruitment policies we aim to continue to ensure we have a diverse workforce that encourages innovation and thought leadership.

Employees By Gender	Unit Number
Number of Women	47
Number of Men	82
Total	129

Employees By Age	Unit Age
Youngest	22
Oldest	61
Average Age All Staff	38

Gender Distribution In management		
Indicator	Female	Male
Management	8	32

OUR CUSTOMERS

In these very difficult and challenging times we have made a commitment to making the lives of our customers better.

Today we face a new challenge.

As COVID-19 pandemic infections continued to rise, impacting the daily lives of our customers we remained committed to ensuring the safety and well-being of our customers and the communities in which we live, work, and serve.

Our first priority was the safety and well-being of those we serve. These include our customers, employees, suppliers, and partners. With this in mind, we proactively instituted enhanced cleaning protocols in our offices and customer service centres, adopted social distancing and strongly encouraged remote working whenever possible. In most instances, we stopped face to face sales engagements and courtesy calls to minimize direct personal contact to help keep everyone healthy.

While maintaining focus on keeping everyone safe, we continued with our business operations. We were able to fulfil all service requests, supporting customers via remote and online platforms. It was paramount to us that customers continued to receive as close to the same level of support they were accustomed to. Our systems of working are largely digitalized our Information & Communication Technology and Customer Service and almost all of our services can be accessed virtually.

In the businesses that require face to face service such as or Funeral Services Business we have ensured that all protocols are in place and that our staff are fully trained to ensure that our customers are serviced in a safe environment.

GOVERNANCE REPORT

Boards of Directors of Subsidiary Companies

	Director	Position
Fidelity Life Assurance of Zimbabwe (FLAZ)	F Ruwende R Java S Kudenga F Dzanya G Dhombo I Mvere H Nemaire R.G Maramba	Chairman Chief Executive Officer Non-Executive Director Non-Executive Director Non-Executive Director Non-Executive Director Non-Executive Director Non-Executive Director (Retired 1 July 2020)
Subsidiaries		
Fidelity Life Financial Services (FLFS)	A Zvidzai P Mundangepfupfu D T Takawira R Java Z Zvenyika B Wesley	Chairman Non –Executive Director Non –Executive Director Non –Executive Director Non –Executive Director Managing Director
Fidelity Funeral Assurance Company Private Limited (FFA)	R Java Z Zvenyika	Chairman Non –Executive Director
Zimbabwe Actuarial Consultants Private Limited (ZAC)	S Tasara R Java R Chihota	Chairman Non –Executive Director Non –Executive Director
Fidelity Life Asset Management Company Private Limited (FLAM)	A Moyo P Dhliwayo A Zvidzai	Chairman Non-Executive Director Non-Executive Director
Fidelity Life Medical Services Company Private Limited (FLIMESCO)	R Java R Chihota K Nkomo	Chairman Non –Executive Director Executive Director
Vanguard Life Assurance Company Limited (VLA)	Dr. E Kadango R Java A Kamkwala G Zvaravanhu K Mkandawire J Masumbu N Mupfurutsa	Chairman Non –Executive Director Non –Executive Director Non –Executive Director Non –Executive Director Non –Executive Director Managing Director
Langford Estates 1962 Private Limited	Eng. A Mubaiwa R Java Z Zvenyika	Chairman Non –Executive Director Non –Executive Director

GOVERNANCE REPORT (Continued)

Group Executive Management

Rueben Java	Chief Executive Officer
Zvenyika Zvenyika	Chief Finance Officer
Reginald Chihota	General Manager –Fidelity Life & Funeral Services
Noah Mupfurutsa	Managing Director-Vanguard Life
Ernest Masvavike	Managing Director -FLAM
Brighton Wesley	Managing Director -FLFS
Keith Nkomo	General Manager-FLIMAS/FLIMESCO
Sonwell Mudzengi	General Manager-ZAC
Melanie Gumbo	General Manager –Group Marketing
Kupang Dube	Head –Information Technology
Troubles Masiwa	Head –Internal Audit
Elias Chitute	Head –Risk and Compliance
Nickson Vamwe	Head –Human Capital Management
Loveness Mhundirwa	Legal Services Manager
Chipo Matongo	Company Secretary

Governance Practices

The Board and management of Fidelity Life adopted the Zimbabwe National Code on Corporate Governance (“ZIMCODE”), and believe that the internal governance systems and practices in place are appropriate, in alignment with ZIMCODE. The Group will continue to align with internationally recognized codes of corporate governance to ensure that the business is conducted with integrity to safeguard stakeholder interests.

Code of corporate practices and conduct

The Group is committed to promoting the highest standards of ethical behavior and all employees are required to observe the Group’s Code of Ethics, as well as the Group’s Code of conduct.



Board composition and appointment

The Board of Directors is comprised of seven (7) non-executives (including the Chairman) and one (1) executive director. There is a strong mix of skills and experience on this board. The Board serves as the primary governance organ whose role is to determine overall policies, plans and strategies of the Group and to ensure that these are implemented in a professional and ethical manner.

The Board meets at least four times a year, and provides guidance on corporate strategy, risk management practices, annual budgets and business plans. Special Board meetings are convened on an ad-hoc basis when necessary to consider issues requiring urgent decision making.

Fidelity Life Board members have unfettered access to information regarding the Group’s operations which is availed through Board meetings, Committees meetings as well as Strategic Planning workshops which are conducted by the

Group. In their conduct of duty, the Directors are at liberty to seek independent professional advice concerning the Group’s affairs. A third of the Directors are required to retire on a rotational basis each year along with any Directors appointed to the Board during the year.

The Company Secretary maintains an attendance register of Directors for meetings held during the year through which Directors can assess their commitment of time to the Group through attendance at the scheduled board meetings.

Stakeholders’ communication systems with the board

The Group avails various platforms of communication between the Board of Directors and all stakeholders. Channels of communication include the annual general meeting, notices to shareholders and stakeholders, press announcements of interim and annual reports, investor briefings, annual reporting to shareholders, and the exercise of shareholders rights through proxy forms. Online platforms are in place to facilitate

for the dissemination of information to our stakeholders.

In line with the Zimbabwe Stock Exchange Listing Requirements, the Group operates a “closed period” before the publication of its interim and year-end financial results during which period staff, executive and nonexecutive directors of the Group are not permitted to trade in shares of the Group.

Directors’ remuneration

The remuneration structures at Fidelity Life are designed to attract and retain talent at all levels. Remuneration packages for the Group’s Executives and Non-Executive Directors are determined by the Group Human Resources and Corporate Governance Committee.

Board accountability and delegated functions

The Board is supported by various Committees in executing its fiduciary duties. The main Committees of the board meet at least quarterly to review performance and provide guidance to management on both operational and policy issues.

Each committee acts within written terms of reference under which certain functions of the Board are delegated with a clearly defined purpose. The Board monitors the effectiveness of controls through reviews by the Committee and an independent assessment by the independent auditors.

Board Committees

Committee	Members	Summary of Roles and Responsibilities
Audit Committee	H Nemaire (Chairperson) S Kudenga F Dzanya	The Audit Committee comprises of three non-executive directors and is tasked with ensuring financial discipline within the Group, sound corporate values and financial procedures. This committee is further tasked with reviewing and recommending for adoption by the Board the interim and annual financial statements of the Group. The committee also recommends the appointment and reviews the fees of the independent auditors.
Human Resources and Corporate Governance Committee	F Ruwende (Chairperson) I Mvere RG Maramba (retired 1 July 2020)	This committee comprises three (3) non-executive directors, one of whom is the Chairperson. There is a vacancy in this Committee following the retirement of Mrs. RG Maramba from the Fidelity Life board. The committee is mandated to deal with staff development and formulate remuneration policies as well as approve remuneration packages for executive directors and senior executives. The committee acts as a Nominations Committee for Directors to Boards of the subsidiaries of the Group.
Investments Committee	S Kudenga (Chairperson) G Dhombo F Ruwende	This committee has three (3) non-executive directors (one of whom is the Chairperson). The committee formulates investments strategy and policy, reviews the performance of investments within the Group and recommends new investment opportunities for approval by the Board.
Risk and Compliance Committee	F Dzanya (Chairperson) I Mvere G Dhombo	This committee is comprised of three (3) non-executive Directors, and reviews the Group’s overall risk and compliance strategy, current risk exposures as well as risk governance. In addition the committee advises the Board on the risks aspects of proposed strategic transactions.

Meeting Attendance Register

Director	Main Board	Audit	Risk & Compliance	Investments	Human Resources & Corporate Governance
	(4meetings)	(5Meetings)	(3 meetings)	(4 Meetings)	(4 Meetings)
F Ruwende	4	-	-	4	4
R Java	4	-	-	-	-
S Kudenga	4	5	-	3	-
F Dzanya	3	4	3	-	-
H Nemaire	4	5	-	-	-
RG Maramba	2	-	-	-	2
G Dhombo	4	-	3	4	-
I Mvere	4	-	3	-	4

Works Council

The Group holds Works Council meetings on a quarterly basis. The meetings provide a forum for employees to participate in the decision making process and discuss employees' concerns with management.

Group Internal Audit

The Group Internal Audit is the main internal assurance provider in Fidelity Life. Through the Audit Committee and subsidiary company audit committees, internal audit provides objective and independent assurance to management and the boards of Fidelity Life and the respective companies on control and governance processes. Group Internal Audit is governed by an internal audit charter which defines the purpose, authority and responsibility of the internal audit function in the Group.

Group Internal Audit has for each subsidiary company, specific annual plans that are approved by the entity audit committees, while the group annual plan is approved by the Fidelity Life Audit Committee.

Financial Control

The Group's internal financial controls are set out in the relevant procedures manuals which also set the required standards and key control activities. Adequate segregation of duties are in place to enhance the effectiveness of these controls. The accounting policies are reviewed periodically by both the internal auditors and independent auditors and any changes are approved by the Audit Committee.

Prepared by:



and

**INSURANCE ACT 1987 (Sections 24 and 30)****INSURANCE REGULATIONS, 1989 (Sections 3 and 8)****CERTIFICATE AS TO SOLVENCY OF A LIFE INSURANCE COMPANY**

I hereby certify that, to the best of my knowledge and belief, the value of the assets, including shareholders' funds, in respect of all classes of insurance business carried on at **31 December 2020**, of **FIDELITY LIFE ASSURANCE Limited** exceed the amount of **ZWL\$75,000,000** in respect of those classes of insurance business, based on audited financial information and data and estimates supplied by management.

The laws and regulations of Zimbabwe have been applied in the calculation of the solvency of **FIDELITY LIFE ASSURANCE Limited**.

My primary regulator is the Actuarial Society of South Africa.




Robert Oketch

FASSA

For and on behalf of
Independent Actuaries &
Consultants

22 April 2021

assisted by



Sonwell Mudzengi

Head of Actuarial Services

For and on behalf of Zimbabwe
Actuarial Consultants

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FIDELITY LIFE ASSURANCE OF ZIMBABWE LIMITED

Report on the audit of the inflation adjusted consolidated and separate financial statements

Adverse Opinion

We have audited the inflation adjusted consolidated and separate financial statements of Fidelity Life Assurance of Zimbabwe Limited, as set out on pages 29 to 86, which comprise the inflation adjusted consolidated and separate statements of financial position as at 31 December 2020, and the inflation adjusted consolidated and separate statements of profit or loss and other comprehensive income, the inflation adjusted consolidated and separate statements of changes in equity and the inflation adjusted consolidated and separate statements of cash flows for the year then ended, and notes to the inflation adjusted consolidated and separate financial statements, including a summary of significant accounting policies and other explanatory notes.

In our opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of our report, the accompanying inflation adjusted consolidated and separate financial statements do not present fairly, the inflation adjusted financial position of the Group and the Company as at 31 December 2020, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the Companies and Other Business Entities Act (Chapter 24:31).

Basis for Adverse Opinion

Non-compliance with International Financial Reporting Standards (IFRS): International Accounting Standard (IAS) 21- The Effects of Changes in Foreign Exchange Rates in prior period and inappropriate application of IAS 8- Accounting Policies, Changes in Accounting Estimates and Errors

As explained in note 2.2 to the inflation adjusted consolidated and separate financial statements, the Company and the Group changed its functional and reporting currency from United States Dollars (US\$) to Real Time Gross Settlement Dollars (RTGS\$) on 22 February 2019 in compliance with Statutory Instrument 33 of 2019.

We issued an adverse opinion for the year ended 31 December 2019 as we believed that the change occurred on 1 October 2018 in terms of IAS21 given the significant monetary and exchange control policy changes witnessed in Zimbabwe from 2016 through to 2019. Management prospectively applied the change in functional currency from US\$ to RTGS\$ from 23 February 2019. The correct approach would have been a retrospective restatement as a prior period error in terms of IAS 8 - *Accounting Polices, Changes in Accounting Estimates and Errors*. All the comparative numbers and opening balances are therefore materially misstated.

Management has not restated the opening balances to resolve this matter which resulted in the adverse audit opinion in the prior period in accordance with IAS 8. As a result, the closing balances for the following accounts as stated on the inflation adjusted Statements of Financial Position remain misstated:

**INDEPENDENT AUDITOR'S REPORT (Continued)
TO THE MEMBERS OF FIDELITY LIFE ASSURANCE OF ZIMBABWE LIMITED**

Basis for Adverse Opinion (continued)

Non-compliance with International Financial Reporting Standards (IFRS): International Accounting Standard (IAS) 21- *The Effects of Changes in Foreign Exchange Rates* in prior period and inappropriate application of IAS 8- *Accounting Policies, Changes in Accounting Estimates and Errors* -(Continued)

Group

- ZWL27 925 791 of Property and equipment included in ZWL 382 062 711 (2019: ZWL 357 791 418);
- ZWL 22 165 551 of Intangible assets included in ZWL59 538 428 (2019: ZWL 29 850 795);
- ZWL 60 113 163 of Inventories included in ZWL60 345 478 (2019: ZWL 61 222 765);
- ZWL 81 710 958 of Trade and other receivables included in ZWL294 119 268 (2019: ZWL 288 573 231);
- Retained earnings of ZWL171 266 095 (2019: ZWL153 023 477);
- Deferred tax liabilities of ZWL46 401 753 (2019: ZWL40 848 346);
- Foreign Currency Translation Reserve of ZWL32 921 132 (2019: ZWL19 385 491).

Company

- ZWL 166 925 445 of Property and equipment included in ZWL298 192 091 (2019: ZWL279 210 943);
- Investment in Subsidiaries of ZWL1 812 735 089 (2019: ZWL1 683 883 988);
- Inventories of ZWL60 113 163 (2019: ZWL60 907 000);
- Retained Earnings ZWL 157 823 814 (2019: 136 995 444).

Exchange rates used in the current year

In the current year, the Group translated foreign denominated transactions and balances to RTGS\$/ZWL using the interbank exchange rates for the period 1 January 2020 to 23 June 2020, prior to introduction of the Foreign Exchange Auction Trading System. This includes the period between March and June 2020 when the exchange rate was fixed at US\$1: RTGS\$/ZWL25. As in the prior year, we concluded that the interbank exchange rates did not meet the definition of spot exchange rates as per IAS 21, as they were not available for immediate delivery.

The following elements were impacted on the inflation adjusted consolidated and separate statements of profit or loss and other comprehensive income and statements of financial position:

Group

- Project development expenses stated at ZWL79 747 386 of which the total amount in the current year consists of transactions denominated in US\$ which were translated at exchange rates obtained from the interbank market.
- Exchange gains (losses) stated ZWL10 677 998, of the total amount in the current year consists of transactions denominated in US\$ which were translated at exchange rates obtained from the interbank market.
- Retained earnings and non-controlling interests.

**INDEPENDENT AUDITOR'S REPORT (Continued)
TO THE MEMBERS OF FIDELITY LIFE ASSURANCE OF ZIMBABWE LIMITED**

Basis for Adverse Opinion (continued)

Exchange rates used in the current year (Continued)

Company

- Project development expenses stated at ZWL79 747 386 of which the total amount in the current year consists of transactions denominated in US\$ which were translated at exchange rates obtained from the interbank market.
- Exchange gains (losses) stated at ZWL\$10 617 795 in the current year consists of transactions denominated in US\$ which were translated at exchange rates obtained from the interbank market
- Retained earnings.

The impact can however not be quantified due to the lack of records on appropriate exchange rates for the period and impracticability given the volume of transactions involved. Our prior year audit opinion was also modified in respect of this matter.

Valuation of Investment Properties and Land & Buildings (Group and Company)

The investment properties and land & buildings (included in property and equipment) were valued using US\$ denominated inputs and converted to ZWL at the closing auction exchange rate. We believe that applying a conversion rate to a US\$ valuation to calculate ZWL fair values may not be an accurate reflection of market dynamics, as risks associated with currency trading do not always reflect the risks associated with property trading. The following elements were impacted on the inflation adjusted consolidated and separate statements of profit or loss and other comprehensive income and statements of financial position:

Group

- Group Investment Properties ZWL3 117 751 896 (2019: ZWL 2 969 606 711);
- Land and buildings ZWL 278 052 000 (2019: ZWL 259 932 714);
- Fair value gains and losses from investment property ZWL 184 655 351 (2019: ZWL 1 589 378 187);
- Gross gains on property revaluation ZWL 45 007 981 (2019: ZWL 156 244 237).

Company

- Investment Properties ZWL 840 623 603 (2019: ZWL 877 573 888);
- Land and buildings ZWL 278 052 000 (2019: ZWL 259 932 714);
- Fair value gains and losses from investment property ZWL 20 310 748 (2019: ZWL 312 564 873);
- Gross gains on property revaluation ZWL 39 089 931 (2019: ZWL 128 672 928).

Consequently, property values may be materially misstated, and we are unable to determine what adjustments may be necessary to correctly account for these amounts. Our prior year audit opinion was also modified in respect of this matter.

Investment in Subsidiaries - Equity Accounted Amounts tainted owing to incorrect opening balances and use of incorrect exchange rates and incorrect application of hyperinflationary accounting (Company only)

Local subsidiaries

The Company has 5 local subsidiaries whose functional currency is the ZWL. The company equity accounts for the results of these investments in line with the Company accounting policies and relevant IFRSs. The statutory financial statements of the local subsidiaries are impacted by non-compliance with IAS21, valuation of investment properties and consequential impact on IAS29 application as described elsewhere in this report. Due to these matters, the equity accounted amounts are not reliable as underlying amounts are tainted by the issues noted above. The impact can however not be quantified.

**INDEPENDENT AUDITOR'S REPORT (Continued)
TO THE MEMBERS OF FIDELITY LIFE ASSURANCE OF ZIMBABWE LIMITED**

Basis for Adverse Opinion (continued)

Investment in Subsidiaries - Equity Accounted Amounts tainted owing to incorrect opening balances and use of incorrect exchange rates and incorrect application of hyperinflationary accounting (Company only) - (Continued)

Foreign subsidiary

The Company has an investment in one foreign subsidiary whose functional currency is Malawi Kwacha (MKW). The company equity accounts for the results of such investments in line with the Company accounting policies and relevant IFRSs. In the current year, the Company translated the foreign denominated share of profit attributable to its foreign subsidiary to ZWL using the interbank exchange rates for the period 1 January 2020 to 23 June 2020, prior to introduction of the Foreign Exchange Auction Trading System. As described above, these exchange rates were not in line with IAS21 requirements.

Consolidation of a Foreign Subsidiary with incorrect exchange rates (Group only)

Further to the issue noted above in respect of spot exchange rates, management have also used the interbank exchange rate as outlined on Note 3 to translate the foreign subsidiary to group reporting currency on consolidation. The impact is a misstatement of the following amounts in the inflation adjusted consolidated financial statements:

- ZWL12,022,301 included in Gross Premiums of ZWL406 279 394;
- ZWL10,099,271 included in Gross change in insurance and investment contract liabilities of ZWL586 627 204;
- ZWL 21 979 978 included in Foreign Currency translation reserves of ZWL 22 362 430 and;
- Retained earnings and Non-Controlling Interests.

The prior period balances would similarly have been affected in a material manner.

Application of IAS29 - Financial Reporting in Hyperinflationary Economies (Group and company)

Furthermore, notwithstanding that IAS 29 has been applied correctly, it is noted that its application was based on prior and current periods' financial information which was not in compliance with IAS 21 / IAS 8 as described above. Had the correct base numbers been used, the amounts discussed on matters above would have been materially impacted. Consequently, the monetary losses of ZWL 34 259 226 (2019: ZWL 309 880 861) in the group and monetary gains of ZWL 233 736 (2019: loss of ZWL 127 685 389) in the company on the inflation adjusted consolidated and separate Statements of profit or loss and other comprehensive income are impacted.

Overall Consequential Impacts

As no restatements have been recorded in current year per IAS 8 to correct the above matters, our audit opinion on the inflation adjusted consolidated and separate financial statements for the year ended 31 December 2020 is further modified for the following reasons:

- All corresponding numbers remain misstated on the inflation adjusted consolidated and separate Statements of Financial Position, Statements of Cash Flows, Statements of Profit or Loss and Other Comprehensive Income and Statements of Changes in Equity; this also impacts comparability of the current period's figures,

INDEPENDENT AUDITOR'S REPORT (Continued)
TO THE MEMBERS OF FIDELITY LIFE ASSURANCE OF ZIMBABWE LIMITED

Basis for Adverse Opinion (continued)

Overall Consequential Impacts- (Continued)

- As opening balances enter into the determination of cash flows and performance, our audit opinion is modified in respect of the impact of these matters on the inflation adjusted consolidated and separate Statements of Cash Flows, Statements of Profit or Loss and Other Comprehensive Income and Statements of Changes in Equity.

Prior period regulatory adjustments

As detailed in note 14 to the inflation adjusted consolidated and separate financial statements, the Company conducted an asset separation exercise to determine the applicable split ratio between policyholders and shareholders' funds in line with the requirements of the Insurance Act (Chapter 24:07) and the Pension and Provident Funds Act (Chapter 24:09). The outcome of the exercise was a split ratio of 94:6 between policyholders and shareholders respectively compared to the previous ratio applied of 90:10. The proposals were approved by the Insurance and Pensions Commission (IPEC) on 10 February 2021. Management have accounted for these adjustments retrospectively, and the comparative information for 2019 has been restated accordingly. The restatements do not however, meet the definition of an error in terms of IAS 8.

Rather, the appropriate consideration, would have been treating the matter as an adjusting subsequent event in line with the provisions of IAS 10- *Events after the Reporting Period*. This would have required that the related adjustments be accounted for in the current financial period in both the Company and Group's financial statements.

Had management made these adjustments prospectively, the 2019 retained earnings and revaluation reserves would be understated by ZWL 20 584 682 and ZWL31 491 899 respectively and the 2019 insurance contract liabilities and investment contract liabilities with discretionary participation features would be overstated by ZWL52 076 582. Consequently, current year financial performance is impacted.

The effects of the above departures from IFRS are material and pervasive to the inflation adjusted consolidated and separate financial statements.

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 inflation adjusted consolidated and separate financial statements* section of our report. We are independent of the Group and Company in accordance with the International Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Zimbabwe, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Key Audit Matters

Except for the matters described in the Basis for Adverse Opinion section, we have determined that there are no other key audit matters to communicate in our report.

INDEPENDENT AUDITOR'S REPORT (Continued)
TO THE MEMBERS OF FIDELITY LIFE ASSURANCE OF ZIMBABWE LIMITED

Other Information

The directors are responsible for the other information. The other information obtained at the date of this report comprises the Chairman's Statement, the Directors responsibility statement, the certificate of solvency, the Chief Executive Officer's statement and historical cost financial information but does not include the inflation adjusted consolidated and separate financial statements and our auditor's report thereon. Our opinion on the inflation adjusted consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon. The Sustainability report is expected to be made available to us after the date of this auditor's report. Our opinion on the inflation adjusted consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the inflation adjusted consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the inflation adjusted 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, we conclude that there is a material misstatement of the other information, we are required to report that fact. As described in the Basis for Adverse Opinion section above, the Company and Group did not comply with the requirements of IAS 8, IAS 10 and IAS 21 and applied a conversion rate to US\$ valuations of investment properties and land & buildings (under property & equipment) to calculate ZWL fair values which may not be an accurate reflection of market dynamics. Consequently, inflation adjustments per IAS 29 were applied to the incorrect base.

We have concluded that the other information is materially misstated for the same reason with respect to the amounts or other items included therein and affected by the failure to comply with the referred standards.

Responsibilities of the Directors for the inflation adjusted Consolidated and Separate Financial Statements

The directors are responsible for the preparation and fair presentation of the inflation adjusted consolidated and separate financial statements in accordance with IFRS and the requirements of the Companies and Other Business Entities Act (Chapter 24:31) , and for such internal controls as the directors determine is necessary to enable the preparation of inflation adjusted consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the inflation adjusted consolidated and separate financial statements, the directors are responsible for assessing the Company and Group'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 Company or Group or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT (Continued)
TO THE MEMBERS OF FIDELITY LIFE ASSURANCE OF ZIMBABWE LIMITED

Auditor's Responsibilities for the Audit of the inflation adjusted Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the inflation adjusted 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 inflation adjusted 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 inflation adjusted 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 controls 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 and company's internal controls.
- ▶ 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 and 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 inflation adjusted 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 the company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the inflation adjusted consolidated and separate financial statements, including the disclosures, and whether the inflation adjusted 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 statements of the entities or business activities within the group to express an opinion on the inflation adjusted consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

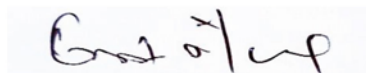
INDEPENDENT AUDITOR'S REPORT (Continued)
TO THE MEMBERS OF FIDELITY LIFE ASSURANCE OF ZIMBABWE LIMITED

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 inflation adjusted 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.

The engagement partner on the audit resulting in this independent auditor's report is Mr David Gwande (PAAB Practicing Certificate Number 132).



ERNST & YOUNG
CHARTERED ACCOUNTANTS (ZIMBABWE)
REGISTERED PUBLIC AUDITORS

Harare

08 June 2021

Luck

has nothing to do with it

We don't rely on good fortune, nor should you!

Invest in Fidelity Asset Management for a lifetime of Financial Wellness



FIDELITY LIFE

ASSET MANAGEMENT



www.fidelitylife.co.zw

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

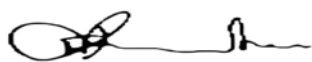
as at 31 December 2020

GROUP

	Notes	INFLATION ADJUSTED			HISTORICAL		
		31-Dec-20 ZWL\$	Restated * 31-Dec-19 ZWL\$	Restated * 1-Jan-19 ZWL\$	31-Dec-20 ZWL\$	Restated * 31-Dec-19 ZWL\$	Restated * 1-Jan-19 ZWL\$
ASSETS							
Property and equipment	6	382,062,708	357,791,418	208,356,651	358,855,764	74,878,740	13,367,901
Investment property	7	3,117,751,895	2,969,606,711	628,287,024	3,117,751,895	661,999,240	37,246,615
Right of use asset	7.1	29,559,329	15,401,697	-	29,559,329	3,433,421	-
Intangible assets	4	59,538,428	29,850,795	9,674,142	52,865,342	5,579,065	347,202
Inventories	10	60,345,479	61,222,765	687,907,236	2,122,263	2,244,041	24,688,741
Investment in subsidiaries	8	-	-	-	-	-	-
Deferred tax assets	17.1	-	95,839	173,538	-	72,532	6,228
Trade and other receivables	9	294,119,267	288,573,232	1,225,104,032	293,017,745	63,703,690	43,968,538
Corporate tax asset		-	6,298,902	12,033,428	-	1,404,186	431,879
Deferred acquisition costs	5	-	-	-	-	-	-
Equities at fair value through profit or loss	11.1	662,745,899	313,481,258	423,629,148	662,745,899	69,882,774	15,203,896
Debt securities at amortised cost	11.2	316,923,519	229,850,978	64,670,734	316,923,519	51,239,503	2,321,009
Cash and deposits with banks	12	550,557,240	328,574,059	265,325,302	550,557,240	73,247,335	9,522,429
Total assets		5,473,603,764	4,600,747,654	3,525,161,235	5,384,398,996	1,007,684,527	147,104,438
EQUITY AND LIABILITIES							
Equity attributable to equity holders of the parent							
Issued share capital	13	30,349,514	30,349,514	30,349,514	1,089,233	1,089,233	1,089,233
Share premium		18,707,602	18,707,602	18,707,602	671,409	671,409	671,409
Treasury shares		(279,664)	(279,664)	(279,664)	(10,037)	(10,037)	(10,037)
Retained earnings		171,266,093	153,023,477	75,325,470	47,473,230	14,187,162	(1,146,312)
Revaluation reserve		4,801,593	175,641	-	24,409,705	1,744,187	1,064,833
Foreign currency translation reserve		32,921,132	19,385,491	(33,752,055)	100,594,732	15,256,032	(1,211,349)
Total ordinary shareholder's equity		257,766,270	221,362,061	90,350,867	174,228,272	32,937,986	457,777
Non-controlling interests		469,311,886	424,542,695	139,072,557	464,941,464	93,620,546	4,991,264
Total equity		727,078,156	645,904,756	229,423,424	639,169,736	126,558,532	5,449,041
Liabilities							
Insurance contract liabilities and investment contract liabilities with discretionary participation features	14.1	3,722,269,955	3,137,923,700	1,993,726,002	3,722,269,955	699,521,286	94,926,664
Investment contracts without discretionary participation features	14.2	397,468,982	176,793,661	156,714,113	397,468,982	39,411,707	5,624,413
Borrowings	15	32,464,290	106,247,689	603,480,628	32,464,290	23,685,254	21,658,700
Deferred tax liabilities	17.2	46,401,753	40,848,346	16,248,428	45,105,405	8,609,388	583,150
Lease obligations	16	25,057,474	15,384,272	2,252,602	25,057,474	3,429,537	80,845
Trade and other payables	18	513,432,232	470,959,659	474,110,528	513,432,232	104,978,446	17,015,657
Corporate tax liability		9,430,922	6,685,571	49,205,510	9,430,922	1,490,377	1,765,968
Total liabilities		4,746,525,608	3,954,842,898	3,295,737,811	4,745,229,260	881,125,995	141,655,397
Total equity and liabilities		5,473,603,764	4,600,747,654	3,525,161,235	5,384,398,996	1,007,684,527	147,104,438

The above separate statement of financial position should be read in conjunction with the accompanying notes. Further information on the restatement is included in Note 14 to the financial statements.

The historical cost information has been shown as supplementary information for the benefit of users. These are not required in terms of International Accounting Standard (IAS) 29 "Financial Reporting in Hyperinflationary Economies". The auditors have not expressed an opinion on the historical cost information.



CHAIRMAN

2 June 2021



CHIEF EXECUTIVE OFFICER

SEPARATE STATEMENT OF FINANCIAL POSITION

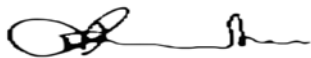
as at 31 December 2020

COMPANY

	Notes	INFLATION ADJUSTED			HISTORICAL		
		31-Dec-20 ZWL\$	Restated * 31-Dec-19 ZWL\$	Restated * 1-Jan-19 ZWL\$	31-Dec-20 ZWL\$	Restated * 31-Dec-19 ZWL\$	Restated * 1-Jan-19 ZWL\$
ASSETS							
Property and equipment	6	298,192,090	279,210,943	166,796,127	280,564,504	58,628,375	11,876,309
Investment property	7	840,623,605	877,573,889	558,745,978	840,623,605	195,633,060	34,750,812
Right of use asset		-	-	-	-	-	-
Intangible assets	4	21,728,331	3,324,797	-	18,403,533	358,301	-
Inventories	10	60,113,163	60,906,999	65,985,306	2,008,966	2,185,930	2,368,189
Investment in subsidiaries	8	1,812,735,089	1,683,883,988	741,394,413	1,829,254,344	378,882,384	31,987,674
Deferred tax assets	17.1	-	-	173,538	-	6,228	6,228
Trade and other receivables	9	31,752,281	93,963,367	991,748,006	31,752,281	20,588,470	35,593,475
Corporate tax asset		-	-	7,977,321	-	-	286,304
Deferred acquisition costs	5	-	-	-	-	-	-
Equities at fair value through profit or loss	11.1	292,950,437	120,607,620	380,021,491	292,950,437	26,886,440	13,638,833
Debt securities at amortised cost	11.2	298,872	1,872,904	45,434,339	298,872	417,516	1,630,622
Cash and deposits with banks	12	235,266,489	30,705,033	101,768,126	235,266,489	6,844,915	3,652,421
Total assets		3,593,660,357	3,152,049,540	3,060,044,645	3,531,123,031	690,431,619	135,790,867
EQUITY AND LIABILITIES							
Equity attributable to equity holders of the parent							
Issued share capital	13	30,349,514	30,349,514	30,349,514	1,089,233	1,089,233	1,089,233
Share premium		18,707,602	18,707,602	18,707,602	671,409	671,409	671,409
Treasury shares		(279,664)	(279,664)	(279,664)	(10,037)	(10,037)	(10,037)
Retained earnings		157,823,815	136,995,443	77,545,689	58,277,678	14,822,561	4,491,943
Revaluation reserve		(5,370,130)	(8,164,109)	-	13,398,818	(669,448)	885,557
Foreign currency translation reserve		36,656,807	22,843,533	(33,772,281)	101,923,517	16,543,425	(1,212,075)
Total ordinary shareholder's equity		237,887,944	200,452,319	92,550,860	175,350,618	32,447,143	5,916,030
Non-controlling interests		-	-	-	-	-	-
Total equity		237,887,944	200,452,319	92,550,860	175,350,618	32,447,143	5,916,030
Liabilities							
Insurance contract liabilities and investment contract liabilities with discretionary participation features							
	14.1	2,544,084,633	2,257,150,063	1,739,976,689	2,544,084,633	503,174,924	85,819,693
Investment contracts without discretionary participation features							
	14.2	397,468,982	176,793,661	156,714,113	397,468,982	39,411,707	5,624,413
Borrowings	15	16,859,568	90,771,625	590,710,009	16,859,568	20,235,254	21,200,367
Deferred tax liabilities	17.2	-	-	3,514,843	-	-	126,146
Trade and other payables	18	388,673,626	422,029,156	434,888,830	388,673,626	94,080,800	15,608,002
Corporate tax liability		8,685,604	4,852,716	41,689,301	8,685,604	1,081,791	1,496,216
Total liabilities		3,355,772,413	2,951,597,221	2,967,493,785	3,355,772,413	657,984,476	129,874,837
Total equity and liabilities		3,593,660,357	3,152,049,540	3,060,044,645	3,531,123,031	690,431,619	135,790,867

The above separate statement of financial position should be read in conjunction with the accompanying notes. Further information on the restatement is included in Note 14 to the financial statements.

The historical cost information has been shown as supplementary information for the benefit of users. These are not required in terms of International Accounting Standard (IAS) 29 "Financial Reporting in Hyperinflationary Economies". The auditors have not expressed an opinion on the historical cost information.



CHAIRMAN

2 June 2021



CHIEF EXECUTIVE OFFICER

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2020

		GROUP			
		INFLATION ADJUSTED		HISTORICAL	
		2020 ZWL\$	Restated * 2019 ZWL\$	2020 ZWL\$	Restated * 2019 ZWL\$
	Notes				
Gross premiums	19	406,279,393	544,216,941	359,093,888	82,222,395
Premiums ceded to reinsurers		(25,673,051)	(25,471,997)	(20,646,432)	(3,436,909)
Net premiums		380,606,342	518,744,944	338,447,456	78,785,486
Fees and commission income	20	43,872,885	39,862,171	28,571,619	4,310,141
Investment income	21	41,694,382	43,981,124	40,916,478	6,847,142
Interest income from residential stands receivables		15,180,066	46,949,765	8,194,589	3,682,559
Fair value gains and losses from equities		400,865,627	(274,548,350)	301,822,042	15,532,471
Fair value gains and losses from investment property	32	184,655,351	1,589,378,187	2,205,306,955	527,920,940
Interest income from microlending		33,991,862	88,024,717	18,940,383	6,602,074
Other operating income	22	44,632,901	126,956,440	27,546,725	14,059,666
Share of profit of investments in Subsidiaries	8	-	-	-	-
Income from sale of residential stands		4,462,545	1,333,763	4,462,545	56,261
Total revenue		1,149,961,961	2,180,682,761	2,974,208,792	657,796,740
Gross benefits and claims paid		(119,667,135)	(182,534,649)	(111,217,750)	(26,560,189)
Claims ceded to reinsurers		18,354,954	2,090,242	16,997,756	464,337
Net benefits and claims		(101,312,181)	(180,444,407)	(94,219,994)	(26,095,852)
Gross change in insurance and investment contract liabilities	14.1	(586,657,204)	(471,351,260)	(1,957,504,664)	(386,036,426)
Fee and commission expenses, and other acquisition costs	23	(17,132,745)	(35,497,401)	(15,250,362)	(5,406,014)
Operating and administration expenses	24	(252,443,899)	(366,027,909)	(219,571,764)	(39,131,397)
Allowance for expected credit losses on receivables		9,316,370	26,966,271	(2,057,762)	(1,059,071)
Cost of sales of residential stands	10	(216,881)	(1,446,667)	(137,175)	(183,884)
Project development costs	24.1	(79,747,386)	(448,947,501)	(300,690,300)	(94,746,574)
Finance costs	25	(18,277,134)	(35,390,902)	(11,740,163)	(4,776,682)
Net monetary gain/(loss)		(34,259,226)	(309,880,861)	-	-
Total benefits, claims and other expenses		(1,080,730,286)	(1,822,020,637)	(2,601,172,184)	(557,435,900)
Profit/(Loss) before tax	26	69,231,675	358,662,124	373,036,608	100,360,840
Income tax expense		(15,046,657)	(28,811,041)	(21,695,960)	(6,685,698)
Profit/(Loss) for the year		54,185,018	329,851,083	351,340,648	93,675,142
Other comprehensive income:					
<i>Items that will not be reclassified to profit or loss:</i>					
Gross gains on property revaluation		45,007,981	156,244,237	272,401,111	56,574,843
Share of revaluation gains on property		-	-	-	-
Income tax related to items that will not be reclassified to profit or loss		(311,258)	(297,594)	(311,258)	(66,342)
Gross change in insurance liabilities through OCI		(40,070,771)	(155,771,002)	(249,424,335)	(55,829,147)
Gains on property revaluation, net of tax		4,625,952	175,641	22,665,518	679,354
<i>Items that will or may be reclassified to profit or loss:</i>					
Exchange differences arising on translation of foreign operations		22,362,430	86,454,608	138,605,038	26,754,995
Other comprehensive income/(loss) for the year, net of tax		26,988,382	86,630,249	161,270,556	27,434,349
Total comprehensive profit/ (loss) for the year		81,173,400	416,481,332	512,611,204	121,109,491
Profit/(Loss) for the year attributable to:					
Owners of the parent		18,242,616	77,698,007	33,286,068	15,333,474
Non-controlling interests		35,942,402	252,153,076	318,054,580	78,341,668
Total profit/ (loss) for the year		54,185,018	329,851,083	351,340,648	93,675,142
Total comprehensive profit/ (loss) attributable to:					
Owners of the parent		36,404,208	131,011,194	141,290,286	32,480,209
Non-controlling interests		44,769,192	285,470,138	371,320,918	88,629,282
Total comprehensive profit/ (loss) for the year		81,173,400	416,481,332	512,611,204	121,109,491
Earnings per share attributable to the ordinary equity holders of the parent					
Basic and diluted earnings per share (cents)	27.1	16.90	72.00	30.84	14.74
Headline earnings per share (cents)	27.2	8.19	37.95	29.48	11.57

* Further information on the restatement is included in Note 14 to the financial statements.

The historical cost information has been shown as supplementary information for the benefit of users. These are not required in terms of International Accounting Standard (IAS) 29 "Financial Reporting in Hyperinflationary Economies". The auditors have not expressed an opinion on the historical cost information.

SEPARATE STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2020

		COMPANY			
		INFLATION ADJUSTED		HISTORICAL	
		2020 ZWL\$	Restated * 2019 ZWL\$	2020 ZWL\$	Restated * 2019 ZWL\$
	Notes				
Gross premiums	19	182,957,864	277,571,818	135,772,360	22,780,561
Premiums ceded to reinsurers		(19,688,058)	(18,020,648)	(14,661,438)	(1,775,819)
Net premiums		163,269,806	259,551,170	121,110,922	21,004,742
Fees and commission income	20	40,823,825	34,602,660	25,915,509	3,413,232
Investment income	21	1,868,292	2,698,738	1,124,245	237,326
Interest income from residential stands receivables		15,180,066	46,949,747	8,194,589	3,682,559
Fair value gains and losses from equities		365,015,474	(246,026,555)	259,229,588	13,346,387
Fair value gains and losses from investment property	7	20,310,748	312,564,873	572,470,097	126,408,759
Interest income from microlending		-	-	-	-
Other operating income	22	46,813,923	96,472,678	28,654,113	9,453,452
Share of profit of investments in Subsidiaries	8	114,589,244	891,106,415	1,364,737,981	329,521,592
Income from sale of residential stands		4,462,545	1,333,763	4,462,545	56,261
Total revenue		772,333,923	1,399,253,489	2,385,899,589	507,124,310
Gross benefits and claims paid		(49,111,114)	(121,124,430)	(38,666,679)	(12,101,052)
Claims ceded to reinsurers		14,294,525	15,440	12,937,327	1,813
Net benefits and claims		(34,816,589)	(121,108,990)	(25,729,352)	(12,099,239)
Gross change in insurance and investment contract liabilities	14.1	(473,815,923)	(379,907,408)	(1,874,336,225)	(369,028,302)
Fee and commission expenses, and other acquisition costs	23	(4,725,864)	(12,055,509)	(3,364,863)	(819,067)
Operating and administration expenses	24	(148,825,171)	(215,526,536)	(121,613,320)	(14,567,663)
Allowance for expected credit losses on receivables		3,775,971	(12,910)	(222,537)	(522)
Cost of sales of residential stands	10	(216,881)	(1,446,667)	(137,175)	(183,884)
Project development costs	24.1	(79,747,386)	(448,947,501)	(300,690,300)	(94,746,574)
Finance costs	25	(10,799,478)	(27,925,015)	(6,590,877)	(3,861,870)
Net monetary gain/(loss)		233,741	(127,685,389)	-	-
Total benefits, claims and other expenses		(748,937,580)	(1,334,615,925)	(2,332,684,649)	(495,307,121)
Profit/(Loss) before tax		23,396,343	64,637,564	53,214,940	11,817,189
Income tax expense	26	(2,567,971)	(5,187,810)	(9,759,823)	(1,486,571)
Profit/(Loss) for the year		20,828,372	59,449,754	43,455,117	10,330,618
Other comprehensive income:					
<i>Items that will not be reclassified to profit or loss:</i>					
Gross gains on property revaluation		39,089,931	128,672,928	230,239,638	46,676,304
Share of revaluation gains on property		448,583	428,929	253,887	95,619
Income tax related to items that will not be reclassified to profit or loss		-	-	-	-
Gross change in insurance liabilities through OCI		(36,744,535)	(137,265,966)	(216,425,259)	(48,326,928)
Gains on property revaluation, net of tax		2,793,979	(8,164,109)	14,068,266	(1,555,005)
<i>Items that will or may be reclassified to profit or loss:</i>					
Exchange differences arising on translation of foreign operations		13,813,274	56,615,814	85,380,092	17,755,500
Other comprehensive income/(loss) for the year, net of tax		16,607,253	48,451,705	99,448,358	16,200,495
Total comprehensive profit/ (loss) for the year		37,435,624	107,901,459	142,903,475	26,531,113
Profit/(Loss) for the year attributable to:					
Owners of the parent		20,828,372	59,449,754	43,455,117	10,330,618
Non-controlling interests		-	-	-	-
Total profit/ (loss) for the year		20,828,372	59,449,754	43,455,117	10,330,618
Total comprehensive profit/ (loss) attributable to:					
Owners of the parent		37,435,624	107,901,459	142,903,475	26,531,113
Non-controlling interests		-	-	-	-
Total comprehensive profit/ (loss) for the year		37,435,624	107,901,459	142,903,475	26,531,113
Earnings per share attributable to the ordinary equity holders of the parent					
Basic and diluted earnings per share (cents)	27.1	19.30	55.09	40.27	16.69
Headline earnings per share (cents)	27.2	9.79	37.17	38.26	11.92

The above consolidated and separate statements of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

* Further information on the restatement is included in Note 14 to the financial statements.

The historical cost information has been shown as supplementary information for the benefit of users. These are not required in terms of International Accounting Standard (IAS) 29 "Financial Reporting in Hyperinflationary Economies". The auditors have not expressed an opinion on the historical cost information.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2020

GROUP

INFLATION ADJUSTED

	Share capital ZWL\$	Treasury shares ZWL\$	Share premium ZWL\$	Restated * Retained earnings ZWL\$	Revaluation reserve ZWL\$	Foreign currency translation reserve ZWL\$	Attributable to shareholders of parent ZWL\$	Non-controlling interest ZWL\$	Total equity ZWL\$
Year ended 31 December 2019									
Balance at 1 January 2019	30,349,514	(279,664)	18,707,602	64,983,422	29,669,662	(33,752,055)	109,678,481	139,072,557	248,751,038
IAS 29 restatement	-	-	-	29,669,662	(29,669,662)	-	-	-	-
Prior period regulatory and currency reforms adjustment	-	-	-	(19,327,614)	-	-	(19,327,614)	-	(19,327,614)
Balance at 1 January 2019-restated*	30,349,514	(279,664)	18,707,602	75,325,470	-	(33,752,055)	90,350,867	139,072,557	229,423,424
Profit for the year	-	-	-	77,698,007	-	-	77,698,007	252,153,076	329,851,083
Other comprehensive income for the year	-	-	-	-	175,641	53,137,546	53,313,187	33,317,062	86,630,249
Total comprehensive income for the year	-	-	-	77,698,007	175,641	53,137,546	131,011,194	285,470,138	416,481,332
Balance at 31 December 2019	30,349,514	(279,664)	18,707,602	153,023,477	175,641	19,385,491	221,362,061	424,542,695	645,904,756
Year ended 31 December 2020									
Balance at 1 January 2020	30,349,514	(279,664)	18,707,602	153,023,477	175,641	19,385,491	221,362,061	424,542,695	645,904,756
Profit for the year	-	-	-	18,242,616	-	-	18,242,616	35,942,402	54,185,018
Other comprehensive income for the year	-	-	-	-	4,625,952	13,535,641	18,161,593	8,826,789	26,988,382
Total comprehensive income for the year	-	-	-	18,242,616	4,625,952	13,535,641	36,404,209	44,769,191	81,173,400
Balance at 31 December 2020	30,349,514	(279,664)	18,707,602	171,266,093	4,801,593	32,921,132	257,766,270	469,311,886	727,078,156

*Further information on restatement is included in Note 14 to the financial statements. The above separate statement of changes in equity should be read in conjunction with the accompanying notes. The historical cost information has been shown as supplementary information for the benefit of users. These are not required in terms of International Accounting Standard (IAS) 29 "Financial Reporting in Hyperinflationary Economies". The auditors have not expressed an opinion on the historical cost information.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2020

GROUP HISTORICAL

	Share capital ZWL\$	Treasury shares ZWL\$	Share premium ZWL\$	Restated * Retained earnings ZWL\$	Revaluation reserve ZWL\$	Foreign currency translation reserve ZWL\$	Attributable to shareholders of parent ZWL\$	Non-controlling interest ZWL\$	Total equity ZWL\$
Year ended 31 December 2019									
Balance at 1 January 2019 previously stated	1,089,233	(10,037)	671,409	2,332,232	1,064,833	(1,211,349)	3,936,321	4,991,264	8,927,585
Prior period regulatory and currency reforms adjustment	-	-	-	(3,478,544)	-	-	(3,478,544)	-	(3,478,544)
Balance at 1 January 2019 restated*	1,089,233	(10,037)	671,409	(1,146,312)	1,064,833	(1,211,349)	457,777	4,991,264	5,449,041
Profit for the year-restated	-	-	-	15,333,474	-	-	15,333,474	78,341,668	93,675,142
Other comprehensive income for the year	-	-	-	-	679,354	16,467,381	17,146,735	10,287,614	27,434,349
Total comprehensive income for the year	-	-	-	15,333,474	679,354	16,467,381	32,480,209	88,629,282	121,109,491
Balance at 31 December 2019	1,089,233	(10,037)	671,409	14,187,162	1,744,187	15,256,032	32,937,986	93,620,546	126,558,532
Year ended 31 December 2020									
Balance at 1 January 2020	1,089,233	(10,037)	671,409	14,187,162	1,744,187	15,256,032	32,937,986	93,620,546	126,558,532
Profit for the year	-	-	-	33,286,068	-	-	33,286,068	318,054,580	351,340,648
Other comprehensive income for the year	-	-	-	-	22,665,518	85,338,700	108,004,218	53,266,338	161,270,556
Total comprehensive income for the year	-	-	-	33,286,068	22,665,518	85,338,700	141,290,286	371,320,918	512,611,204
Balance at 31 December 2020	1,089,233	(10,037)	671,409	47,473,230	24,409,705	100,594,732	174,228,272	464,941,464	639,169,736

*Further information on restatement is included in Note 14 to the financial statements. The above separate statement of changes in equity should be read in conjunction with the accompanying notes.

SEPARATE STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2020

	COMPANY						
	Share capital ZWL\$	Treasury shares ZWL\$	Share premium ZWL\$	Retained earnings ZWL\$	Revaluation reserve ZWL\$	Foreign currency translation reserve ZWL\$	Total ZWL\$
Year ended 31 December 2019							
Balance at 1 January 2019	30,349,514	(279,664)	18,707,602	38,999,970	24,674,459	(33,772,281)	78,679,600
IAS 29 restatement	-	-	-	24,674,459	(24,674,459)	-	-
Prior period regulatory and currency reforms adjustment	-	-	-	13,871,260	-	-	13,871,260
Balance at 1 January 2019-restated*	30,349,514	(279,664)	18,707,602	77,545,689	-	(33,772,281)	92,550,860
Profit for the year	-	-	-	59,449,754	-	-	59,449,754
Other comprehensive income for the year	-	-	-	-	(8,164,109)	56,615,814	48,451,705
Total comprehensive income/(loss) for the year	-	-	-	59,449,754	(8,164,109)	56,615,814	107,901,459
Dividend paid	-	-	-	-	-	-	-
Balance at 31 December 2019-restated*	30,349,514	(279,664)	18,707,602	136,995,443	(8,164,109)	22,843,533	200,452,319
Year ended 31 December 2020							
Balance at 1 January 2020-restated*	30,349,514	-279,664	18,707,602	136,995,443	(8,164,109)	22,843,533	200,452,319
Profit for the year	-	-	-	20,828,372	-	-	20,828,372
Other comprehensive income for the year	-	-	-	-	2,793,979	13,813,274	16,607,253
Total comprehensive income/(loss) for the year	-	-	-	20,828,372	2,793,979	13,813,274	37,435,625
Dividend paid	-	-	-	-	-	-	-
Balance at 31 December 2020-restated*	30,349,514	(279,664)	18,707,602	157,823,815	(5,370,130)	36,656,807	237,887,944

*Further information on restatement is included in Note 14 to the financial statements. The above separate statement of changes in equity should be read in conjunction with the accompanying notes.

The historical cost information has been shown as supplementary information for the benefit of users. These are not required in terms of International Accounting Standard (IAS) 29 "Financial Reporting in Hyperinflationary Economies". The auditors have not expressed an opinion on the historical cost information.

The following describes the nature and purpose of each reserve within equity

Reserve

Share premium

Treasury shares

Revaluation reserve

Foreign currency translation reserve

Retained earnings

Description and purpose

Amount subscribed for share capital in excess of nominal value

Weighted average cost of own shares held in treasury

Gains/losses arising on the revaluation of property (other than investment property)

Gains/losses arising on retranslating the net assets of foreign operations into Zimbabwe Dollars.

All other net gains and losses and transactions with owners (e.g. dividends) not recognised

SEPARATE STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2020

	COMPANY						
	Share capital ZWL\$	Treasury shares ZWL\$	Share premium ZWL\$	Retained earnings ZWL\$	Revaluation reserve ZWL\$	Foreign currency translation reserve ZWL\$	Total equity ZWL\$
Balance at 1 January 2019 previously stated	1,089,233	(10,037)	671,409	1,399,694	885,557	(1,212,075)	2,823,781
Prior period regulatory and currency reforms adjustment	-	-	-	3,092,249	-	-	3,092,249
Balance at 1 January 2019 restated*	1,089,233	(10,037)	671,409	4,491,943	885,557	(1,212,075)	5,916,030
Profit the year-restated	-	-	-	10,330,618	-	-	10,330,618
Other comprehensive income for the year	-	-	-	-	(1,555,005)	17,755,500	16,200,495
Total comprehensive income/(loss) for the year	-	-	-	10,330,618	(1,555,005)	17,755,500	26,531,113
Balance at 31 December 2019*	1,089,233	(10,037)	671,409	14,822,561	(669,448)	16,543,425	32,447,143
Year ended 31 December 2020							
Balance at 1 January 2020	1,089,233	(10,037)	671,409	14,822,561	(669,448)	16,543,425	32,447,143
Profit for the year	-	-	-	43,455,117	-	-	43,455,117
Other comprehensive income for the year	-	-	-	-	14,068,266	85,380,092	99,448,358
Total comprehensive income/(loss) for the year	-	-	-	43,455,117	14,068,266	85,380,092	142,903,475
Dividend paid	-	-	-	-	-	-	-
Balance at 31 December 2020	1,089,233	(10,037)	671,409	58,277,678	13,398,818	101,923,517	175,350,618

*Further information on restatement is included in Note 14 to the financial statements. The above separate statement of changes in equity should be read in conjunction with the accompanying notes.

The following describes the nature and purpose of each reserve within equity

Reserve

Share premium
Treasury shares
Revaluation reserve
Foreign currency translation reserve
Retained earnings

Description and purpose

Amount subscribed for share capital in excess of nominal value
Weighted average cost of own shares held in treasury
Gains/losses arising on the revaluation of property (other than investment property)
Gains/losses arising on retranslating the net assets of foreign operations into Zimbabwe Dollars.
All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

CONSOLIDATED STATEMENTS OF CASH FLOWS

for the year ended 31 December 2020

GROUP

	Notes	INFLATION ADJUSTED		HISTORICAL	
		2020 ZWL\$	Restated * 2019 ZWL\$	2020 ZWL\$	Restated * 2019 ZWL\$
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(Loss) before tax		69,231,675	358,662,124	373,036,608	100,360,840
Adjustments:		65,936,909	(991,224,325)	(206,898,550)	(70,024,134)
Fair value gains on equities at fair value through profit or loss		(400,865,627)	274,548,350	(301,822,042)	(15,532,471)
Fair value gains on investment property	7	(184,655,351)	(1,589,378,187)	(2,205,306,955)	(527,920,940)
Amortisation of intangible assets	4	359,062	1,497,621	137,526	85,903
Impairment of intangible asset	4	-	491,278	-	17,632
Amortisation of right of use asset		2,403,907	2,454,269	2,403,907	547,119
Amortisation of deferred acquisition costs	5	-	-	-	-
Finance costs		18,277,134	35,390,903	11,740,163	4,776,682
Depreciation of property and equipment	6	26,906,759	29,157,800	12,585,201	2,031,429
Gross change in insurance and investment contract liabilities with DPF		586,657,204	471,351,260	1,957,504,664	386,036,426
				39,411,706	5,624,414
Cash inflow/(out flow) on investment contracts liabilities without DPF		5,728,021	3,281,244	-	3,889,805
Non cash claim and other expenses		-	48,092,769	(36,337,873)	(6,480,836)
Interest income		(36,780,380)	(40,966,121)	(4,578,605)	(366,306)
Dividend income		(4,914,001)	(3,015,002)	-	-
Share of profit of investments accounted using the equity method		-	-	-	-
Non cash adjustment-IAS29		34,259,226	(539,597,206)	19,668,925	(2,580,659)
Unrealised exchange gains/ (losses)		-	-	300,565,761	85,058,451
Projects development costs		32,258,607	381,556,551	(1,924,551)	-
Profit on disposal of investment property		(12,573,103)	-	(946,378)	(5,210,783)
Profit/(loss) on disposal of property, plant & equipment		(1,124,549)	(66,089,853)	-	-
Changes in working capital		(3,771,153)	543,294,226	(119,246,490)	(19,776,825)
Decrease/ (increase) in inventories		877,286	5,335,196	121,778	144,700
(Increase) in deferred acquisition costs		-	(13,864,360)	-	(3,090,711)
(Increase)/decrease in trade and other receivables		(14,862,405)	936,530,800	(227,256,293)	(19,735,151)
Increase/(decrease) in trade and other payables		10,213,966	(384,707,410)	107,888,025	2,904,337
Cash generated from operations		131,397,431	(89,267,975)	46,891,568	10,559,881
Income taxes paid		(8,488,491)	(23,657,933)	(8,402,049)	(6,658,244)
NET CASH GENERATED FROM OPERATING ACTIVITIES		122,908,940	(112,925,908)	38,489,519	3,901,637
CASH FLOWS FROM INVESTING ACTIVITIES					
Additions to and replacement of property and equipment	6	(18,352,768)	(4,140,700)	(17,718,295)	(614,355)
Additions and improvements to investment property	7	-	(2,451,431)	-	(171,000)
Additions to intangible assets	4	(23,183,280)	(10,065,431)	(22,824,977)	(1,860,957)
Interest income		36,780,380	40,966,121	36,337,873	6,480,836
Dividend income		4,914,001	3,015,002	4,578,605	366,306
Additions to financial assets at fair value through profit or loss		(50,322,840)	(77,205,812)	-	(14,827,813)
Disposals of financial assets at fair value through profit or loss		178,114,163	29,725,752	169,340,611	1,568,100
Proceeds from sale of investment property		11,620,227	-	10,889,755	-
Proceeds from sale of property and equipment		13,074,571	66,025,185	8,496,543	5,224,898
Additions to debt securities held at amortised cost		(35,173,680)	(99,817,734)	(35,173,680)	(22,251,857)
Disposals of debt securities held at amortised cost		1,574,032	-	118,645	-
NET CASH GENERATED FROM / (UTILISED) IN INVESTING ACTIVITIES		119,044,806	(53,949,046)	154,045,082	(26,085,841)
CASH FLOWS FROM FINANCING ACTIVITIES					
Finance costs		(18,277,134)	(35,390,903)	(11,740,163)	(4,776,682)
Repayments lease obligations		(757,789)	(3,399,302)	(757,789)	(757,789)
Repayments of borrowings	15.3	(32,930,192)	(166,459,974)	(21,528,173)	(11,136,120)
Proceeds from borrowings	15.3	28,035,596	125,762,522	17,731,265	9,747,115
NET CASH UTILISED IN FINANCING ACTIVITIES		(23,929,519)	(79,487,657)	(16,294,860)	(6,923,476)
NET INCREASE IN CASH AND CASH EQUIVALENTS		218,024,227	(246,362,611)	176,239,741	(29,107,680)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		328,574,059	254,799,990	73,247,335	9,144,679
Exchange differences on translation of a foreign operation		3,958,955	320,136,680	301,070,164	93,210,337
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	12	550,557,240	328,574,059	550,557,240	73,247,335

The above consolidated and separate statements of cash flows should be read in conjunction with the accompanying notes.

* Further information on the restatement is included in Note 14 to the financial statements.

The historical cost information has been shown as supplementary information for the benefit of users. These are not required in terms of International Accounting Standard (IAS) 29 "Financial Reporting in Hyperinflationary Economies". The auditors have not expressed an opinion on the historical cost information.

SEPARATE STATEMENTS OF CASH FLOWS

for the year ended 31 December 2020

COMPANY

	Notes	INFLATION ADJUSTED		HISTORICAL	
		2020 ZWL\$	Restated * 2019 ZWL\$	2020 ZWL\$	Restated * 2019 ZWL\$
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(Loss) before tax		23,396,343	64,637,564	53,214,940	11,817,189
Adjustments:		43,276,390	(181,280,773)	49,678,745	(10,546,512)
Fair value gains on equities at fair value through profit or loss		(365,015,474)	246,026,555	(259,229,588)	(13,346,387)
Fair value gains on investment property	7	(20,310,748)	(312,564,873)	(572,470,097)	(126,408,759)
Amortisation of intangible assets	4	-	-	-	-
Impairment of intangible asset	4	-	-	-	-
Amortisation of right of use asset		-	-	-	-
Amortisation of deferred acquisition costs	5	-	-	-	-
Finance costs		10,799,478	27,925,016	6,590,877	3,861,870
Depreciation of property and equipment	6	22,691,257	22,338,713	9,538,089	1,008,814
Gross change in insurance and investment contract liabilities with DPF		473,815,923	379,907,408	1,874,336,225	369,028,302
Cash inflow/(out flow) on investment contracts liabilities without DPF		5,728,021	3,281,244	39,411,707	5,624,413
Non cash claim and other expenses		-	48,092,769	-	3,889,805
Interest income		(592,717)	(666,597)	(184,064)	(90,123)
Dividend income		(1,275,575)	(2,032,146)	(940,181)	(147,203)
Share of profit of investments accounted using the equity method		(114,589,244)	(891,106,415)	(1,364,737,981)	(329,521,592)
Non cash adjustment- IAS29		13,401,846	(18,230,265)	-	-
Unrealised exchange gains/ (losses)		-	-	19,668,925	(4,355,988)
Projects development costs		32,258,607	381,556,551	300,565,761	85,058,451
Profit on disposal of investment property		(12,573,103)	-	(1,924,551)	-
Profit/(loss) on disposal of property, plant & equipment		(1,061,880)	(65,808,731)	(946,378)	(5,148,114)
Changes in working capital		(6,385,187)	126,890,171	(16,737,246)	8,601,610
Decrease/ (increase) in inventories		793,836	(376,478,239)	176,964	182,258
(Increase) in deferred acquisition costs		-	-	-	-
Decrease/(Increase) in trade and other receivables		58,435,115	897,784,642	(10,941,274)	15,005,005
Decrease in trade and other payables		(65,614,137)	(394,416,232)	(5,972,935)	(6,585,653)
Cash generated from operations		60,287,547	10,246,963	86,156,439	9,872,288
Income taxes paid		(2,745,453)	(6,193,180)	(2,149,763)	(2,027,142)
NET CASH GENERATED FROM OPERATING ACTIVITIES		57,542,094	4,053,783	84,006,677	7,845,146
CASH FLOWS FROM INVESTING ACTIVITIES					
Additions to and replacement of property and equipment	6	(2,582,474)	(1,855,459)	(2,161,961)	(171,310)
Additions and improvements to investment property	7	-	(2,451,431)	-	(171,000)
Additions to intangible assets	4	(18,403,534)	(3,324,797)	(18,045,231)	(358,302)
Interest income		592,717	666,597	184,064	90,123
Dividend income		1,275,575	2,032,146	940,181	147,203
Additions to financial assets at fair value through profit or loss		(3,392,556)	(14,767,970)	(1,254,991)	(1,120,501)
Disposals of financial assets at fair value through profit or loss		176,685,275	29,720,024	169,340,611	1,568,100
Proceeds from sale of investment property		11,620,227	-	10,889,755	-
Proceeds from sale of property and equipment		11,335,080	65,744,068	6,946,333	5,162,229
Additions to debt securities held at amortised cost		-	-	-	-
Disposals of debt securities held at amortised cost		1,574,032	-	118,644	-
NET CASH GENERATED FROM / (UTILISED) IN INVESTING ACTIVITIES		178,704,342	75,763,178	166,957,405	5,146,543
CASH FLOWS FROM FINANCING ACTIVITIES					
Finance costs					
Repayments of lease obligations		(10,799,478)	(27,925,016)	(6,590,877)	(3,861,870)
Repayments of borrowings	15.3	(20,885,503)	(112,429,717)	(15,951,630)	(5,559,576)
Proceeds from borrowings	15.3	-	-	-	-
NET CASH UTILISED IN FINANCING ACTIVITIES		(31,684,981)	(140,354,733)	(22,542,507)	(9,421,446)
NET INCREASE IN CASH AND CASH EQUIVALENTS		204,561,455	(60,537,772)	228,421,575	3,570,243
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		30,705,033	91,242,805	6,844,915	3,274,672
Exchange differences on translation of a foreign operation		-	-	-	-
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	12	235,266,489	30,705,033	235,266,489	6,844,915

The above consolidated and separate statements of cash flows should be read in conjunction with the accompanying notes.

* Further information on the restatement is included in Note 14 to the financial statements.

The historical cost information has been shown as supplementary information for the benefit of users. These are not required in terms of International Accounting Standard (IAS) 29 "Financial Reporting in Hyperinflationary Economies". The auditors have not expressed an opinion on the historical cost information.

1. GENERAL INFORMATION

1.1. Nature of business

The consolidated financial statements (the “Group financial statements”) of Fidelity Life Assurance of Zimbabwe Limited (the “Company”) and its subsidiaries (together, the “Group”), and the separate financial statements of Fidelity Life Assurance of Zimbabwe Limited alone (the “Company financial statements”), (together, the “financial statements”), for the year ended 31 December 2020 were authorised for issue in accordance with a resolution of the directors on 02 June 2021. Fidelity Life Assurance of Zimbabwe is a limited company incorporated and domiciled in Zimbabwe and is listed on the Zimbabwe Stock Exchange. It has subsidiaries which are domiciled in Zimbabwe and Malawi. The Group provides life assurance, funeral assurance, asset management, actuarial consultancy and micro – financing services.

1.2. Corporate information

The ultimate parent of the Group is Zimre Holdings Limited (ZHL) with direct shareholding of 66, 95% as at 31 December 2020 (2019: 20.57%).

2. ACCOUNTING POLICIES

2.1 Basis of preparation

The Group’s financial Statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”), and in the manner required by the Zimbabwe Companies and other Businesses Entities Act (Chapter 24:31) except for non-compliance with IAS 21 ‘The effects of changes in foreign exchange rates’ and IAS 8 ‘Accounting policies - Changes in accounting policies, estimates and errors’ in 2019. The financial statements are based on statutory records that are maintained under the historical cost convention basis, except for revaluation of investment properties, land and buildings and financial assets at fair value through profit or loss and insurance and investment contract liabilities that have been measured on a fair value basis. The Group adopted IAS 29 “Financial Reporting in Hyperinflationary Economies” as proclaimed by the local accounting regulatory board, Public Accountants and Auditors Board “PAAB”.

Historical financial statements have been presented as supplementary information.

2.2 Functional currency

The Group changed its functional and presentation currency from United States dollar (US\$) to Zimbabwe dollar (ZWL\$) with effect from 22 February 2019. The change in currency was effected in response to Statutory Instrument 33 of 2019 (effective from 22 February 2019), and to enable compliance with Statutory Instrument 142 of 2019 (effective from 24 June 2019). However, this date was not compliant with IAS 21 leading to the modification of the audit report in the prior year.

The Group witnessed significant monetary and exchange control policy changes. These policies include the Exchange control Directive RV 175/2020 which introduced the Foreign Exchange Auction trading system which became operational with effect from 23 June 2020 and the Statutory Instrument (SI) 85 of 2020 which authorized the use of free-funds in paying for goods and services.

Exchange gains and losses on translation of the results and financial positions of the Group’s foreign operations continue to be recognised in other comprehensive income.

2.3. Application of IAS 29 (Financial reporting in hyperinflationary Economies)

The Company continues to apply IAS 29 which came into effect from 1 July 2019, when Zimbabwe was considered to be a Hyperinflationary economy as the three – year cumulative inflation figure was above 100 %. IAS 29 Financial Reporting in Hyperinflationary Economies requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the statement of financial position date. The same standard discourages the presentation of historical financial statements when inflation – adjusted financial statements are presented. However, historical results have been included to allow comparability of results. The Zimbabwe

Accounting Practices Board and the Zimbabwe Stock Exchange have permitted companies in Zimbabwe to present historical results in conjunction with inflation- adjusted results.

IAS 29 requires that the financial statements prepared in the currency of a hyperinflationary economy be stated in terms of a measuring unit current at the balance sheet date, and that corresponding figures for the previous periods be restated in the same terms to the latest statement of financial position date. The restatement has been calculated by means of conversion factors derived from the Consumer Price Index (CPI) reported on the Reserve Bank of Zimbabwe website. The indices and adjustment factors used to restate the financial statements at 31 December 2020 are as given below:

	Index	Conversion factor
CPI as at 31 December 2018	88.81	27.8630
CPI as at 31 December 2019	551.63	4.4858
CPI as at 31 December 2020	2474.51	1.0000

The main procedures applied in the above restatement of transactions and balances are as follows:

Financial statements prepared in the currency of a hyperinflationary economy are stated in terms of a measuring unit current at the balance sheet date, and corresponding figures for the previous period are restated in the same terms.

All comparative figures as of and for the period ended 31 December 2020 are restated by applying the change in the index from 31 December 2018 to 31 December 2020.

The opening revaluation reserve was eliminated against retained earnings.

The line items in the statement of profit or loss and other comprehensive income except for depreciation charge were segregated into monthly totals and an applicable monthly adjustment factor was factored to hyper inflate the amounts.

Monetary assets and liabilities that are carried at amounts current at the statement of financial position date are not restated since they are already stated in terms of the monetary unit current at the balance sheet date.

Non monetary assets and liabilities that are not carried at amounts current at statement of financial position date and components of shareholders equity are restated by applying the relevant monthly conversion factors.

Property, plant and equipment is restated by applying the change in the index from the date of purchase to 31 December 2020. Depreciation amounts is calculated applying the index from the depreciation date.

Owner occupied buildings are revalued annually at the statement of financial position date, and therefore are being carried at amounts current at the statement of financial position date, are not restated. The depreciation amounts are based on the opening revalued amounts.

Additions to equipment and vehicles are restated using the relevant conversion factors.

The investment property was fair valued at 31December and thus no inflation adjustment on the closing fair values. The difference between the inflation adjusted opening balance and the closing fair value was accounted for as the fair value adjustment.

Deferred tax was calculated on restated carrying amounts,

Borrowings constitute a monetary liability and thus there was no inflation adjustment on the balances.

The effect of inflation on the net monetary position of the group is included in the income statement as a net monetary gain / loss.

All items in the cash flow statement are expressed in terms of the measuring unit current at the balance sheet date.

The financial statements of the subsidiary in Malawi which does not report in the currencies of hyper-inflationary economies were dealt with in accordance with IAS 21. The items included in statement of profit or loss and comprehensive income were translated using average exchange rates and statement of financial position items were translated at the closing rates. The opening balances were restated by applying the adjustment factor as at 31 December 2019.

2.4 Changes in accounting policy and disclosures

2.4.1 New and amended standards and interpretations

Several IFRS amendments and interpretations apply for the first time in 2020, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

(a) IFRS 3 Business Combinations

The amendment to IFRS 3 Business Combinations clarifies that to be considered a business an integrated set of activities and assets must include, at a minimum, an input and substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Group but may impact future periods should the Group enter into any business combinations.

(b) IFRS 9 and IAS 39 Financial Instruments

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedge item or the hedging instrument. These amendments have no impact on the consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

The amendments provide a new definition of material that states, "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to the Group.

(c) The Conceptual Framework

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the consolidated financial statements of the Group.

(d) IFRS 16 Leases

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification

accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no impact on the consolidated financial statements of the Group.

2.4.2 Standards issued but not yet effective

IFRS 17 Insurance Contracts Effective for annual periods beginning on or after 1 January 2023

IFRS 17 Insurance Contracts (IFRS 17), is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure effective 1 January 2023. IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005.

Scope

IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them. A few scope exceptions will apply.

Key requirements

The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

The main features of the new accounting model for insurance contracts are, as follows:

- The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, remeasured every reporting period (the fulfilment cash flows)
- A Contractual Service Margin (CSM) that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts, representing the unearned profit of the insurance contracts to be recognised in profit or loss over the service period (i.e., coverage period)
- Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognised in profit or loss over the remaining contractual service period
- The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice
- The presentation of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of services provided during the period
- Amounts that the policyholder will always receive, regardless of whether an insured event happens (non distinct investment components) are not presented in the income statement, but are recognised directly on the statement of financial position
- Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense
- Extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts

The full impact of applying this standard is still being assessed to determine the impact on the Group's financial statements.

None of the new standards, interpretations and amendments, which are effective for periods beginning after 1 January 2021 and which have not been adopted early, are expected to have a material effect on the

Group's future financial statements.

2.5 Basis of consolidation

Where the Company has control over an investee, it is classified as a subsidiary. The company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

De-facto control exists in situations where the company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the company considers all relevant facts and circumstances, including:

- The size of the company's voting rights relative to both the size and dispersion of other parties who hold voting rights;
- Substantive potential voting rights held by the company and by other parties;
- Other contractual arrangements and
- Historic patterns in voting attendance.

The consolidated financial statements present the results of the company and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control and continue to be consolidated until the date such that control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra group balances, income and expenses, unrealised gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest in a subsidiary, without a change in the degree of control, is accounted for as an equity transaction.

Losses are attributed to the non-controlling interest even if it results in a negative balance on the non-controlling interest account.

If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary.
- Derecognises the carrying amount of non-controlling interest.
- Derecognises the cumulative translation differences recorded in equity.
- 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.

The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of profit or loss and other comprehensive income from the date on which control is obtained. They are deconsolidated from the date on which control ceases.

2.5.1 Non-controlling interests

For business combinations completed prior to 1 January 2010, the Group initially recognised any non-controlling interest in the acquiree at the non-controlling interest's proportionate share of the acquiree's net assets. For business combinations completed on or after 1 January 2010 the Group has the choice, on a transaction by transaction basis, to initially recognise any non-controlling interest in the acquiree which is a present ownership interest and entitles its holders to a proportionate share of the entity's net assets in the event of liquidation at either acquisition date fair value or, at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's

identifiable net assets. Other components of non-controlling interest such as outstanding share options are generally measured at fair value. The group has not elected to take the option to use fair value in acquisitions completed to date.

From 1 January 2010, the total profit or loss and other comprehensive income of non-wholly owned subsidiaries is attributed to owners of the parent and to the non-controlling interests in proportion to their relative ownership interests. Before this date, unfunded losses in such subsidiaries were attributed entirely to the group. In accordance with the transitional requirements of IAS 27 (2008), the carrying value of non-controlling interests at the effective date of the amendment has not been restated.

2.5.1.1 Separate financial statements of the Company

In the Company's separate financial statements, investments in subsidiaries are accounted for using the equity method of accounting. Under the equity method of accounting, the investments are initially recognised at historical cost and adjusted thereafter to recognise the Company's share of the post-acquisition profits or losses of the investee in profit or loss, and the Company's share of movements in other comprehensive income of the investee in other comprehensive income. After initial recognition, subsidiaries are recognised at inflation adjusted amounts.

2.5.2 Goodwill

Goodwill represents the excess of the cost of a business combination over, in the case of business combinations completed prior to 1 January 2010, the Group's interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired and, in the case of business combinations completed on or after 1 January 2010, the total acquisition date fair value of the identifiable assets, liabilities and contingent liabilities acquired.

For business combinations completed on or after 1 January 2010, cost comprises the fair value of assets given, liabilities assumed and equity instruments issued, plus the amount of any non-controlling interests in the acquiree plus, if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree.

Contingent consideration is included in cost at its acquisition date fair value and, in the case of contingent consideration classified as a financial liability, remeasured subsequently through profit or loss. For business combinations completed on or after 1 January 2010, direct costs of acquisition are recognised immediately as an expense.

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the consolidated statement of profit or loss and other comprehensive income. Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to profit or loss and other comprehensive income on the acquisition date.

2.5.3 Claims and benefits

Claims and benefits represent the ultimate cost (net of reinsurance recoveries) of settling all claims and benefits arising from events that have occurred up to the reporting date. Claims and benefits incurred but not reported are those which arise out of events which have occurred by the reporting date but have not yet been reported.

Death claims are recognised when reported and a provision is made for deaths that have not been reported. Claims relating to annuities and surrenders are recognised when due and when paid, respectively. Maturity claims are recognised on maturity of the related policies.

2.5.4 Reinsurance

The Group cedes insurance risk in the normal course of business for all of its businesses. Gross outward reinsurance premiums are recognised as an expense on the earlier of the date when premiums are payable or when the policy becomes effective. Reinsurance premiums ceded comprise the total premiums payable for the whole cover provided by contracts entered into in the period and are recognised on the date on

which the policy incepts. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.

2.5.5 Life insurance contract liabilities

Life insurance liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are computed by an Independent Actuary as follows:

- (i) For conventional individual life and individual life funeral business, a gross premium valuation method is used, thus allowing explicitly for expected future premiums, claims and expenses.
- (ii) For annuity business, the discounted value of future payments is used as the actuarial liability.
- (iii) An incurred but not reported reserve (IBNR) is set up for group life (and associated benefits) business. The IBNR reserve amounts to 3 months' premiums. No unexpired premium reserve (UPR) is set up as most contributions are paid monthly in arrears.
- (iv) Single premium group credit life business is valued by setting up a UPR for the unexpired risk portion.
- (v) Deposit administration business is valued at the accrued premiums (after deducting specified charges) plus accumulated bonuses.
- (vi) The bonus equalisation fund is held to support the with profits business. The bonus equalisation fund was used to enable a bonus to be declared in the current period.
- (vii) A reserve is held for HIV/AIDS claims and has been reduced in the current period, as most of the reserve was held for group business.
- (viii) In addition, margins for prudence have been included in individual life business.

Adjustments to the liabilities at each reporting date are recorded in the statement of profit or loss and other comprehensive income in 'Gross change in contract liabilities'. Profits originated from margins for adverse deviations on run-off contracts are recognised in the statement of profit or loss over the life of the contract, whereas losses are fully recognised in the statement of profit or loss during the first year of runoff. The liability is derecognised when the contract expires, is discharged or cancelled. At each reporting date, an assessment is made of whether the recognised life insurance liabilities, net of related Present Value of In Force business (PVIF) and Deferred Acquisition Costs (DAC), are adequate by using an existing liability adequacy test performed in accordance with Zimbabwe Actuarial Society and South African Standards of Actuarial Practice Practices. The liability value is adjusted to the extent that it is insufficient to meet expected future benefits and expenses. In performing the adequacy test, current best estimates of future contractual cash flows, including related cash flows such as claims handling and policy administration expenses, policyholder guarantees, as well as investment income from assets backing such liabilities, are used. A number of valuation methods are applied, including discounted cash flows. To the extent that the test involves discounting of cash flows, the interest rate applied is based on management's prudent expectation of current market interest rates. Any inadequacy is recorded in the statement of profit or loss, initially by impairing PVIF and DAC and, subsequently, by establishing an additional insurance liability for the remaining loss.

2.5.6 Investment contract liabilities

Investment contracts are classified between contracts with and without Discretionary Participating Features (DPF). The accounting policies for investment contract liabilities with DPF are the same as those for life insurance contract liabilities.

Investment contract liabilities without DPF are recognised when contracts are entered into and premiums are charged. These liabilities are initially recognised at fair value, this being the transaction price excluding any transaction costs directly attributable to the issue of the contract. Subsequent to initial recognition, the investment contract liabilities are measured at fair value, with fair value adjustments being recognised directly against the investment contract liabilities. Any other additions to the liabilities by contract holders are recorded directly against the liability. Non-unitised contracts are subsequently carried at fair value.

The liability is derecognised when the contract expires, is discharged or is cancelled. For a contract that can be cancelled by the policyholder, the fair value of the contract cannot be less than the surrender value. When contracts contain both a financial risk component and a significant insurance risk component and the cash flows from the two components are distinct and can be measured reliably, the underlying amounts are unbundled. Any premiums relating to the insurance risk component are accounted for on the same basis as insurance contracts and the remaining element is accounted for as a deposit through the statement of financial position.

2.5.7 Discretionary Participation Features (DPF)

A DPF gives holders of these contracts the right to receive, as a supplement to guaranteed benefits, significant additional benefits which are based on the performance of the assets held within the DPF portfolio. The amount or timing of the additional benefits is contractually at the discretion of the Group. Under the terms of the contracts, surpluses in the DPF funds can be distributed to policyholders and shareholders on a 94/6 basis. The Group has the discretion over the amount and timing of the distribution of these surpluses to policyholders. All DPF liabilities including unallocated surpluses at the end of the reporting period are held within insurance and investment contract liabilities with DPF.

2.5.8 Deferred acquisition costs (DAC)

DAC are made up of commissions and other acquisition costs that vary with and are related to securing new contracts and renewing existing contracts that are capitalized and shown as part of prepayments. These costs are amortized over the period in which the related premiums are earned. The carrying amount of the deferred acquisition costs is reviewed at each reporting date for any indication of impairment. Any impairment loss is recognized in profit or loss when the carrying amount exceeds the recoverable amount.

2.5.9 Property and equipment

Items of property and equipment are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The assets residual values, useful lives and methods of depreciation are reviewed and adjusted if appropriate at each financial year end.

Items of property and equipment other than land and buildings are subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Land and buildings are subsequently carried at fair value, based on valuations by a professionally qualified valuer. These revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in the revaluation reserve except to the extent that any decrease in value in excess of the credit balance on the revaluation reserve, or reversal of such a transaction, is recognised in profit or loss.

Land is not depreciated. Depreciation is provided on all other items of property and equipment so as to write off their carrying value over their expected useful economic lives. Depreciation is provided at the following rates on a straight line basis:-

- Motor vehicles 5 years
- Equipment and computers 4 years
- Furniture and fittings 5-10 years
- Buildings 50 years

At the date of revaluation, the accumulated depreciation on the revalued buildings is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The revaluation surplus is included in the revaluation reserve until the asset is disposed or derecognised and the revaluation surplus balance is transferred to retained earnings.

An asset is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss on de-recognition

of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in profit or loss in the year the asset is derecognized.

The Group assesses at each reporting date whether there is an indication that an item property, plant and equipment may be impaired. If such indication exists, the Group makes an estimate of its recoverable amount. Property, plant and equipment's recoverable amount is the higher of its or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual item of property, plant and equipment, unless it does not generate cash inflows that are largely independent of those from other items of property, plant and equipment or groups of property, plant and equipment.

Where the carrying amount of item of property, plant and equipment exceeds its recoverable amount, the property, plant and equipment is considered impaired and is written down to its recoverable amount.

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 property, plant and equipment.

In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices of investments or other available fair value indicators. Impairment losses on continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired property, plant and equipment except for property previously revalued where there valuation was taken to other comprehensive income. 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 estimates of recoverable amounts. 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 property, plant and equipment 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 been recognized for the property, plant and equipment asset in prior years.

2.5.10 Investment property

Investment property comprises residential houses, commercial buildings and developed residential stands which are held to earn rentals and for capital appreciation. The Group's investment property is initially recorded at cost and subsequently revalued annually to open market value, with changes in the carrying value recognised in profit or loss.

Transfers are made to Investment property when and only when there is a change in use, evidenced by the end of owner occupation or commencement of an operating lease. Undeveloped land that is initially recognised as investment property is transferred to inventory or property and equipment when the property ceases to meet the definition of investment property, and there is evidence of the change in use from holding such land for capital appreciation to either developing the land for sale as trading stock or to developing owner occupied building on such land.

Investment property is derecognised when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of investment property are recognised in the income statement in the year of retirement or disposal. Gains or losses on the disposal of investment property are determined as the difference between net disposal proceed and the carrying value of the assets in the previous

full period financial statements.

2.5.11 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in statement of profit or loss in the year in which the expenditure is incurred. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss (operating and administration expenses).

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the Cash Generating Unit (CGU) level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

The significant intangibles recognised by the Group, their useful economic lives and the methods used to determine the cost of intangibles acquired in a business combination are as follows:-

Accounting software	4- 10 years
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An intangible asset is derecognised upon disposal or when no future economic benefits are expected from its use. Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

The assets residual values, useful lives and methods of depreciation are reviewed and adjusted if appropriate at each financial year end.

2.5.12 Inventories

Inventories comprise of land to be developed into residential stands, developed stands, land under development for sale as stands, funeral services consumables such as caskets and other consumables such as fuel. Inventories are initially measured at cost and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, cost of land development, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Weighted average cost is used to determine the cost of ordinarily interchangeable items (such as funeral services consumables).

Net realisable value represents the estimated selling price less all estimated cost of completion to make the necessary sale.

2.5.13 Trade and other receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arose principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporated other types of contractual monetary assets. They were initially recognised at fair value plus transaction costs that were directly attributable to their acquisition or issue, and were subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

2.5.13 Trade and other receivables (Continued)

Insurance debtors were assessed to be outside the scope of IFRS 9's requirements. As such, the impairment allowance for insurance debtors continues to be measured on an incurred loss model. The Group elected to provide in full all insurance debtors in the 120+ days and 10% on all insurance debtors in the 60 to 90+ days category. There were therefore no changes in the measurement of the impairment allowance on insurance debtors.

The Group's loans and receivables comprised trade and other receivables and cash and cash equivalents in the consolidated statement of financial position. Cash and cash equivalents include cash in hand, other short term highly liquid investments readily convertible to known amounts of cash with original maturities of three months or less, and for the purpose of the cash flow statement it includes bank overdraft.

2.6 Financial instruments

2.6.1 Financial assets

2.6.1.1 Classification

(a) Classification and measurement under IFRS 9

With effect from 1 January 2018, the Group classifies its financial assets into the following categories, depending on the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets:

- Financial assets at amortised cost
- Financial assets fair value through profit or loss (FVPL).

A financial asset is classified at amortised cost if it is held in order to collect contractual cash flows, and the contractual cash flows are solely payments of principal and interest on the principal amount owing. The Group's debt instruments are currently classified as financial assets at amortised cost.

If the financial asset does not satisfy the criteria to be classified as an asset at amortised cost or at fair value through OCI, the asset is classified as an asset at fair value through profit or loss. Listed equities held by the Group are classified as assets at fair value through profit or loss.

For an equity instrument that are held for other than to generate investment returns that would otherwise be classified as assets at fair value through profit or loss, the Group may make an irrevocable election at the time of initial recognition to account for the equity investment as an asset at fair value through OCI. When this election is made, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit and loss.

The Group has not taken this election on any of its assets.

Classification of debt instruments

Debt instruments are contracts that entitle the Group to fixed or determinable payments from another entity, such as loans, government and corporate bonds and trade receivables. The Group's debt instruments include trade, loan and other receivables, cash and deposits with banks, and bonds and other similar instruments.

Based on the factors indicated above, all of the debt instruments currently held by the Group were classified as financial assets at amortised cost as they are all held in order to collect contractual cash flows, and the contractual cash flows are solely payments of principal and interest on the principal amount owing.

The Group reclassifies debt instruments between amortised cost and fair value categories only if its business model for managing those assets changes.

Classification of equity instruments

Equity instruments are contracts that evidence a residual interest in

the issuer's net assets. Such instruments do not contain a contractual obligation to pay any cash flows as cash flows are, amongst other factors, subject to the financial performance of the issuer.

The equity instruments held by the Group do not meet the criteria to be classified as financial assets at amortised cost nor at fair value through OCI. The Group has also not elected to classify any of its equity instruments as assets at fair value through OCI. Consequently, the Group's equity instruments have been classified as financial assets at fair value through profit or loss.

Changes in the fair value of financial assets at FVPL are recognised in the statement of profit or loss in fair value gains and losses on equities. Dividend income from such assets is recorded in 'Investment income' when the right to the payment has been established.

Subsequent measurement

Financial assets at fair value through profit and loss are subsequently measured at fair value. Net gains and losses including any interest on dividend income are recognised in profit and loss.

Financial asset at amortised cost are subsequently measured at amortised cost using the effective interest method. Interest income, foreign exchange gain and losses and impairment are recognised in profit or loss.

2.6.2 Impairment

(a) Impairment of financial assets under IFRS 9

The Group uses forward looking probability weighted expected credit loss models to determine the impairment allowance on the financial assets at amortised cost. The Group recognises a separate loss allowance for such losses at each reporting date.

Refer notes 9.1 to 9.3 for the impairment methodology applied for each major class of financial assets.

(b) Impairment of financial assets under IAS39

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

For trade receivables, which are reported net; such provisions are recorded in a separate allowance account with the loss being recognised within other operating and administrative expenses in profit or loss. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

From time to time, the Group elects to renegotiate the terms of trade receivables due from customers with which it has previously had a good trading history. Such renegotiations will lead to changes in the timing of payments rather than changes to the amounts owed and, in consequence, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in profit or loss.

2.6.3 Financial liabilities

The Group's financial liabilities include borrowings and trade and other payables. These are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument.

Such liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense on the balance of the liability carried in the statement of financial position is at a constant rate over the period to the date of repayment. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

There were no changes to the classification and measurement of the Group's financial liabilities following the Group's adoption of IFRS 9 as at 1 January 2018.

2.6.4 Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the statement of financial position where the Group has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.6.5 Derecognition of financial assets and liabilities

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

2.6.6 Fair value measurement

The Group measures financial instruments and non-financial assets such as investment properties, at fair value at each reporting date.

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- (i) In the principal market for the asset or liability
- Or
- (ii) In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets, liabilities and equity items for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole.

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are measured at fair value in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. For all the significant assets such as properties each year, The Audit, Risk and Compliance Committee approves which external valuer to appoint to be responsible for the external valuations. Selection criteria

include market knowledge, reputation, independence and whether professional standards are maintained.

2.6.7 Impairment of non-financial assets (excluding inventories, property, plant and equipment, investment property and deferred tax assets)

Impairment tests on goodwill and other intangible assets with indefinite useful economic lives are undertaken annually at the financial year end. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest group of assets to which it belongs for which there are separately identifiable cash flows; its cash generating units ('CGUs'). Goodwill is allocated on initial recognition to each of the Group's CGUs that are expected to benefit from a business combination that gives rise to the goodwill.

Impairment charges are included in profit or loss, except to the extent they reverse gains previously recognised in profit or loss. An impairment loss recognised for goodwill is not reversed.

2.6.8 Income tax

2.6.8.1 Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Corporate tax assets arising from companies within the Group are not offset against liabilities in other entities within the Group. Corporate tax liabilities and assets are disclosed separately in the Statement of Financial Position. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to setoff current tax assets against current income tax liabilities and the deferred tax assets relates to the same taxable entity and the same taxation authority.

2.6.8.2 Value added tax (VAT)

Revenues, expenses and assets are recognised net of the amount of Value Added Taxes except:

- (i) Where the Value Added Tax incurred on the purchase of assets or services is not recoverable from the taxation authority, in which case, the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- (ii) Receivables and payables that are stated with the amount of VAT included.

Outstanding net amounts of VAT recoverable from, or payable to, the taxation authority are included as part of receivables or payables in the statement of financial position.

2.6.8.3 Deferred tax

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the consolidated statement of financial position differs from its tax base, except for differences arising on:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- investments in subsidiaries and jointly controlled entities where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted at the reporting date and are expected to apply when the deferred tax liabilities/ (assets) are settled/ (recovered).

ACCOUNTING POLICY NOTES

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- the same taxable Group; or
- different Group companies which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

2.6.9 Foreign currency

Transactions entered into by Group companies in a currency other than the currency of the primary economic environment in which they operate (their “functional currency”) are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. The exchange rates used are obtained from the Reserve Bank of Zimbabwe (RBZ) website. Exchange gains and losses on non-monetary financial assets form part of the overall gain or loss recognised in respect of that financial instrument. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in profit or loss.

On consolidation, the results of overseas operations are translated into US\$ at rates approximating those ruling when the transactions took place. All assets and liabilities of overseas operations, including goodwill arising on the acquisition of those operations, are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income and accumulated in the foreign exchange reserve.

Exchange differences recognised in profit or loss in Group entities’ separate financial statements on the translation of long-term monetary items forming part of the Group’s net investment in the overseas operation concerned are recognised in other comprehensive income and accumulated in the foreign exchange reserve on consolidation.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are transferred to profit or loss.

2.6.10 Retirement benefits: Defined contribution schemes

Contributions to defined contribution pension schemes are charged to profit or loss in the year to which they relate.

2.6.11 Revenue

2.6.11.1 Premium income

Gross premiums comprise the premiums on contracts entered into during the year. Premiums written include adjustments to premiums written in prior periods. Premium income arising from pensions is recognized when due while that from individual life is recognized when paid.

2.6.11.2 Fund management and investment contracts fee income

Fees charged for investment management services are recognised as revenue as the services are provided. Initial fees which exceed the level of recurring fees and relate to the future provision of services are deferred and amortised over the anticipated period in which the services will be provided.

2.6.11.3 Investment income

Investment income is interest receivable on money market financial instruments, dividends from listed and unlisted companies and fair value gains on investment property. Interest income is accrued on a time proportionate basis, by reference to the principal outstanding and effective interest rate applicable.

2.6.11.4 Revenue from sale of stands

Revenue from sale of stands is recognised when a binding contract has been signed between the buyer and the Group, a significant deposit

has been received such that it is highly unlikely that the customer would rescind the contract, the Group has allocated the stand to the buyer and stand has been certified by the City Authorities.

Therefore revenue is only recognised when the certificate of compliance is obtained from the City Authority.

2.7 Borrowing costs

Interest incurred on bank loans used to fund acquisition of additional investment property or development of existing investment property and inventory developments is capitalised as part of the acquired or developed property or developed inventory. Interest on borrowings that were obtained for lending by micro-financing subsidiary and also for operations by the holding Group is recognised in profit or loss as an expense when incurred.

2.8 Dividends

Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when declared by the directors. In the case of final dividends, this is when approved by the shareholders at the annual general meeting.

2.9 Leases

2.9.1 Right of use asset

A right of use asset and a corresponding lease liability are recognised on the Group’s statement of financial position at the date the leased asset becomes available for use by the Group. Subsequently, each rental payment is allocated between finance costs and a reduction of the lease liability over the term of the lease. The right-of-use asset is depreciated over the shorter of the asset’s useful life and the lease term on a straight-line basis. The remaining lease term currently range from 13 to 53 months and the lease liabilities are measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate. The incremental borrowing rate applied on these leases was 21% per annum.

2.9.2 Leases assessed as short term or low-value leases

Lease agreements in Zimbabwe and a few other leases in Malawi were assessed as meeting the criteria for classification as short term. Short-term leases are leases with a lease term of 12 months or less. Rental payments on these leases continue to be recognised as an expense in the income statement on a straight-line basis.

2.10 Share capital

Financial instruments issued by the Group are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Group’s ordinary shares are classified as equity instruments.

2.11 Treasury shares

Consideration paid/received for the purchase/sale of treasury shares is recognised directly in equity. The cost of treasury shares held is presented as a separate reserve (the “treasury share reserve”). Any excess of the consideration paid/received on the purchase/sale of treasury shares over the nominal cost price of the shares purchased/sold is adjusted to the share premium reserve.

2.12 Employee share ownership plan (ESOP)

As the Group is deemed to have control of its ESOP trust, it is treated as a subsidiary and consolidated for the purposes of the consolidated financial statements. The ESOP’s assets (other than investments in the Group’s shares), liabilities, income and expenses are included on a line-by-line basis in the consolidated financial statements. The ESOP’s investment in the Group’s shares is deducted from equity in the consolidated statement of financial position as if they were treasury shares.

2.13 Provisions

The Group has recognised within trade and other payables, provisions for insurance liabilities of uncertain timing or amount. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date, discounted at a pre-tax rate reflecting

current market assessments of the time value of money and risks specific to the liability.

2.14 Deferred income from sale of residential stands

The Group accounts for proceeds from sale of residential stands that have not yet been developed as deferred income. Once the residential stands have been developed and allocated to customers, proceeds associated with such stands are transferred from deferred income to income from sale of residential stands as the Group will have discharged its obligations to the customers concerned.

2.15 Reassurance

The Group reassures a portion of the risks it underwrites in order to control its exposures to losses and protect capital resources. The contracts entered into by the Group with reinsurers, under which the Group is compensated for losses on one or more contracts issued by the Group and that meet the classification requirements for insurance contracts, are classified as reinsurance contracts. A combination of proportionate and non-proportionate reinsurance treaties are acquired to reduce the net exposure to the Group. Underwriters are allowed to buy facultative reinsurance in certain specified circumstances.

Onwards reinsurance premiums are recognised in profit or loss in the same accounting period as the related premium income. Reinsurance claims recoveries are recognised in the same accounting period as the related life assurance policyholder claims are accounted for.

3. CRITICAL JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES

The Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below.

3.1. Trade receivables

The Group assesses its trade receivables for impairment at each reporting date. In determining whether an impairment loss should be recorded in profit or loss, the Group makes judgments as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset. The carrying amount of trade receivables is disclosed on Note 9.

3.2. Fair values

The fair value of the Group's land and buildings and investment properties is based on valuations performed by Bard Real Estate, an accredited independent valuer. Valuation models in accordance with recommendations by the International Valuation Standards Committee have been applied. The current year has been characterised by subdued demand for properties as compared to previous years due to general poor economic performance resulting in low disposable incomes, low production and companies' closure due to poor supply of power. Resultantly the property market has had few or no transactions.

The key assumptions in coming up with fair values are future rental income, anticipated maintenance costs, future development costs and the appropriate discount rate. Owing to the hyperinflationary environment, there were two rent reviews systems that are being used on the market, some rentals were pegged in USD\$ with either the official rate or the parallel rate being applied to establish the ZWL\$ rentals or three month-based rentals in ZWL\$. This has created some market distortions, the USD\$ pegged rentals tend to keep up with the exchange rate movement whilst the un-pegged rentals have fallen behind by far. The property market is not only distorted but has no clear direction due the prevailing economic uncertainties.

There has not been much activity in the property sector to justify any changes in value (real terms). The market was adjusting to operational challenges brought by the Covid 19 pandemic and no sales of significance were noted. Most investors were and are still analysing

the general environment which may be affected by further policies to curb the Covid pandemic world over. As most economic sectors are struggling due to the Covid pandemic, unfavourable borrowing conditions and high interest rates, it is viewed that these will have adverse effects to the property market.

The users of the financial statements must therefore note that whilst management has taken the necessary steps in coming up with the fair valuation, significant judgements were applied in the current year as a result of the uncertainties resulting from the hyperinflationary economic environment, currency shifts, excessive market volatility and lack of recent transactions conducted in ZWL\$.

The fair values of land and buildings and investment property as well as the valuation techniques and assumptions are disclosed on Notes 6 and 7.

3.3. Actuarial valuation for insurance liabilities

At the reporting date, an independent valuation of policyholder liabilities is carried out to establish a proper value of the liabilities and net assets in accordance with the registration and licensing requirements of the Commissioner of Insurance in the respective jurisdictions.

The process of establishing insurance liabilities is both complex and subjective, requiring the use of informed estimates and judgements. The significant assumptions and other factors used in the Group valuation include, but are not limited to:-

- the effects of inflation;
- estimation of underlying exposures;
- changes in the mix of business;
- amendments to contract terms and coverage;
- the impact of major events;
- movements in industry benchmarks;
- the incidence of incurred claims;
- the extent to which all claims have been reported;
- changes in the legal environment;
- damage awards; and
- changes in both internal and external processes which might accelerate or slow down both reporting and settlement of claims.

The carrying amount of life assurance liabilities that have been actuarially valued is disclosed on Note 14.

As part of the valuation the actuary gives advice to the Group on the reserve capital to keep above the regulatory capital in order to keep the Group solvent. The value of policyholder liabilities is then deducted from the value of total assets. Any surplus (i.e. excess of assets over liabilities) is split between the policyholders and shareholders as per the advice of the independent actuary.

3.4. Classification of property

The Group determines whether property is classified as investment property or inventory property.

• Investment property comprises land and buildings (principally offices, commercial warehouses and retail property) which are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation.

• Inventory property comprises property that is held for sale in the ordinary course of business. Principally, this is residential property that the Group develops and intends to sell before or on completion of construction.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2020

	GROUP		COMPANY	
	2020 ZWL\$	2019 ZWL\$	2020 ZWL\$	2019 ZWL\$
4. INTANGIBLE ASSETS				
Net carrying amount at the beginning of the year	29,850,795	9,674,142	3,324,797	-
Gross carrying amount - Cost	45,074,398	22,908,846	4,837,100	1,512,303
Accumulated amortisation	(15,223,603)	(13,234,704)	(1,512,303)	(1,512,303)
Additions	23,183,280	10,065,431	18,403,534	3,324,797
Exchange rate movement on foreign operations	6,863,415	12,100,121	-	-
Impairment	-	(491,278)	-	-
Amortisation charge for the year	(359,062)	(1,497,621)	-	-
Net carrying amount at the end of the year	59,538,428	29,850,795	21,728,331	3,324,797
Gross carrying amount - Cost	75,121,093	45,074,398	23,240,634	4,837,100
Accumulated amortisation/impairment	(15,582,665)	(15,223,603)	(1,512,303)	(1,512,303)

A software with a cost of ZWL\$23,183,280 was acquired during the year, it has an estimated useful life of 4 years.

Intangible asset work in progress amounting to ZWL\$18,403,534 and ZWL\$3,324,797 in 2019 capitalised was not amortised since the intangible asset project implementation is yet to be completed.

Fidelity Funeral Services a subsidiary had an intangible asset, a mortuary license with a cost of ZWL\$491,278 in 2019. This Intangible asset relates to mortuary license granted by City of Harare in 2014. The license was renewable on a yearly basis with the City of Harare at a cost of ZWL\$35,886 and was fully expensed in the year incurred. Although there is a fair value of the license there is currently no market for the disposal of the License as it can only be issued by City of Harare. The intangible asset was fully impaired in the prior year through the profit or loss statement.

5. DEFERRED ACQUISITION COSTS

The Group incurs costs to obtain and process new business. Acquisition costs comprise direct costs, such as initial commission, and the indirect costs of obtaining and processing new business. The Subsidiary in Malawi restated the deferred acquisition costs asset, operating expenses and insurance liabilities in the financial statements to reflect the change in treatment of deferred acquisition cost in terms of calculating insurance liabilities and data omitted in the 2019 valuation exercise. Previously the insurance liabilities were calculated using net premium value method which does not consider future expenses. The Fidelity Life Assurance Group changed the treatment to calculating the insurance liabilities using gross premium value method which consider future expenses discounted at the present value in 2016 and the Subsidiary in Malawi had not implemented for this change to ensure consistency in the presentation of the group's financial statements, The Subsidiary in Malawi is correcting for this in the current period. The effect of the change is a decrease in gross change in insurance and investment contract liabilities by ZWL\$11,084,067 and an increase in profit for the year ended 31 December 2019 by the same amount. The restatement is shown in the note 14.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2020

GROUP

6. PROPERTY AND EQUIPMENT

	Land and buildings ZWL\$	Motor vehicles ZWL\$	Equipment and computers ZWL\$	Furniture and fittings ZWL\$	Total ZWL\$
Restated net carrying amount at 31 December 2018	171,912,175	19,315,699	9,319,004	7,809,774	208,356,651
Gross carrying amount - cost/valuation	144,090,790	72,464,570	77,187,604	13,126,646	306,869,609
Prior period regulatory and currency reforms adjustment	31,491,693	-	-	-	31,491,693
Accumulated depreciation	(3,670,308)	(53,148,871)	(67,868,600)	(5,316,872)	(130,004,650)
Additions	4,470,945	-	2,830,631	999,592	8,301,168
Exchange rate movement on foreign operations	6,486,337	2,450,417	5,900,831	1,491,004	16,328,590
Disposals	-	(2,310,672)	64,672	(35,433)	(2,281,433)
Gross carrying amount - cost/valuation	-	(5,139,437)	(49,309,380)	(236,995)	(54,685,812)
Accumulated depreciation	-	2,828,766	49,374,052	201,561	52,404,379
Depreciation charge for the year	(13,094,747)	(6,482,010)	(8,212,022)	(1,369,022)	(29,157,800)
Revaluation surplus	156,244,242	-	-	-	156,244,242
Gross carrying amount - cost/valuation	143,185,404	-	-	-	143,185,404
Accumulated depreciation	13,058,838	-	-	-	13,058,838
Net carrying amount at 31 December 2019	326,018,952	12,973,435	9,903,116	8,895,914	357,791,418
Gross carrying amount - cost/valuation	329,725,169	69,775,550	36,609,686	15,380,247	451,490,652
Accumulated depreciation	(3,706,217)	(56,802,115)	(26,706,570)	(6,484,333)	(93,699,234)
Additions	34,141	1,403,459	3,165,683	565,329	5,168,612
Exchange rate movement on foreign operations	1,728,914	(93,401)	(375,208)	(213,015)	1,047,290
Disposals	-	(43,735)	(2,098)	-	(45,833)
Gross carrying amount - cost/valuation	-	(1,557,680)	(66,207)	-	(1,623,887)
Accumulated depreciation	-	1,513,945	64,109	-	1,578,054
Depreciation charge for the year	(21,007,166)	(1,649,949)	(2,787,072)	(1,462,573)	(26,906,759)
Revaluation surplus	45,007,982	-	-	-	45,007,982
Gross carrying amount - cost/valuation	24,037,337	-	-	-	24,037,337
Accumulated depreciation	20,970,645	-	-	-	20,970,645
Net carrying amount at 31 December 2020	351,782,823	12,589,809	9,904,421	7,785,655	382,062,708
Gross carrying amount - cost/valuation	355,525,561	69,527,928	39,333,954	15,732,561	480,120,004
Accumulated depreciation	(3,742,738)	(56,938,119)	(29,429,533)	(7,946,906)	(98,057,296)

Land and buildings are carried at fair value determined on an open market value basis by independent professional valuers. The latest fair value was estimated as at 31 December 2020. Land and buildings with a carrying amount of ZWL\$278,052,000 (2019: ZWL\$259,932,714) were pledged as collateral in respect of a borrowing facility with NMB Bank Zimbabwe Limited which is disclosed in Note 15.1. The value of land and buildings is categorised as a level 3 recurring fair value measurement, as disclosed in Note 32.

Included in 2019 buildings additions amounting to ZWL\$4,160,468 were non cash.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2020

COMPANY

6. PROPERTY AND EQUIPMENT

	Land and buildings ZWL\$	Motor vehicles ZWL\$	Equipment and computers ZWL\$	Furniture and fittings ZWL\$	Total ZWL\$
Restated net carrying amount at 31 December 2018	140,158,160	14,826,595	7,692,864	4,118,508	166,796,127
Gross carrying amount - cost/valuation	108,666,467	42,110,076	63,263,757	5,418,740	219,459,040
Prior period regulatory and currency reforms adjustment	31,491,693	-	-	-	31,491,693
Accumulated depreciation	-	(27,283,481)	(55,570,893)	(1,300,232)	(84,154,606)
Additions	4,160,464	-	1,414,342	441,122	6,015,928
Disposals	-	-	(64,641)	-	(64,641)
Gross carrying amount - cost/valuation	-	-	(48,858,071)	-	(48,858,071)
Accumulated depreciation	-	-	48,793,431	-	48,793,431
Depreciation charge for the year	(13,058,838)	(3,485,223)	(5,184,558)	(480,781)	(22,209,400)
Revaluation surplus	128,672,928	-	-	-	128,672,928
Gross carrying amount - cost/valuation	115,614,090	-	-	-	115,614,090
Accumulated depreciation	13,058,838	-	-	-	13,058,838
Net carrying amount at 31 December 2019	259,932,714	11,341,372	3,858,008	4,078,849	279,210,943
Gross carrying amount - cost/valuation	259,932,714	42,110,076	15,820,028	5,859,862	323,722,680
Accumulated depreciation	-	(30,768,704)	(11,962,020)	(1,781,013)	(44,511,737)
Additions	-	981,781	1,332,318	268,375	2,582,474
Disposals	-	-	-	-	-
Gross carrying amount - cost/valuation	-	(79,700)	-	-	(79,700)
Accumulated depreciation	-	79,700	-	-	79,700
Depreciation charge for the year	(20,970,645)	(500,839)	(678,903)	(540,870)	(22,691,257)
Revaluation surplus	39,089,931	-	-	-	39,089,931
Gross carrying amount - cost/valuation	18,119,286	-	-	-	18,119,286
Accumulated depreciation	20,970,645	-	-	-	20,970,645
Net carrying amount at 31 December 2020	278,052,000	11,822,313	4,511,423	3,806,354	298,192,090
Gross carrying amount - cost/valuation	278,052,000	43,012,156	17,152,346	6,128,237	344,344,739
Accumulated depreciation	-	(31,189,843)	(12,640,923)	(2,321,883)	(46,152,649)

Land and buildings are carried at fair value determined on an open market value basis by independent professional valuers. The latest fair value was estimated as at 31 December 2020. Land and buildings with a carrying amount of ZWL\$278,052,000 (2019 ZWL\$259,932,714) were pledged as collateral in respect of a borrowing facility with NMB Bank Zimbabwe Limited which is disclosed in Note 15.1. The value of land and buildings is categorised as a level 3 recurring fair value measurement, as disclosed in Note 32.

Included in 2019 buildings additions amounting to ZWL\$4,160,469 were non cash.

GROUP

COMPANY

7. INVESTMENT PROPERTY

	2020 ZWL\$	2019 ZWL\$	2020 ZWL\$	2019 ZWL\$
Balance at the beginning of the year	2,969,606,711	628,287,024	877,573,889	558,745,978
Additions	-	11,949,971	-	11,949,971
Improvements	-	2,451,427	-	2,451,427
Reclassification from inventory	-	621,349,279	-	-
Disposals	(73,119,512)	(29,904,970)	(79,381,287)	(29,904,970)
Exchange rate movement on foreign operations	14,489,090	124,329,183	-	-
Fair value gains - properties held for investment contracts	22,120,255	21,766,610	22,120,255	21,766,610
Fair value gains through profit or loss	184,655,351	1,589,378,187	20,310,748	312,564,873
Balance at the end of the year	3,117,751,895	2,969,606,711	840,623,605	877,573,889

Management determined that the investment properties consist of four classes of property – office and retail buildings, residential houses, developed residential stands, undeveloped land and developed commercial and institutional stands. Investment properties are held for long term rental yields and capital appreciation.

Included in 2019 additions and improvements are non cash additions and improvements amounting to ZWL\$11,949,967. For the Company additions acquired in 2019 amounting to ZWL\$11,949,967 were non cash.

Included in disposals are non cash disposals amounting to ZWL\$61,499,285 in 2020 and ZWL\$29,904,970 in 2019.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2020

7. INVESTMENT PROPERTY (Continued)

As at 31 December 2020, the fair values of the properties are based on valuations performed by Bard Real Estate an accredited independent valuer. Bard Real Estate is a specialist in valuing these types of investment properties and has recent experience in the location and category of the investment properties being valued. Valuation models in accordance with recommendations by the International Valuation Standards Committee have been applied.

There were no transfers between Levels 1 or 2 to Level 3 during the year. Investment properties are at Level 3. Refer to **Note 32** for relevant fair value hierarchy disclosures. Significant judgements and assumptions were applied for the Group's Investment property portfolio. Land banks and residential properties were valued in US\$ using the comparison method and/or market evidence and an interbank exchange rate was applied converting the US\$ values to ZWL\$ for financial reporting purposes.

During the year ZWL\$8,642,025 (2019:ZWL \$18,580,361) was recognised in the consolidated statement of profit or loss and other comprehensive income in relation to rental income from the investment properties. For the Company, rental income arising from investment properties amounted ZWL \$5,286,950 (2019: ZWL\$5,279,132). Direct operating expenses, including repairs and maintenance, arising from investment property that generated rental income amounted to ZWL\$5,082,118 (2019: ZWL\$6,619,319). Direct operating expenses, including repairs and maintenance, arising from investment property that did not generate rental income during the year amounted to ZWL\$Nil (2019: ZWL\$210,821). These expenses were mostly incurred on properties held by the Company.

7.1 Right of Use Asset

The Group leases several offices in major towns and cities in Zimbabwe and Malawi. Each lease is negotiated separately and will have terms and conditions that vary widely from those agreed for other lease arrangements. The lease agreements do not impose any covenants, and leased assets may not be used as security for borrowings. Lease contracts are usually signed for fixed periods of 1 to 5 years. The Group disclosed the office building under lease separately from property and equipment. The Subsidiary in Malawi negotiated the lease from the five year period to one year resulting in the derecognition of the right of use asset as the lease is now being accounted as a short term lease.

	GROUP		
	Office buildings ZWL\$	Motor Vehicles ZWL\$	Total ZWL\$
Net carrying amount at 31 December 2018	-	2,310,672	2,310,672
Cost	-	2,772,806	2,772,806
Accumulated amortisation	-	(462,134)	(462,134)
Additions	811,318	-	811,318
Exchange rate movement on foreign operations	11,437,942	3,296,034	14,733,976
Amortisation for the year	(1,602,212)	(852,057)	(2,454,269)
Net carrying amount at 31 December 2019	10,647,048	4,754,649	15,401,697
Cost	12,249,260	6,068,840	18,318,101
Accumulated amortization	(1,602,212)	(1,314,191)	(2,916,404)
Additions	-	13,184,156	13,184,156
Exchange rate movement on foreign operations	(6,970,122)	14,024,430	7,054,308
Derecognition of right of use asset	(3,676,927)	-	(3,676,927)
Cost	(5,279,139)	-	(5,279,139)
Amortisation	1,602,212	-	1,602,212
Amortisation for the year	-	(2,403,907)	(2,403,907)
Net carrying amount at 31 December 2020	-	29,559,329	29,559,329
Cost	-	33,277,427	33,277,427
Accumulated amortization	-	(3,718,098)	(3,718,098)

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2020

7.1 Right of Use Asset (Continued)

Set out below are the carrying amounts of lease liabilities and the movements during the period:

Movement analysis to 31 December 2020

Movements in right of use assets and lease liabilities as included in note 7.1 and 16 during the year were as follows:

	2020 Right-Of-Use Asset ZWL\$	2019 Right-Of-Use Asset ZWL\$
Balance as at 31 December 2019	15,401,697	-
Impact of adoption of IFRS 16	-	2,310,672
Balance as at 1 January 2020	15,401,697	2,310,672
Additions	13,184,156	811,318
Amortization	(2,403,907)	(2,454,269)
Derecognition of right of use asset	(3,676,927)	-
Exchange rate movement on foreign operations	7,054,308	14,733,976
Balance at 31 December 2020	29,559,329	15,401,697
7.1.3 Retained earnings		
The impact of transition to IFRS 16 on retained earnings is as follows:		
Recognition of right of use asset under IFRS 16	-	2,310,672
Recognition of lease obligation	-	(2,310,672)
Total change in equity due to adopting IFRS 16 (1 January 2019)	-	-

	GROUP		COMPANY	
	2020 ZWL\$	2019 ZWL\$	2020 ZWL\$	2019 ZWL\$
7.1.4 The following amounts are recognised in profit and loss				
Amortisation of right of use assets	2,403,907	2,454,269	-	-
Interest expense on lease liabilities	1,642,235	1,311,314	-	-
Expense relating to short term leases	19,816,812	6,744,622	4,035,819	3,797,310

The Group had total cash outflows for leases of ZWL\$23,862,953 in 2020 and ZWL\$10,510, 205 in 2019

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2020

	GROUP		COMPANY	
	2020 ZWL\$	2019 ZWL\$	2020 ZWL\$	2019 ZWL\$
8 INVESTMENT IN SUBSIDIARIES				
The Company accounts for Investment in subsidiaries applying the equity method. The share of losses in Fidelity Funeral Services Company (Private) Limited exceeded the Company's interest in the subsidiary resulting in the accounting of share of losses to the extent of profit made in the current year.				
Fidelity Life Asset Management Company (Private) Limited	-	-	26,176,450	28,612,180
Fidelity Funeral Services Company (Private) Limited	-	-	-	-
Fidelity Life Financial Services (Private) Limited	-	-	31,364,733	63,547,602
Zimbabwe Actuarial Consultants (Private) Limited	-	-	15,791,337	6,723,377
Langford Estates 1962 (Private) Limited	-	-	1,639,754,150	1,506,959,300
Vanguard Life Assurance Company Limited	-	-	99,648,419	78,041,529
	-	-	1,812,735,089	1,683,883,988

8.1 RECONCILIATION OF CARRYING AMOUNT

Opening balance

Share of profit	-	-	1,683,883,988	741,394,413
Share of revaluation gains on property	-	-	114,589,244	891,106,415
Share of Exchange differences arising on translation of foreign operations	-	-	448,583	428,929
Dividends	-	-	13,813,274	56,615,814
	-	-	-	(5,661,583)
closing balance	-	-	1,812,735,089	1,683,883,988

	GROUP		COMPANY	
	2020 ZWL\$	2019 ZWL\$	2020 ZWL\$	2019 ZWL\$
9 TRADE AND OTHER RECEIVABLES				
Residential stand sales debtors	2,519,767	75,764,282	2,519,767	75,764,282
Micro-finance loans receivable	24,139,563	56,519,916	-	-
Insurance debtors	178,796,841	108,973,508	4,982,767	6,241,766
Other trade debtors	3,704,723	2,243,635	-	-
Trade receivables - gross	209,160,894	243,501,341	7,502,534	82,006,048
Less : expected credit loss on trade receivables	(13,176,561)	(24,068,488)	(2,386,713)	(9,708,095)
Trade receivables - net	195,984,333	219,432,853	5,115,821	72,297,953
Receivables from related parties, net of ECL (Note 34.3.1)	3,978,061	4,167,709	15,413,662	9,060,307
Loans to employees, net of ECL	23,451	362,472	23,451	18,612
Total receivables classified as financial assets at amortised cost	199,985,845	223,963,034	20,552,934	81,376,872
Prepayments	78,013,081	12,598,006	4,632,980	10,277,623
Other receivables, net of ECL	16,120,341	52,012,192	6,566,367	2,308,872
Total trade and other receivables	294,119,267	288,573,232	31,752,281	93,963,367
Non-current portion	18,517,632	83,066,688	18,517,632	83,066,688
Current portion	275,601,635	205,506,544	13,234,649	10,896,679
Total trade and other receivables	294,119,267	288,573,232	31,752,281	93,963,367

There was a significant decline in stand debtors in the current period as most of the debtors settled their accounts and no new debtors were recognised as the Southview development project has reached its tail end.

Included in other receivables balance are debtors arising from non core business activities such as rental debtors and debtors arising from disposal of non core assets from the Southview development project.

Receivables from related parties, loans to employees and other receivables are shown net of expected credit losses. The amount of expected credit losses for these receivables are shown in the table below.

The total expected credit loss is made up of the following:

Expected credit loss on trade receivables	13,176,561	24,068,488	2,386,713	9,708,095
Expected credit loss on loans to employees	-	480,615	-	480,615
Expected credit loss on other receivables	47,614	213,588	47,614	213,588
Expected credit loss on related party receivables	-	2,895,984	-	2,895,984
	13,224,175	27,658,675	2,434,327	13,298,282

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for the year ended 31 December 2020

9 TRADE AND OTHER RECEIVABLES (continued)

Impact on year end ECL exposures transferred between stages during the year

	GROUP		COMPANY	
	2020 ZWL\$	2019 ZWL\$	2020 ZWL\$	2019 ZWL\$
Opening credit loss allowance as at 1 January 2020	27,658,675	120,332,039	13,298,282	100,218,851
Receivables written off during the year as uncollectable	(784,742)	(569,869)	-	(236,402)
Net (decrease)/increase during the year through profit or loss	9,316,370	26,966,271	3,775,971	(12,910)
Impact on year end ECL exposures transferred between stages during the year	(22,966,128)	(119,069,766)	(14,639,926)	(86,671,257)
Balance at the end of the year	13,224,175	27,658,675	2,434,327	13,298,282

The increase in expected credit losses has been disclosed separately on the face of the statement of profit or loss and other comprehensive income. Reversal of unutilised amounts is included in other operating income.

Impairment - Expected Credit Loss Models

With the adoption of IFRS 9, the Group revised its impairment methodology for each class of assets held at amortised cost that bear similar credit risk characteristics. The IFRS 9 methodology requires the use of forward looking probability weighted expected credit loss models to determine the impairment allowance on the financial assets held at amortised cost. The impairment methodology applied for each material class of financial assets is indicated below.

Trade receivables: micro-finance loans receivable

In determining impairment allowances for micro-finance loans and advances, the Group applies the full expected credit loss model under IFRS 9. This model starts with establishing a 3 stage loan grading model, which grades each loan based on whether there has been a significant increase in the credit risk and/or a default event observed since the initial recognition of that loan. Under the current model, credit risk of each loan is tracked using the ageing of the receivable. The loan is graded into stage 1, stage 2 or stage 3 based on the age of the oldest outstanding instalment. The grade into which the loan is categorised determines how the impairment loss on the loan is calculated. The stages are as defined below:

Stage 1 - Performing loans - all micro-finance loans advanced by the Group start off in this stage. In the absence of a significant deterioration in credit risk, the loans remain in Stage 1. For loans in Stage 1, ECL is estimated based on the loan's risk of default in the twelve months after the year end (12-month ECL).

Stage 2 - Non-performing loans - a micro-finance loan advances into Stage 2 if it experiences a significant increase in credit risk. For the Group, a micro-finance loan is assessed as having experienced a significant increase in credit risk when one or more instalment is overdue at the point of measuring the ECL. This is consistent with the rebuttable presumption in IFRS 9 that suggests that a debtor has experienced a significant increase in credit risk when it carries a balances that is 30 days overdue. For Stage 2 loans, the ECL represents losses expected over the remaining contractual life of the loan (lifetime expected credit loss).

Stage 3 - Loans in default - the loan reaches default when it carries an instalment older than 120days. IFRS 9 carries a rebuttable presumption that default does not occur later than when a financial asset is 90 days past due. The Group has rebutted this presumption. For the micro-finance loans, default occurs from the 121 days overdue mark as the Group's debt collection procedures indicate that it is at this point that the debtor would have failed to fulfil their obligations without reasonable doubt. For Stage 3 loans, the ECL represents losses expected over the remaining contractual life of the loan (lifetime expected credit loss).

After staging, the model then calculates the expected credit loss as a product of Probability of Default (PD), Loss Given Default (LGD), and Exposure At Default (EAD). The methods applied by the Group to determine these inputs are described below:

PD - Probability of default is the estimation of the likelihood of a loan reaching default state over a given time horizon. The determination of PD considers all reasonable and supportable information relating to the loan book that the Group can obtain without undue cost or effort. This includes information about past performance of the loan portfolio, current conditions and forecasts of future conditions that may affect the loans. This information is a combination of information that is internal and external to the Group. PDs were calculated for the 3 stages using Markov Chains. No adjustments for economic factors were made to the calculated PDs as no plausible correlation could be established between macro-economic factors and the probability of a person defaulting under this loan portfolio.

LGD - Loss given default is the financial loss that the Group could suffer when a borrower defaults on their loan. The Group used run-off triangles to model the progression of loans in default state from the year they were disbursed. The run-off triangles were tabulated starting with loans disbursed in 2012, tracking the ultimate loss on defaulted loans through to 2020. A weighted average LGD ratio was calculated for the entire portfolio, adjusted for macro-economic factors and discounted at the original effective interest rate applicable to the micro-finance loans.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2020

9 TRADE AND OTHER RECEIVABLES (continued)

9.1 Impairment - Expected Credit Loss Models (continued)

(i) Trade receivables: microfinance loans receivable (continued)

A small percentage of the micro-finance loan book is secured. LGD for the secured loans was estimated separately for each loan, rather than at portfolio level. For secured loans, the LGD is defined as the expected ultimate loss on the loan expressed as a proportion of the outstanding loan balance at the point of default. The ultimate loss is the difference between outstanding loan balance at default and the amount recovered from sale of the security held. The fair value of the assets held as security is determined through management estimates. Where the estimated fair value of the asset equals or exceeds the outstanding loan amount, LGD is estimated as zero.

The calculated LGDs were adjusted for inflation based on the correlation that was established between LGD and inflation indices.

EAD - Exposure at default is an estimation of the expected financial exposure to the Group at the point a loan reaches default state. EAD has been calculated as the amortised cost of each loan at the end of the minimum number of months that would be required for the loan to reach default state from its current state, assuming no collections are made on the loan.

ECL is then calculated as a probability weighted average of a range of possible loss outcomes, with the key variables being PD and LGD.

The ECL calculated on the loans in the 3 stages is as follows:

	Stage 1 12-month ECL ZWL\$	Stage 2 Lifetime ECL ZWL\$	Stage 3 Lifetime ECL ZWL\$	Total ZWL\$
As at 31 December 2020				
Micro-finance loans receivable				
Performing	17,012,476	-	-	17,012,476
Overdue	-	3,255,797	-	3,255,797
Default	-	-	3,871,290	3,871,290
Gross carrying amount	17,012,476	3,255,797	3,871,290	24,139,563
Expected credit loss on micro-finance loans receivable	(372,835)	(185,616)	(3,392,669)	(3,951,120)
Net carrying amount	16,639,641	3,070,181	478,621	20,188,443
As at 31 December 2019				
Micro-finance loans receivable				
Performing	42,127,315	-	-	42,127,315
Overdue	-	8,448,479	-	8,448,479
Default	-	-	5,944,122	5,944,122
Gross carrying amount	42,127,315	8,448,479	5,944,122	56,519,916
Expected credit loss on micro-finance loans receivable	(2,343,543)	(2,652,678)	(4,495,299)	(9,491,520)
Net carrying amount	39,783,772	5,795,801	1,448,823	47,028,396

Analysis of changes in the gross carrying amount in relation to micro-finance loans receivable is as follows:

	Stage 1 12-month ECL ZWL\$	Stage 2 Lifetime ECL ZWL\$	Stage 3 Lifetime ECL ZWL\$	Total ZWL\$
As at 31 December 2020				
Gross carrying amount at beginning of the year	42,127,314	3 8,448,482	5,944,120	56,519,916
New receivables originated	17,138,449	520,630	3,322,741	21,502,450
Receivables derecognised or matured (excluding written off)	(761,307)	(648,054)	(1,863,280)	(3,272,641)
Receivables written off	-	-	-	-
Receivables transferred between stages during the year	(41,112,865)	(7,379,837)	(2,117,460)	(50,610,162)
Gross loan and advances to customers at year end	17,391,591	941,221	5,286,121	24,139,563
As at 31 December 2019				
Gross carrying amount at beginning of the year	184,573,309	26,132,446	21,858,037	232,563,792
New receivables originated	46,460,659	8,637,829	1,474,634	56,573,122
Receivables derecognised or matured (excluding written off)	(26,932,556)	(2,547,406)	(199,565)	(29,679,527)
Receivables written off	-	-	-	-
Receivables transferred between stages during the year	(161,974,098)	(23,774,387)	(17,188,986)	(202,937,471)
Gross loan and advances to customers at year end	42,127,314	8,448,482	5,944,120	56,519,916

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2020

9 TRADE AND OTHER RECEIVABLES (continued)

9.1 Impairment - Expected Credit Loss Models (continued)

Movements in expected credit losses for micro-finance loans receivable were as follows:

As at 31 December 2020	Stage 1 12-month ECL ZWL\$	Stage 2 Lifetime ECL ZWL\$	Stage 3 Lifetime ECL ZWL\$	Total ZWL\$
Balance at the beginning of the year	2,343,541	2,652,679	4,495,300	9,491,520
Allowances written off on uncollectable receivables	-	-	-	-
New allowances originated	125,753	656,404	20,221	802,378
Allowances derecognised or matured (excluding written off)	(815,058)	(32,270)	(355,072)	(1,202,400)
Impact on year end ECL of exposures transferred between stages during the year	(1,263,809)	(1,118,385)	(2,758,184)	(5,140,378)
Balance at the end of the year	390,427	2,158,428	1,402,265	3,951,120
As at 31 December 2019	Stage 1 12-month ECL ZWL\$	Stage 2 Lifetime ECL ZWL\$	Stage 3 Lifetime ECL ZWL\$	Total ZWL\$
Balance at the beginning of the year	13,030,530	8,013,010	16,772,615	37,816,155
Allowances written off on uncollectable receivables	-	-	-	-
New allowances originated	4,311,022	1,869,181	90,708	6,270,910
Allowances derecognised or matured (excluding written off)	(11,843,146)	(7,568,612)	(15,665,106)	(35,076,864)
Impact on year end ECL of exposures transferred between stages during the year	(3,154,865)	339,101	3,297,084	481,319
Balance at the end of the year	2,343,541	2,652,679	4,495,300	9,491,520

(ii) Trade receivables: residential stand sales

The stand sales debtors represent trade debtors with a significant financing component. The IFRS 9 practical expedient for trade debtors requires that for such debtors, a policy choice be taken to either apply the simplified approach under the practical expedient, or the full three-stage approach under the general model. The Group elected to apply the simplified approach on its stands sales debtors. Under this approach, lifetime expected credit losses are recognised from initial recognition of the receivables, on a portfolio basis. The residential stand debtors are secured by the respective residential stands sold, significantly reducing the risk of outright loss. Credit loss is however expected from delayed payment of instalments by these debtors.

The expected loss rate is a significant estimate and has been calculated as a probability weighted average of a range of possible loss outcomes estimated based on historic, current and forward looking internal and macro-economic information that is readily available without undue cost or effort. Each scenario was adjusted to factor in time value of money at the original effective interest rate of the debtors, and inflation based on its correlation with the performance of the debtors' book.

There was no material change in the impairment allowances on these debtors from prior year. However, due to significant increases in inflation rates at the end of the year, there was a significant reduction in the expected loss rate due to the inverse relationship established between inflation and expected losses on the stand sales debtors' book.

The residential stand sales debtors are analysed below:

As at 31 December 2020	Stage 2 Lifetime ECL ZWL\$	Stage 3 Lifetime ECL ZWL\$	Total ZWL\$
Residential stand sales debtors			
Performing	964,243	-	964,243
Overdue	339,231	-	339,231
Default	-	1,216,293	1,216,293
Gross carrying amount	1,303,474	1,216,293	2,519,767
Expected credit loss on residential stand sales debtors	(205,443)	(1,164,174)	(1,369,616)
Net carrying amount	1,098,031	52,119	1,150,151
As at 31 December 2019	Stage 2 Lifetime ECL ZWL\$	Stage 3 Lifetime ECL ZWL\$	Total ZWL\$
Residential stand sales debtors			
Performing	72,507,777	-	72,507,777
Overdue	1,398,933	-	1,398,933
Default	-	1,857,572	1,857,572
Gross carrying amount	73,906,710	1,857,572	75,764,282
Expected credit loss on residential stand sales debtors	(4,440,460)	(705,125)	(5,145,585)
Net carrying amount	69,466,250	1,152,448	70,618,697

Analysis of changes in the gross carrying amount in relation to stand sales receivables is as follows:

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2020

9 TRADE AND OTHER RECEIVABLES (continued)

9.1 Impairment - Expected Credit Loss Models (continued)

ii) Trade receivables: residential stand sales (continued)

As at 31 December 2020	Stage 2 Lifetime ECL ZWL\$	Stage 3 Lifetime ECL ZWL\$	Total ZWL\$
Balance at the beginning of the year			
New receivables originated	73,906,709	1,857,572	75,764,282
Receivables derecognised or matured (excluding written off)	-	-	-
Receivables written off	(73,123,384)	(1,398,475)	(74,521,859)
Impact on year end ECL of exposures transferred between stages during the year	-	-	-
	1,245,862	31,482	1,277,344
Balance at the end of the year	2,029,188	490,579	2,519,767

As at 31 December 2019	Stage 2 Lifetime ECL ZWL\$	Stage 3 Lifetime ECL ZWL\$	Total ZWL\$
Balance at the beginning of the year			
New receivables originated	873,207,960	40,130,365	913,338,326
Receivables derecognised or matured (excluding written off)	-	-	-
Receivables written off	(820,070,542)	(40,141,508)	(860,212,050)
Impact on year end ECL of exposures transferred between stages during the year	-	-	-
	20,769,292	1,868,715	22,638,006
Balance at the end of the year	73,906,710	1,857,572	75,764,282

Movements in expected credit losses for stand sales receivables are as follows:

As at 31 December 2020	Stage 2 Lifetime ECL ZWL\$	Stage 3 Lifetime ECL ZWL\$	Total ZWL\$
Opening loss allowance as at 1 January 2020	4,440,462	705,126	5,145,587
Allowances written off on uncollectable receivables	-	-	-
New allowances originated	-	-	-
Allowances derecognised or matured (excluding written off)	(4,120,897)	75,243	(4,045,654)
Impact on year end ECL of exposures transferred between stages during the year	55,798	213,885	269,683
Balance at the end of the year	375,363	994,254	1,369,616

As at 31 December 2019	Stage 2 Lifetime ECL ZWL\$	Stage 3 Lifetime ECL ZWL\$	Total ZWL\$
Opening loss allowance as at 1 January 2019	19,053,056	12,908,231	31,961,287
Allowances written off on uncollectable receivables	-	-	-
New allowances originated	-	-	-
Allowances derecognised or matured (excluding written off)	1,029,771	274,603	1,304,374
Impact on year end ECL of exposures transferred between stages during the year	(15,642,365)	(12,477,710)	(28,120,076)
Balance at the end of the year	4,440,462	705,124	5,145,585

(iii) Cash and short term deposits

The general expected credit loss model under the IFRS 9 also applies to the Group's cash and short term deposits. Credit risk associated with counterparties on short term and demand deposits is assessed based on credit ratings determined by the Global Credit Rating Company, which ratings are external to the Group. Were these ratings are not available, counterparty credit risk is assessed through internal mechanisms designed to assess the strength of the counterparty's capacity to meet their contractual cash obligations in the near term.

As the deposits are for periods less than 3 months, no significant increases in credit risk were noted as at 1 January 2020 and over the course of the year. As such, the cash and short term deposits were classified within Stage 1, prompting a 12 month expected credit loss assessment per IFRS 9. The probability of default on these instruments was assessed as insignificant due to their short tenure, resulting in an immaterial ECL which has not been recognised.

(iv) Debt securities at amortised cost

These are investments in prescribed assets with a long tenure, issued by both government and private entities. The assets pay fixed interest coupons at half yearly or quarterly intervals. The principal amount is settled on maturity of the investment. There has been no indication of a lack of capacity by the counterparties to settle the coupons and principal amounts as they fall due, particularly because of their prescribed asset status. As such, PD is estimated to approximate zero. No impairment allowance has been recognised on these instruments.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2020

9 TRADE AND OTHER RECEIVABLES (continued)

(v) Insurance debtors

Insurance debtors were assessed to be outside the scope of IFRS 9's requirements. As such, the impairment allowance for insurance debtors continues to be measured on an incurred loss model. The Group has elected to provide in full all insurance debtors in the 120+ days and 10% on all insurance debtors in the 60 to 90+ days category. There were therefore no changes in the measurement of the impairment allowance on insurance debtors.

(vi) Related party receivables

Expected credit losses on related party receivables were assessed as immaterial.

	GROUP		COMPANY	
	2020 ZWL\$	2019 ZWL\$	2020 ZWL\$	2019 ZWL\$
10 INVENTORIES				
Opening balance				
Projects under development	49,303,908	49,482,398	49,303,908	49,482,398
Land inventory	-	-	-	-
Residential stands	10,809,255	11,424,597	10,809,255	11,424,601
Consumables	232,316	315,770	-	-
Closing balance	60,345,479	61,222,765	60,113,163	60,906,999

Inventories recognised as an expense during the year ended 31 December 2020 amounted to ZWL\$216,881 (2019: ZWL\$1,446,667). During the year inventory related costs amounting to ZWL\$79,747,386 were written off due to completion of sale of stands arising from project Southview development activities. A balance of ZWL\$32,258,6071 of the project development costs relates to exchange loss on the underlying liability. These are shown in the statement of profit or loss and other comprehensive income as project development costs.

Inventories valued at ZWL\$621,349,279 was transferred to investment property in 2019 resulting in a significant decrease in inventories. Further information is detailed in Note 7.

There were no borrowing costs capitalised during the current financial year.

11 FINANCIAL ASSETS

11.1 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 ZWL\$	2019 ZWL\$	2020 ZWL\$	2019 ZWL\$
Balance at the beginning of the year	313,481,258	423,629,148	120,607,620	380,021,491
Additions	50,322,840	77,205,812	3,392,556	14,767,970
Fair value adjustments - through investment contract liabilities	(19,379,938)	1,564,738	(19,379,938)	1,564,738
Fair value adjustments - through profit or loss	400,865,627	(274,548,350)	365,015,474	(246,026,555)
Exchange gains/ loss	95,570,270	115,349,934	-	-
Disposals	(178,114,158)	(29,720,024)	(176,685,275)	(29,720,024)
Balance at the end of the year	662,745,899	313,481,258	292,950,437	120,607,620

Financial assets at fair value through profit and loss relate to shares held in various listed counters. Refer to note 30 for relevant fair value hierarchy disclosures.

11.2 DEBT SECURITIES AT AMORTISED COST

	2020 ZWL\$	2019 ZWL\$	2020 ZWL\$	2019 ZWL\$
Balance at the beginning of the year	229,850,978	64,670,734	1,872,904	45,434,339
Additions	35,173,680	99,817,734	-	-
Exchange gain	53,472,893	128,160,339	-	-
Maturities	(1,574,032)	(62,797,827)	(1,574,032)	(43,561,435)
Balance at the end of the year	316,923,519	229,850,978	298,872	1,872,904

Debt securities at amortised cost include development bonds and treasury bills that carry prescribed asset status. Interest rates on these instruments range from 5% to 12%. 99% of the bonds will have matured by 31 December 2021, and the remaining 1% extend as far as 2026. Further disclosure on prescribed assets is provided in Note 38.

12 CASH AND DEPOSITS WITH BANKS

	2020 ZWL\$	2019 ZWL\$	2020 ZWL\$	2019 ZWL\$
Money market investments	451,793,079	280,756,060	164,059,766	8,670,163
Bank and cash	98,386,411	46,123,482	70,828,973	20,340,353
Cash and cash equivalents	550,179,490	326,879,542	234,888,739	29,010,516
Restricted cash	377,750	1,694,517	377,750	1,694,517
	550,557,240	328,574,059	235,266,489	30,705,033

Restricted cash refers to a fixed deposit kept by First Capital Bank Zimbabwe as security for a loan received from First Capital Bank Malawi. The lien over the cash deposit runs for the tenure of the loan, which is expiring on 30 November 2021, as disclosed in Note 15.

The credit quality of cash and cash equivalents held is disclosed in Note 30.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2020

	GROUP		COMPANY	
	2020 ZWL\$	2019 ZWL\$	2020 ZWL\$	2019 ZWL\$
13 SHARE CAPITAL				
Authorised share capital 200,000,000 ordinary shares of ZWL\$0.01 each	55,726,394	55,726,394	55,726,394	55,726,394
Issued and fully paid share capital 108,923,291 ordinary shares of ZWL\$0.01 each	30,349,514	30,349,514	30,349,514	30,349,514

14 INSURANCE AND INVESTMENT CONTRACT LIABILITIES

Prior period regulatory and currency reforms adjustments

Fidelity Life Assurance of Zimbabwe conducted an asset separation between policyholders and shareholders to ensure compliance with the requirements of the Insurance Act (Chapter 24:07) and the Pension and Provident funds Act (Chapter 24:09). The results of the exercise as per the Company's calculations disclosed a 94:6 split between policyholders and shareholders respectively, previously the Company was applying the 90:10 split. The results were approved by the Insurance and Pensions Commission (IPEC).

Asset separation

Fidelity Life Assurance of Zimbabwe maintained its assets and liabilities on a combined basis operating a pooled fund. Profits of the company were therefore shared between policyholders and shareholders in accordance with the provisions of the Company's articles of association.

In addition to having a shareholder fund, Fidelity Life Assurance of Zimbabwe had to separate and maintain distinct asset portfolios (Funds) at least for the three broad categories of insurance funds that it operates which includes investment contracts, insurance contracts with profit and insurance contracts without profits.

This necessitated a project to establish a basis on which to achieve such separation and administer the funds separately in compliance with the Insurance Act (Chapter 24:7) and the Pension and Provident funds Act (Chapter 24:09).

In addition to the IPEC approved 94:6 split of assets for policyholders and shareholders, Fidelity Life Assurance of Zimbabwe was also required to address the requirements of the Guideline for the Insurance and Pensions Industry on adjusting Insurance and Pension values in response to currency reforms issued in terms of Section 3 (1) (a) of Statutory Instrument 69 of 2020.

Following the approval of Fidelity Life Assurance of Zimbabwe proposed Asset Separation report by IPEC, the company has implemented the notional 94:6 split between Shareholders and Policyholders. Consequently, the actuarial liability has been restated in line with the results of the asset split and the 2019 currency reforms.

This prior period regulatory and currency reforms adjustments has been accounted for retrospectively, and the comparative information for 2019 has been restated. The effect of the change is a decrease of ZWL\$72,887,035 in profit and an increase in the gross change in insurance and investment contract liabilities by the same amount for the year ended 31 December 2019. Furthermore, opening retained earnings for 2019 have been increased by ZWL\$13,871,260 and Insurance and Investment contract liabilities have been increased by ZWL\$124,963,410 which is the amount of the adjustment relating to periods before 2019. The restatement is in the note below

Prior period error

The Subsidiary in Malawi restated the deferred acquisition costs asset, operating expenses and insurance liabilities in the financial statements to reflect the change in treatment of deferred acquisition cost in terms of calculating insurance liabilities and data omitted in the 2019 valuation exercise. Previously the insurance liabilities were calculated using net premium value method which does not consider future expenses. The Fidelity Life Assurance Group changed the treatment to calculating the insurance liabilities using gross premium value method which consider future expenses discounted at the present value in 2016 and the Subsidiary in Malawi had not implemented for this change to ensure consistency in the presentation of the group's financial statements, The Subsidiary in Malawi is correcting for this in the current period. The effect of the change is a decrease in gross change in insurance and investment contract liabilities by ZWL\$11,084,067 and an increase in profit for the year ended 31 December 2019 by the same amount. The restatement is shown in the note below.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2020

14. INSURANCE AND INVESTMENT CONTRACT LIABILITIES (Continued)

	GROUP		COMPANY	
	2020 ZWL\$	2019 Restated ZWL\$	2020 ZWL\$	2019 Restated ZWL\$
14.1 Insurance contract liabilities and investment contract				
liabilities with discretionary participation features				
Balance at the beginning of the year	3,137,923,700	1,868,762,592	2,257,150,063	1,615,013,279
Prior period regulatory and currency reforms adjustments		124,963,410		124,963,410
Adjusted balance	3,137,923,700	1,993,726,002	2,257,150,063	1,739,976,689
Split out of investment contract liabilities without DPF	(223,625,887)	-	(223,625,887)	-
Change in life assurance policyholder liabilities for the year	807,972,142	1,144,197,698	510,560,458	517,173,374
Movement through profit or loss	586,657,204	471,351,260	473,815,923	379,907,408
Movement through other comprehensive income	40,070,771	155,771,002	36,744,535	137,265,966
Exchange rate movement on foreign operations	181,244,168	517,075,436	-	-
Balance at the end of the year	3,722,269,955	3,137,923,700	2,544,084,633	2,257,150,063

	GROUP		COMPANY	
	2020 ZWL\$	2019 Restated ZWL\$	2020 ZWL\$	2019 Restated ZWL\$
14.2 Investment contracts without discretionary participation features				
Balance at the beginning of the year	176,793,661	156,714,113	176,793,661	156,714,113
Split out from insurance contract liabilities	223,625,887	-	223,625,887	-
Fair value gains from equities	(19,379,938)	1,564,738	(19,379,938)	1,564,738
Fair value gains from investment properties	22,120,255	21,766,610	22,120,255	21,766,610
Other investment income	37,137	29,445	37,137	29,445
Net cash flow	(5,728,021)	(3,281,244)	(5,728,021)	(3,281,244)
Gross premium income	1,513,515	1,458,227	1,513,515	1,458,227
Gross benefits and claims paid	(918,559)	(953,204)	(918,559)	(953,204)
Investment expenses	(6,322,978)	(3,786,266)	(6,322,978)	(3,786,266)
Balance at the end of the year	397,468,982	176,793,661	397,468,982	176,793,661

Refer to Note 31 for further disclosures on insurance and investment contract liabilities.

14.3 POLICYHOLDER AND SHAREHOLDER FUNDS

Fidelity Life Assurance of Zimbabwe conducted an asset separation between policyholders and shareholders in compliance with the requirements of the Insurance Act (Chapter 24:07) and the Pension and Provident funds Act (Chapter 24:09). Investments returns and assets allocation are disclosed as shown below on an IPEC approved basis of 94:6.

14.3.1 Assets and liabilities allocation

	ZWL\$ Policyholder	2020 ZWL\$ Shareholder	2020 ZWL\$ Total
Assets			
Land and buildings	278,052,000	2,512,505	280,564,505
Intangible assets	18,403,533	-	18,403,533
Investment property	840,623,605	-	840,623,605
Inventories	2,008,966	-	2,008,966
Investments in subsidiaries	1,641,435,374	187,818,969	1,829,254,343
Other assets	31,752,281	-	31,752,281
Equities at fair value through profit or loss	292,950,437	-	292,950,437
Debt securities at amortised cost	298,872	-	298,872
Cash and deposits with banks	225,394,211	9,872,278	235,266,489
Total assets	3,330,919,278	200,203,753	3,531,123,031
Liabilities			
Borrowings	15,847,994	1,011,574	16,859,568
Trade and other payables	373,517,677	23,841,554	397,359,231
Total liabilities	389,365,671	24,853,128	414,218,799
Net assets value			3,116,904,234
Allocated closing fund balance	2,941,553,609	175,350,625	3,116,904,234

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2020

14.3 POLICYHOLDER AND SHAREHOLDER FUNDS (Continued)

14.3.1 ASSETS AND LIABILITIES ALLOCATION

2019	2019 ZWL\$ Policyholder	2019 ZWL\$ Shareholder	2019 ZWL\$ Total
Assets and liabilities allocation			
Assets			
Land and buildings	259,932,714	-	259,932,714
Investment property	877,573,888	-	877,573,888
Investments in subsidiaries	1,509,212,860	174,671,128	1,683,883,988
Other assets	165,050,259	12,423,138	177,473,397
Equities at fair value through profit or loss	120,607,620	-	120,607,620
Debt securities at amortised cost	1,872,900	-	1,872,900
Cash and deposits with banks	28,889,262	1,815,771	30,705,033
Total assets	2,963,139,503	188,910,037	3,152,049,540
Liabilities			
Borrowings	84,977,695	5,793,929	90,771,624
Trade and other payables	399,634,089	27,247,782	426,881,871
Total liabilities	484,611,784	33,041,711	517,653,495
Net assets value			2,634,396,045
Allocated closing fund balance	2,478,527,719	155,868,326	2,634,396,045

14.3.2 Investment returns allocation

	2020 ZWL\$	2019 ZWL\$
Direct Revenue		
Net premiums earned	163,269,806	94,223,410
Brokerage commissions and management fees	40,823,825	15,311,130
Other operating income	47,047,664	42,406,441
Net claims and benefits incurred	(34,816,589)	(54,274,959)
Fees and commission expenses and other acquisition costs	(4,725,864)	(3,674,188)
Other operating and administrative expenses	(145,049,200)	(65,350,164)
Net direct growth in fund	66,549,642	28,641,670
Fair value gains	385,326,222	705,497,950
Share of profit subsidiaries	114,589,244	1,506,934,068
Other investment income	21,510,904	17,836,259
Southview project operating expenses	(79,964,267)	(425,840,556)
Finance costs	(10,799,478)	(17,323,638)
Income tax expense	(2,567,971)	(6,668,484)
Gains on property and equipment revaluations	39,089,931	241,301,923
Share of revaluation gains on property	448,583	428,929
Exchange differences arising on translation of foreign operations	13,813,274	79,647,904
Net investment returns	481,446,441	2,101,814,355
Net profit before change in policyholder liability	547,996,083	2,130,456,025
Allocation of profit (94:6)		
Policyholder	515,116,318	2,002,628,664
Shareholder	32,879,765	127,827,362

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2020

14.4 IPEC CURRENCY REFORM GUIDELINE COMPLIANCE

The Insurance and Pensions Commission (IPEC) issued currency reform guidelines in 2020 to compensate policyholders for the loss of value due to the change in currency from US\$ to ZWL\$. The following describe the steps taken by the Company to comply with the guideline for each product class and the split of assets and operating profits per each sub account thereof.

Insurance contract liabilities and investment contract liabilities with discretionary participation features

Policyholders who were present as at the determination date were identified and the policies have been made paid up as at the determination date. The paid-up values become the Sum Assured of the member as at 31 December 2018.

Assets were split into Sub Account 1 and Sub Account 2 in compliance with the IPEC Guideline. The paid-up members participate in Sub Account 1 and benefit from bonuses allocated to participants in Sub Account 1.

Contributions that were remitted post the Determination Date went towards purchasing a new policy at the policyholders' current age and the remaining term. The policyholders will benefit from bonuses allocated to Sub Account 2.

Policyholders who bought policies before the Determination Date will participate in both Sub Accounts whilst those who bought policies after the Determination Date participates only in Sub Account 2.

Insurance contract liabilities and investment contract liabilities without discretionary participation features

The investment products have been split between Sub Account 1 and Sub Account 2. The members who were participating in the Fund before the determination date participate in Sub Account 1 and benefit from interest awarded to Sub Account 1.

Contributions that were remitted post the Determination Date went invested in a separate Fund that is in Sub Account 2. The policyholders will benefit from interest awarded to Sub Account 2.

Below is an illustration of the split of assets into the respective sub-accounts

14.4.1 Assets and liabilities allocation

Assets	Sub- Account 1 ZWL\$	Sub- Account 2 ZWL\$	Total ZWL\$
Prescribed assets	291,798	7,073	298,872
Land and buildings	289,639,300	6,816,232	296,455,533
Investment property	725,511,000	115,112,605	840,623,605
Listed equities	106,642,000	2,509,000	109,151,000
Unlisted equities	1,465,951,000	175,485,000	1,641,436,000
Money market investments	27,934,000	3,309,000	31,243,000
Inventories(Land and projects)	1,794,000	215,000	2,009,000
Loans and receivables	1,625,000	195,000	1,820,000
Non current trade receivables	16,537,931	1,979,701	18,517,632
Other	-	-	-
Total	2,635,926,030	305,628,612	2,941,554,642

14.4.2 Below is an illustration of the split of profit into the respective sub-accounts

Operating profit

	Sub- Account 1 ZWL\$	Sub- Account 2 ZWL\$	Total ZWL\$
Premiums net of reinsurance	-	121,111,000	121,111,000
Fee and commission income	23,394,000	2,522,000	25,916,000
Interest income from residential stands receivables	8,195,000	-	8,195,000
Investment income	662,000	71,000	733,000
Fair value gains/(losses)	234,355,000	25,266,000	259,621,000
Income from sale of stands	4,463,000	-	4,463,000
Gains/losses on property revaluation	516,757,000	55,713,000	572,470,000
Other income	1,281,921,000	111,471,000	1,393,392,000
Income	2,069,747,000	316,154,000	2,385,901,000
Benefits and claims after reinsurance			
Change in liabilities	(23,256,019)	(2,473,000)	(25,731,492)
Policyholder benefits	(1,683,318,211)	(181,483,000)	(1,864,982,693)
	(1,706,574,230)	(183,956,000)	(1,890,530,230)
Cost of sales of stands	(137,175)	-	(137,175)
Fee, commission and acquisition costs	(3,037,393)	(327,000)	(3,364,393)
Finance costs	(5,949,452)	(641,000)	(6,590,452)
Projects development	(271,427,069)	(29,263,000)	(300,690,069)
Operating expenses	(91,961,100)	(39,412,000)	(131,373,100)
Non-operating income	89,503,203	9,945,000	99,448,203
Other expenses	(283,008,985)	(59,698,000)	(342,706,985)
Profit before tax	80,163,785	72,500,000	152,663,785
Income tax	-	(9,760,000)	(9,760,000)
Profit after tax	80,163,785	62,740,000	142,903,785

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (Continued)

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	GROUP		COMPANY	
	2020 ZWL\$	2019 ZWL\$	2020 ZWL\$	2019 ZWL\$
15 BORROWINGS				
15.1 LONG-TERM BORROWINGS				
FBC Bank Limited	-	22,598,872	-	22,598,872
Infrastructure Development Bank of Zimbabwe	-	7,046,037	-	7,046,037
Standard Chartered Bank of Zimbabwe Limited	-	4,376,452	-	4,376,452
Agribank Limited	-	1,804,469	-	1,804,469
NMB Bank Limited	6,708,558	36,466,391	6,708,558	36,466,391
First Capital Bank Malawi	10,151,010	18,479,404	10,151,010	18,479,404
	16,859,568	90,771,625	16,859,568	90,771,625
Current portion of long-term borrowings	(12,301,770)	(30,529,534)	(12,301,770)	(30,529,534)
Non-current portion of long term borrowings	4,557,798	60,242,090	4,557,798	60,242,090

FBC Bank Limited, Infrastructure Development Bank of Zimbabwe, Standard Chartered Bank of Zimbabwe Limited and Agribank Limited

The Group assumed CFI Holdings Limited's loans, issued by these banks amounting to USD\$16 million, when it acquired Langford Estates (1962) (Private) Limited through a land-for-debt swap arrangement in 2015. The borrowings accrued interest at 10% per annum and had a tenor of 7 years ending 30 June 2022. The loan facility was fully settled during the year.

NMB Bank Limited Facility

The loan with NMB Bank was acquired to enable settlement of the Redeemable Bonds disclosed in Note 15.2. The NMB loan accrues interest at 10% per annum and has fixed monthly repayments to 31 January 2023. The facility is secured through a first mortgage bond over property valued at ZWL\$57.01 million and cession of residential stand sales receivables worth ZWL\$12 million.

First Capital Bank Malawi

The loan with FCB Malawi was used to refinance Vanguard Life Assurance through a rights issue. The loan is denominated in Malawi Kwacha and accrued interest at 23% per annum. The interest rate was revised to 18.9% as at 31 December 2020 and is subject to variation at the bank's discretion as influenced by bank rates advised by the Reserve Bank of Malawi from time to time. The facility is repayable in equal monthly instalments to 30 November 2021. The terms of the loan require security of 110% of the facility amount to be kept in deposit with First Capital Bank Zimbabwe for the duration of the facility, which would amount to US\$377,750.

For the long-term borrowings, their fair values are not materially different to carrying amounts as the interest rates on these borrowings approximate market rates.

15.2 CURRENT BORROWINGS

ZB Bank Limited				
Ecobank	7,635,118	-	-	-
Current portion of non-current borrowings	7,969,604	15,476,065	-	-
	12,301,770	30,529,534	12,301,770	30,529,535
	27,906,492	46,005,599	12,301,770	30,529,535

Ecobank loan

The micro-finance business acquired a ZWL\$7.9 million loan facility with Ecobank Zimbabwe Limited to increase its lending capacity. The facility amount is drawn down in tranches in line with the business' needs. Drawdowns on the facility accrue interest at varying interest rates depending on the prevailing interest rate on each drawdown date. Currently, ZWL\$7,969,604 of the outstanding amount accrues interest at 45% per annum. The facility is available for one year, expiring on 31 July 2021.

ZB Bank Loan

The overdraft facility with ZB was acquired as a line-of-credit for the micro-finance business to increase the unit's lending capacity. The loan accrues interest at 49% per annum on a one year tenure. The loan is available for one year, expiring on 28 February 2021.

15.3 MOVEMENT IN BORROWINGS

Movements in borrowings during the year were as follows for both the Group and the Company:

15 BORROWINGS

Balance at the beginning of the year	106,247,689	603,480,628	90,771,625	590,710,009
Net cash out flow on borrowings	(4,894,596)	(40,697,452)	(20,885,503)	(112,429,717)
Proceeds from borrowings	28,035,596	125,762,522	-	-
Repayment of borrowings	(32,930,192)	(166,459,974)	(20,885,503)	(112,429,717)
Finance costs capitalised	18,277,134	35,390,903	10,799,478	27,925,016
Finance costs paid	(18,277,134)	(35,390,903)	(10,799,478)	(27,925,016)
Exchange differences on foreign currency denominated loans	3,415,557	15,321,569	12,575,944	20,609,920
Reduction of borrowings due to inflation	(72,304,360)	(471,857,056)	(65,602,498)	(408,118,587)
Balance at the end of the year	32,464,290	106,247,689	16,859,568	90,771,625
Current borrowings	27,906,492	46,005,599	12,301,770	30,529,535
Non-current borrowings	4,557,798	60,242,090	4,557,798	60,242,090
Borrowings as at 31 December	32,464,290	106,247,689	16,859,568	90,771,625

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17.3 DEFERRED INCOME TAX IMPACT ON PROFIT OR LOSS	GROUP		COMPANY	
	2020 ZWL\$	2019 ZWL\$	2020 ZWL\$	2019 ZWL\$
Decrease/(Increase) in deferred tax asset through profit or loss	95,839	(95,839)	-	-
Increase in deferred tax liability through profit or loss	4,148,019	3,168,735	-	(3,514,843)
Deferred income tax charge/(credit) included in profit or loss	4,243,858	3,072,897	-	(3,514,843)

18 TRADE AND OTHER PAYABLES	GROUP		COMPANY	
	2020 ZWL\$	2019 ZWL\$	2020 ZWL\$	2019 ZWL\$
Trade payables	96,767,875	11,314,588	18,797,335	5,496,794.71
South View offsite works liability	308,941,729	363,217,457	308,941,729	363,217,457
Related party payables (Note 34.3.2)	1,189,604	6,067,730	8,202,976	6,432,718
Deferred income from sale of residential stands (Note 18.1)	4,533,864	18,906,471	4,533,864	17,276,869
Statutory liabilities	2,579,631	2,715,305	2,579,631	2,715,305
Other payables	99,419,529	68,738,108	45,618,091	26,890,012
	513,432,232	470,959,659	388,673,626	422,029,156

18.1 Deferred income reconciliation	GROUP		COMPANY	
	2020 ZWL\$	2019 ZWL\$	2020 ZWL\$	2019 ZWL\$
Balance at the beginning of the year	18,906,471	101,027,886	17,276,869	101,027,886
Capitalised	(13,665,723)	(80,674,748)	(12,036,121)	(82,304,350)
Movement through profit and loss	(706,884)	(1,446,667)	(706,884)	(1,446,667)
Balance at the end of the year	4,533,864	18,906,471	4,533,864	17,276,869

Trade payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually due within 30 days of invoice or statement date. Other payables mainly relate to accrued finance costs, accrued value added tax, accrued staff expenses and accrued audit fees. Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method. As these are mostly payable within twelve months of provision of the goods or services, the impact of discounting is not expected to be material. Their carrying amounts are considered to be the same as their fair values, due to their short-term nature.

19 GROSS PREMIUMS WRITTEN	GROUP		COMPANY	
	2020 ZWL\$	2019 ZWL\$	2020 ZWL\$	2019 ZWL\$
Employee benefits income				
Annuity consideration	79,611,132	111,531,657	17,182,131	27,403,926
Recurring premiums	117,248,186	177,594,218	66,026,826	106,112,195
New business premiums	24,213,909	40,499,570	16,244,886	27,565,576
Single premiums	54,513,103	41,555,046	37,904,624	32,510,946
	275,586,330	371,180,491	137,358,467	193,592,643
Individual life income				
Life premiums	34,641,944	141,878,022	24,180,177	52,820,747
Funeral premiums	21,419,220	31,158,428	21,419,220	31,158,428
Single premiums	74,631,899	-	-	-
	130,693,063	173,036,450	45,599,397	83,979,175
Gross premiums	406,279,393	544,216,941	182,957,864	277,571,818

20 FEES AND COMMISSION INCOME	GROUP		COMPANY	
	2020 ZWL\$	2019 ZWL\$	2020 ZWL\$	2019 ZWL\$
Brokerage fees	1,022,495	861,824	1,022,495	841,239
Reassurance commission	2,473,655	3,437,270	2,473,655	3,437,265
Management fees	40,376,735	35,563,077	37,327,675	30,324,156
	43,872,885	39,862,171	40,823,825	34,602,660

21 INVESTMENT INCOME	GROUP		COMPANY	
	2020 ZWL\$	2019 ZWL\$	2020 ZWL\$	2019 ZWL\$
Interest income	29,358,883	29,668,765	592,717	666,592
Dividend income	4,914,001	3,015,002	1,275,575	2,032,146
Other investment income	7,421,498	11,297,357	-	-
	41,694,382	43,981,124	1,868,292	2,698,738

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22 OTHER OPERATING INCOME	GROUP		COMPANY	
	2020 ZWL\$	2019 ZWL\$	2020 ZWL\$	2019 ZWL\$
Actuarial fees	10,374,843	5,083,798	-	-
Management fees	-	-	24,270,298	5,199,769
Rental and other property income	4,691,244	2,113,196	6,578,574	3,781,978
Loss/(Profit) on disposal of property and equipment	1,061,880	65,808,736	1,061,880	65,808,731
Gain on disposal of investment property	12,573,103	-	12,573,103	-
Bad debts recovered	-	-	-	-
Debtors impairment allowance reduction	23,480	9,927,703	23,480	9,927,703
Loan establishment and administration fee income	4,630,767	8,162,803	-	-
Sundry	11,277,584	35,860,204	2,306,588	11,754,497
	44,632,901	126,956,440	46,813,923	96,472,678

Sundry income includes land sale agreement withdrawal charges, charges for funeral services provided to parties not insured by the Group and other miscellaneous income.

23 FEE AND COMMISSION EXPENSES AND OTHER ACQUISITION COSTS	GROUP		COMPANY	
	2020 ZWL\$	2019 ZWL\$	2020 ZWL\$	2019 ZWL\$
Fee and commission expenses	17,129,670	35,443,230	4,722,789	12,001,338
Other acquisition costs	3,075	54,171	3,075	54,171
	17,132,745	35,497,401	4,725,864	12,055,509

24 OPERATING AND ADMINISTRATIVE EXPENSES

Staff costs	123,667,347	124,409,941	77,692,977	72,378,294
Auditors' remuneration	15,708,467	7,087,948	7,542,983	4,667,514
Directors' remuneration - fees	5,207,682	2,193,945	3,920,589	1,083,863
- other services	102,533	514,411	-	-
Depreciation of property and equipment	26,906,759	29,157,800	22,691,257	22,209,400
Computer and data expenses	3,647,898	5,569,073	647,671	2,125,173
Marketing expenses	6,066,621	12,346,733	1,707,848	4,931,450
Actuarial, legal and other professional fees	23,105,099	43,600,175	18,470,319	21,140,856
Motor vehicle maintenance costs	4,466,104	10,229,863	2,715,598	6,115,948
Amortisation and impairment of intangibles	359,062	1,988,899	-	-
Amortisation of right of use asset	2,403,907	2,454,269	-	-
Bad debts written off	784,742	569,869	-	236,402
Net exchange gains/ (losses) on foreign translations	(10,677,998)	38,988,877	(10,617,795)	38,988,877
Rental from short term leases	19,816,812	6,744,622	4,035,819	3,797,310
Other operating expenses	30,878,864	80,171,484	20,017,905	37,851,449
	252,443,899	366,027,909	148,825,171	215,526,536

Other operating expenses comprise mainly of electricity charges, rates, telephone expenses, printing and stationery costs.

Net exchange losses on foreign translations arose from exchange differences on foreign denominated assets and liabilities held by the Group. Refer to Note 30(d).

24.1 PROJECT DEVELOPMENT COSTS

Direct development costs	47,488,779	67,390,950	47,488,779	67,390,950
Foreign exchange loss	32,258,607	381,556,551	32,258,607	381,556,551
	79,747,386	448,947,501	79,747,386	448,947,501

25 FINANCE COSTS

Interest expense - debt assumed on Langford acquisition (Note 15.3)	862,663	4,453,244	862,663	4,453,244
Interest expense - debt related to Southview project (Note 15.3)	6,794,900	23,471,771	6,794,900	23,471,771
Loan drawdown fees	-	-	-	-
Other interest expenses	10,619,571	7,465,887	3,141,915	-
Total finance costs	18,277,134	35,390,902	10,799,478	27,925,015

Included in the other interest expenses are finance costs relating to the company's foreign loan obligation from Malawi amounting to ZWL\$3,141,915, Micro lending subsidiary ZWL\$5,836,405 and the Malawi subsidiary ZWL\$1,641,249.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2020

26 INCOME TAX EXPENSE/(CREDIT)	GROUP		COMPANY	
	2020 ZWL\$	2019 ZWL\$	2020 ZWL\$	2019 ZWL\$
Current	10,802,798	25,738,145	2,567,971	8,702,653
Deferred	4,243,858	3,072,896	-	(3,514,843)
	15,046,656	28,811,041	2,567,971	5,187,810
Tax rate reconciliation				
Accounting profit	69,231,675	358,662,124	23,396,343	64,637,564
Tax at Zimbabwe statutory rate of 24.72%	17,114,070	92,355,497	5,783,576	16,644,173
Tax effect of amounts not deductible/(taxable) in calculating taxable income:				
Items not deductible for tax:				
Allowance for credit losses	(1,369,587)	(26,979,182)	-	-
Asset write-offs not allowable for tax	-	-	-	-
Other disallowable expenses	27,595,803	313,325,824	-	-
Non-taxable items:				
Differences arising from movements in unrealised fair value (gains)/losses	(3,322,348)	(3,501,852)	(199,384)	(894,400)
Dividend income	-	-	-	-
Other non-taxable income	(21,640,720)	(3,394,430)	1,249,816	1,359,238
Other adjustments:				
Impairment of Section 17 allowances not claimed	-	-	-	-
Differences arising from 8th schedule tax for life assurance	(4,266,037)	(20,130,627)	(4,266,037)	(11,921,198)
Deferral of unutilised tax losses	(71,706)	(325,395,154)	-	-
Difference in tax rate applied in foreign jurisdiction	1,007,179	2,530,965	-	-
Income tax penalties provisions	-	-	-	-
	15,046,655	28,811,041	2,567,971	5,187,810

The effective tax rate was calculated adding all the non deductible expenses and subtracting all the non taxable items from the accounting income tax computed.

27 EARNINGS PER SHARE (EPS)

Reconciliation of total earnings to headline earnings attributable to shareholders

Numerator	GROUP		COMPANY	
	2020 ZWL\$	2019 ZWL\$	2020 ZWL\$	2019 ZWL\$
Profit/ (Loss) for the year attributable to owners of the parent and profit used in EPS	18,242,616	77,698,007	20,828,372	59,449,754
Add/(deduct) non recurring items				
Impairment of intangible assets	359,062	-	-	-
Profit on disposal of property	(13,634,983)	-	(13,634,983)	-
Bad debts written off	784,742	-	-	-
Other non recurring items	-	(36,747,561)	-	(19,336,814)
Taxation on headline earnings adjustable items	3,087,820	-	3,370,568	-
Headline earnings attributable to ordinary shareholders	8,839,256	40,950,445	10,563,956	40,112,940
Denominator				
Weighted number of ordinary shares in issue	108,923,291	108,923,291	108,923,291	108,923,291
Less: Shares purchased for the Employee Share Ownership Plan	(1,003,743)	(1,003,743)	(1,003,743)	(1,003,743)
Weighted average number of shares used in basic EPS	107,919,548	107,919,548	107,919,548	107,919,548
Less: Dilutive adjusting effects	-	-	-	-
Weighted average number of shares used in diluted EPS	107,919,548	107,919,548	107,919,548	107,919,548
27.1 Basic and diluted earnings per share (cents)	16.90	72.00	19.30	55.09
27.2 Headline earnings per share (cents)	8.19	37.95	9.79	37.17

Basic earnings per share

Basic earnings per share is basic earnings attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue during the year.

Headline earnings per share

Headline earnings per share is a disclosure requirement in terms of Statutory Instrument 134 of 2019 of the Zimbabwe Stock Exchange (ZSE) listing requirements for companies listed on the ZSE. Headline earnings per share is calculated by dividing the headline earnings by the weighted average number of shares in issue during the year. Disclosure of headline earnings is not a requirement of International Financial Reporting Standards (IFRS).

28 CAPITAL EXPENDITURE COMMITMENTS

Authorised and contracted for	-	-	-	-
Authorised but not contracted for	16,813,362	90,678,198	1,349,479	18,415,979
	16,813,362	90,678,198	1,349,479	18,415,979

Capital expenditure will be financed from the Group's own resources and borrowings.

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for the year ended 31 December 2020

29 MANAGEMENT OF CAPITAL

The Group's objective when managing capital is to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits to other stakeholders. The capital of the Group comprises of reserves and share capital. The Group's strategy has been to maintain capital that is higher than the minimum required by the regulatory authorities. The Group's compliance with the capital requirements as set out by the regulatory authorities is as follows:

	Capital	Minimum capital requirement	Surplus / (Deficit)
31 December 2020			
Fidelity Life Assurance of Zimbabwe Limited	115,418,980	75,000,000	40,418,980
Vanguard Life Assurance Company Limited	112,835,277	84,679,383	28,155,895
Fidelity Life Asset Management Company (Private) Limited	26,675,193	10,000,000	16,675,193
Fidelity Life Financial Services (Private) Limited	15,587,457	1,635,732	13,951,725
		Minimum capital requirement	Surplus / (Deficit)
31 December 2019	Capital		
Fidelity Life Assurance of Zimbabwe Limited	132,715,493	75,000,000	57,715,493
Vanguard Life Assurance Company Limited	21,638,485	18,215,766	3,422,720
Fidelity Life Asset Management Company (Private) Limited	8,503,175	500,000	8,003,175
Fidelity Life Financial Services (Private) Limited	9,795,893	20,000	9,775,893

The regulatory capital position for Fidelity Life Assurance, as defined in Section 24 of the Insurance Act (Chapter 24:07) (the "Insurance Act"), amended by Statutory Instrument 95 of 2017, Insurance (Amendment) Regulations, 2017 (No. 19) ("SI 95 of 2017") read with Instrument 59 of 2020, section (3) requires a provider of life and funeral assurance in Zimbabwe to maintain a minimum unencumbered statutory capital (as defined in the Statutory Instrument) of ZWL\$75million. Further disclosure on FLA's capital position is included in Note 39. The Company is fully compliant with the minimum capital requirements. The Company continues to pursue plans disclosed in Note 39 to improve the solvency position of the Company.

The Group endeavours to preserve a strong cash base and achieve a debt to capital ratio of approximately 100%. The objective of this strategy is to secure access to finance at reasonable cost by maintaining a high credit rating. The Group also constantly scouts for opportunities that enable it to acquire strategic assets such as land banks. Such opportunities may entail an increase in the debt to capital ratio. Under such circumstances, the Group's cap on the debt to capital ratio will be 200%. The debt to capital ratios at 31 December were as follows:-

	GROUP		COMPANY	
	2020 ZWL\$	2019 ZWL\$	2020 ZWL\$	2019 ZWL\$
Debt				
Borrowings	32,464,290	106,247,689	16,859,568	90,771,624
Equity				
Capital	727,078,156	704,500,036	237,887,944	252,528,705
Debt to capital ratio (%)	4%	15%	7%	36%

30 FINANCIAL INSTRUMENTS - RISK MANAGEMENT

The Group is exposed through its operations to the following financial risks:-

- Credit risk
- Fair value or cash flow interest rate risk
- Liquidity risk
- Foreign exchange risk
- Equity price risk

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and methods used to measure them. Further quantitative information in respect of these risks is presented throughout these consolidated and separate financial statements. There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from the previous periods unless otherwise stated in this note.

Principal financial instruments

The principal financial instruments held by the Group, from which financial instrument risk arises, are as follows:-

- Trade and other receivables (excluding prepayments and statutory assets)
- Debt securities at amortised
- Bank and cash
- Money market investments
- Equities at fair value through profit or loss
- Trade and other payables (excluding deferred income and statutory liabilities)
- Borrowings
- Financial instruments by category

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2020

30 FINANCIAL INSTRUMENTS - RISK MANAGEMENT (Continued)

(i) Financial instruments by category

A summary of the financial instruments held by category is provided below:-

	GROUP		COMPANY	
	Financial assets at fair value through profit or loss ZWL\$	Financial assets at amortised cost	Financial assets at fair value through profit or loss ZWL\$	Financial assets at amortised cost ZWL\$
Financial assets				
2020				
Trade and other receivables (excluding prepayments and statutory assets)	-	199,985,845	-	20,552,934
Equities at fair value through profit or loss	662,745,899	-	292,950,437	-
Debt securities at amortised cost	-	316,923,519	-	298,872
Cash and deposits with banks	-	550,557,240	-	235,266,489
	662,745,899	1,067,466,605	292,950,437	256,118,294
2019				
Trade and other receivables (excluding prepayments and statutory assets)	-	223,963,034	-	81,376,881
Equities at fair value through profit or loss	313,481,258	-	120,607,620	-
Debt securities at amortised cost	-	229,850,976	-	1,872,904
Cash and deposits with banks	-	328,574,059	-	30,705,033
	313,481,258	782,388,069	120,607,620	113,954,818
Financial liabilities				
	GROUP		COMPANY	
	2020 ZWL\$	2019 ZWL\$	2020 ZWL\$	2019 ZWL\$
Trade and other payables (excluding statutory liabilities and deferred income)	506,318,737	449,337,897	381,560,131	402,036,978
Borrowings	32,464,290	106,247,689	16,859,568	90,771,624
	538,783,028	555,585,586	398,419,699	492,808,602

(ii) Financial instruments not measured at fair value

Financial instruments not measured at fair value include cash and cash equivalents, debt securities at amortised cost, trade and other receivables (excluding prepayments and statutory assets), trade and other payables (excluding deferred income and statutory liabilities) and borrowings. Due to their nature, their carrying values approximate their fair values.

(iii) Financial instruments measured at fair value

Financial instruments were measured at fair value at 31 December 2020:-

Group	Level 1		Level 2		Level 3	
	2020 ZWL\$	2019 ZWL\$	2020 ZWL\$	2019 ZWL\$	2020 ZWL\$	2019 ZWL\$
Financial assets						
Equities at fair value through profit or loss	662,745,899	313,481,258	-	-	-	-
Company	Level 1		Level 2		Level 3	
	2020 ZWL\$	2019 ZWL\$	2020 ZWL\$	2019 ZWL\$	2020 ZWL\$	2019 ZWL\$
Financial assets						
Equities at fair value through profit or loss	292,950,437	120,607,620	-	-	-	-

Level 1: The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data 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.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to 30.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2020

30. FINANCIAL INSTRUMENTS-RISK MANAGEMENT (Continued) GENERAL OBJECTIVES, POLICIES AND PROCESSES (Continued)

The Board receives quarterly reports from the Chief Executive Officer through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The Group's internal audit and risk and compliance departments also review the risk management policies and processes and report their findings to the Audit, Risk and Compliance Committee.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below:-

(a).Credit risk

Credit risk is the risk of financial loss to the Group if a customer or a counterparty to a financial instrument fails to meet its contractual obligations. The Group is mainly exposed to credit risk from trade and other receivables, debt securities at amortised cost and cash and deposits with banks.

Credit risk from trade and other receivables mainly emanates from residential stand sales debtors and microfinance loans receivable. The residential stand debtors are secured by the properties sold on credit by the Group to the respective customers. The microfinance loan book is predominantly comprised of customers in formal employment. A pre-condition of extending such loans is the establishment of an agreement with the employer wherein the employer is obliged to deduct the loans repayments through their monthly payroll process from any of their employees to whom such loans are extended. Further disclosures regarding the credit quality of trade and other receivables are provided in Note 9.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. Credit quality of cash and cash equivalents is reflected in the table below, based on credit ratings determined by the Global Credit Rating Company:

Counterparties with external credit rating (Global Credit Rating Company):

	GROUP		COMPANY	
	2020 ZWL\$	2019 ZWL\$	2020 ZWL\$	2019 ZWL\$
A	40,298,231	5,911,772	39,401,182	3,713,278
A+	8,059,725	7,965,522	9,963,494	7,492,416
AA-	3,273,978	2,286,030	3,273,978	2,258,595
B+	2,307,442	-	2,324,761	-
BB	-	273,065	-	273,065
BB-	1,130,402	212,228	1,130,763	133,054
BB+	6,974,844	3,714,677	6,677,099	3,119,383
BBB	300,376	5,267,218	117,375	63
BBB-	-	-	-	-
BBB+	785,799	4,238,661	785,799	4,238,661
Cash	2,959,374	541,433	2,667,750	75,173
Unrated	484,467,069	298,163,452	168,924,288	9,401,345
	550,557,240	328,574,059	235,266,489	30,705,033

Quantitative disclosures of the risk exposure in relation to financial assets are set out below:-

	GROUP		COMPANY	
	Carrying value ZWL\$	Maximum exposure ZWL\$	Carrying value ZWL\$	Maximum exposure ZWL\$
At 31 December 2020				
Trade and other receivables (excluding prepayments and statutory assets)	216,106,186	216,106,186	36,878,553	36,878,553
Debt securities at amortised cost	316,923,519	316,923,519	298,872	298,872
Cash and cash equivalents	550,557,240	550,557,240	235,266,489	235,266,489
	1,083,586,946	1,083,586,946	272,443,913	272,443,913
At 31 December 2019				
Trade and other receivables (excluding prepayments and statutory assets)	274,516,757	274,516,757	82,227,284	82,227,284
Debt securities at amortised cost	229,850,976	229,850,976	1,872,904	1,872,904
Cash and cash equivalents	328,574,059	328,574,059	30,705,033	30,705,033
	832,941,792	832,941,792	114,805,221	114,805,221

(b) Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its borrowings. It is the risk that the Group will encounter difficulties in meeting its financial obligations as they fall due. In order to mitigate any liquidity risk that the Group faces, the Group's policy has been throughout the year ended 31 December 2020, to maintain substantial facilities and reserves as well as significant liquid resources. The following table sets out the contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities:-

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2020

30. FINANCIAL INSTRUMENTS-RISK MANAGEMENT (Continued)

GROUP	Up to 3 months ZWL\$	Between 3 and 12 months ZWL\$	Between 1 and 2 years ZWL\$	Over 2 years ZWL\$	Total ZWL\$
At 31 December 2020					
Trade and other payables (excluding deferred income and statutory liabilities)	506,318,737	-	-	-	506,318,737
Borrowings	429,408	27,477,085	4,085,220	472,579	32,464,291
	506,748,145	27,477,085	4,085,220	472,579	538,783,028
At 31 December 2019					
Trade and other payables (excluding deferred income and statutory liabilities)	449,337,897	-	-	-	449,337,897
Borrowings	7,500,486	55,363,316	45,582,780	34,791,876	143,238,458
	456,838,383	55,363,316	45,582,780	34,791,876	592,576,355

The following table sets out the expected amounts to be recovered or settled after more than twelve months for each asset and liability

GROUP	Between 1 and 12 months ZWL\$	Over 1 year ZWL\$	Total ZWL\$
At 31 December 2020			
ASSETS			
Inventories	232,306	60,113,173	60,345,479
Trade and other receivables	275,601,635	18,517,632	294,119,267
Corporate tax asset	-	-	-
Deferred tax assets	-	-	-
Deferred acquisition costs	-	-	-
Equities at fair value through profit or loss	-	662,745,899	662,745,899
Debt securities at amortised cost	313,754,284	3,169,235	316,923,519
Cash and deposits with banks	550,557,240	-	550,557,240
	1,140,145,466	744,545,939	1,884,691,405
LIABILITIES			
Insurance contract liabilities and investment contract liabilities with discretionary participation features	-	3,722,269,955	3,722,269,955
Investment contracts without discretionary participation features	27,906,492	4,557,798	32,464,290
Borrowings	-	46,401,753	46,401,753
Deferred tax liabilities	13,383,064	16,388,775	29,771,839
Lease obligations	513,432,232	-	513,432,232
Trade and other payables	9,430,922	-	9,430,922
Corporate tax liability	564,152,710	4,187,087,263	4,751,239,973
At 31 December 2019			
ASSETS			
Inventories	315,770	60,906,995	61,222,765
Trade and other receivables	205,506,543	83,066,688	288,573,231
Corporate tax asset	6,298,902	-	6,298,902
Deferred tax assets	-	95,839	95,839
Deferred acquisition costs	-	26,049,406	26,049,406
Equities at fair value through profit or loss	-	313,481,258	313,481,258
Debt securities at amortised cost	227,978,072	1,872,900	229,850,976
Cash and deposits with banks	328,574,059	-	328,574,059
	768,673,346	485,473,086	1,254,146,437
LIABILITIES			
Insurance contract liabilities and investment contract liabilities with discretionary participation features	-	3,137,923,700	3,137,923,700
Investment contracts without discretionary participation features	-	176,793,661	176,793,661
Borrowings	46,005,599	60,242,089	106,247,689
Deferred tax liabilities	-	40,848,346	40,848,346
Lease obligations	6,788,470	8,595,801	15,384,272
Trade and other payables	470,959,660	-	470,959,660
Corporate tax liability	6,685,579	-	6,685,579
	530,439,309	3,424,403,598	3,954,842,906

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2020

30. FINANCIAL INSTRUMENTS - RISK MANAGEMENT (Continued)

Liquidity risk (continued)

COMPANY

At 31 December 2020

Trade and other payables (excluding deferred income and statutory liabilities)

Borrowings

	Up to 3 months ZWL\$	Between 3 and 12 months ZWL\$	Between 1 and 2 years ZWL\$	Over 2 years ZWL\$	Total ZWL\$
At 31 December 2020					
Trade and other payables (excluding deferred income and statutory liabilities)	381,560,131	-	-	-	381,560,131
Borrowings	429,408	11,872,362	4,085,220	472,579	16,859,568
	381,989,538	11,872,362	4,085,220	472,579	398,419,699
At 31 December 2019					
Trade and other payables (excluding deferred income and statutory liabilities)	402,036,987	-	-	-	402,036,987
Borrowings	3,431,169	27,098,361	29,326,228	42,275,100	102,130,858
	405,468,156	27,098,361	29,326,228	42,275,100	504,167,845

(c) Market risk

Market risk arises from the Group's use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (foreign currency exchange risk) or other market factors (other price risk). The Investments Committee manages and controls market risk exposures to the equity market within acceptable parameters but ensuring optimum return on risk.

(ci) Fair value or cash flow interest rate risk

The adequacy of excess assets held by the Group may be adversely affected as a result of interest rate movements, adverse changes in credit spreads or deterioration in the quality of invested assets, impacting on the Group's cash flow and liquidity. The Group seeks to manage this risk through the monitoring of adherence to established set of investment guidelines, which are reviewed and updated periodically by the Investments Committee. The Group's borrowings are at fixed interest rates.

(d) Foreign currency exchange risk

This is the risk that the fair value of the cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. Foreign exchange risks arise from recognized monetary financial assets and liabilities and future commercial transactions, that are not denominated in the functional currency of the Group. The Group holds local bank and cash balances as well as loans, receivables and liabilities denominated in USD and is exposed to foreign exchange risk arising from exposure to the fluctuation of the Zimbabwe dollar with respect to the USD.

The Group also operates in Malawi and is exposed to foreign exchange risk arising from exposure to the fluctuation of the Malawian Kwacha (MWK), with respect to the Zimbabwe dollar ZWL\$. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

The following table details the Group's sensitivity to a 10% increase or decrease in the Zimbabwe dollar ZWL\$ against the Malawian Kwacha with all other variables held constant. 10% represents management's assessment of the reasonable possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and is calculated by adjusting the translation of foreign currency amounts at the period end for a 10% change in foreign currency rates.

Consolidated foreign exchange gap analysis as at 31 December 2020

	2020 USD ZWL\$ equivalent	2019 USD ZWL\$ equivalent	2020 MWK ZWL\$ equivalent	2019 MWK ZWL\$ equivalent
Base Currency				
Assets				
Cash and deposits with banks	2,382,197	10,686,097	310,625,830	294,483,329
Loans and receivables	4,788,864	21,481,962	251,294,854	147,251,688
Total assets	7,171,061	32,168,059	561,920,684	441,735,018
Liabilities				
Trade and other payables	87,999,237	394,748,375	110,805,089	44,638,300
Total liabilities	87,999,237	394,748,375	110,805,089	44,638,300
Net currency position	(80,828,176)	(362,580,316)	451,115,594	397,096,718
Exchange rates as at 31 December	81.7866	16.77	0.11	0.02
Impact of 10% increase in exchange rates				
Assets	651,915	2,924,370.66	51,083,699	40,157,728
Liabilities	(7,999,931)	(35,886,218)	(10,073,190)	(4,058,026)
Net position	(7,348,016)	(32,961,847)	41,010,509	36,099,702

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for the year ended 31 December 2020

30 FINANCIAL INSTRUMENTS - RISK MANAGEMENT (Continued)

(d) Foreign currency exchange risk (continued)

Impact of change in exchange rates

	2020 10% increase	2020 10% decrease	2019 10% increase	2019 10% decrease
Impact of profit before tax	ZWL\$ 24,598,673	ZWL\$ (20,126,187)	ZWL\$ 3,009,431	ZWL\$ (3,678,194)
Impact on equity	ZWL\$ 385,603,944	ZWL\$ (315,494,136)	ZWL\$ 14,578,906	ZWL\$ (17,818,666)

This method used for deriving sensitivity information and significant variables did not change from previous period.

(e) Equity price risk

The Group holds some strategic equity investments in other companies these include development bonds and treasury bills that carry prescribed asset status. Directors believe that the exposure to market price risk from this activity is acceptable in the Group's circumstances. A 10% increase in value of the equity instruments held at the reporting date would, all other variables held constant, have resulted in an increase in profit before tax and net assets of ZWL\$66,274,589 (2019: ZWL\$31,348,125) for the Group and ZWL\$29,295,043 (2019: ZWL\$12,060,761) for the Company. A 10% decrease in their value would on the same basis have decreased retained earnings and assets by the same amount.

31. ASSURANCE RISK MANAGEMENT

Insurance risk refers to fluctuations in the timing, frequency, and severity of insured events relative to the expectations at the time of underwriting. Insurance risk can also refer to fluctuations in the timing and amount of claim settlements and reserves. Insurance risk is historically the single most significant risk area within the Group. The primary assurance activity carried out by the Group assumes the risk of loss from persons or organizations that are directly subject to the risk. Such risks may relate to life, financial or other perils that may arise from an insurable event. As such the Group is exposed to the uncertainty surrounding the timing and severity of claims under the contracts.

The main risks that the Group is exposed to are as follows:

- Mortality risk – risk of loss arising due to policyholder death experience being different than expected
- Morbidity risk – risk of loss arising due to policyholder health experience being different than expected
- Longevity risk – risk of loss arising due to the annuitant living longer than expected
- Investment return risk – risk of loss arising from actual returns being different than expected
- Expense risk – risk of loss arising from expense experience being different than expected
- Policyholder decision risk – risk of loss arising due to policyholder experiences (lapses and surrenders) being different than expected

These risks do not vary significantly in relation to the location of the risk insured by the Group, type of risk insured or by industry.

Life insurance contract liability sensitivity analysis

The following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis.

It should be noted that movements in these assumptions are non-linear. Sensitivity information will also vary according to the current economic assumptions, mainly due to the impact of changes to both the intrinsic cost and time value of options and guarantees. When options and guarantees exist, they are the main reason for the asymmetry of sensitivities. The method used for deriving sensitivity information and significant assumptions made did not change from the previous period.

Below is the impact on profit of changes in the life insurance contract liability as a result of changes in key inputs used to calculate the liability

Base	Change in assumptions (+, increase) (-, decrease)	Impact on liabilities	Impact on profit before tax	Impact on profit after tax
2020				
Mortality	+10%	2,168,935	(2,168,935)	(140,682)
Morbidity	-10%	839,229	(839,229)	(54,434)
Lapse	-10%	(1,101,938)	1,101,938	71,474
Expense	+10%	9,817,708	(9,817,708)	(636,799)
Discount rate	+1%	(6,037,729)	6,037,729	391,621
Investment return	+1%	416,944	(416,944)	(27,044)
2019				
Mortality	+10%	9,729,443	(9,729,443)	(202,974)
Morbidity	-10%	3,764,627	(3,764,627)	(78,538)
Lapse	-10%	(4,943,091)	4,943,091	103,120
Expense	+10%	44,040,431	(44,040,431)	(918,762)
Discount rate	+1%	(27,084,141)	27,084,141	565,024
Investment return	+1%	439,812	(439,812)	(9,173)

31. ASSURANCE RISK MANAGEMENT (Continued)

The above risk exposure is mitigated by the following strategies:

(i) Underwriting strategy

The underwriting strategy seeks diversity to ensure a balanced portfolio and is based on a large portfolio of similar risks over a number of years and as such, it is believed that this reduces the variability of the outcome. The Group manages its assurance risk through underwriting limits, approval procedures for transactions that involve new products or that exceed set limits, pricing guidelines, centralized management of reinsurance and monitoring of emerging issues. The Group uses several methods to assess and monitor assurance risk exposures both for individual types of risks insured and overall risks. These methods include internal risk measurement models, sensitivity and scenario analyses.

(ii) Pricing strategy

The theory of probability is applied to the pricing and provisioning for a portfolio of assurance contracts. The principal risk is that the frequency and severity of claims is greater than expected. Assurance events are, by their nature, random, and the actual number and size of events during any one year may vary from those estimated using established statistical techniques.

Key assumptions

Material judgement is required in determining the liabilities and in the choice of assumptions. Assumptions in use are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information. Assumptions and prudent estimates are determined at the date of valuation and no credit is taken for possible beneficial effects of voluntary withdrawals. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

The key assumptions to which the estimation is particularly sensitive are as follows:

Mortality rates

Assumptions are based on standard tables, according to the type of contract written. An investigation into the actual mortality experience of the Company is used to compare the experience to the standard table. Adjustment to the standard table may be made where justified by the experience. An appropriate, but not excessive, prudent allowance is made for expected future improvements. Assumptions are differentiated by sex, underwriting class and contract type.

An increase in rates will lead to a larger number of claims (and claims could occur sooner than anticipated) which will increase the expenditure and reduce profits for the shareholders.

Longevity

Assumptions are based on standard industry and national tables, adjusted when appropriate to reflect the Company's own risk experience. An appropriate, but not excessive, prudent allowance is made for expected future improvements. Assumptions are differentiated by sex, underwriting class and contract type.

An increase in longevity rates will lead to an increase in the number on annuity payments to be made, which will increase the expenditure and reduce profits for the shareholders.

Investment return and inflation

Economic assumptions are based on the existing investment portfolio, and take account of the expected future medium to long-term economic environment. These estimates are based on current market returns as well as expectations about future economic and financial developments.

An increase in investment return would lead to an increase in profits for the shareholders.

Expenses

Operating expenses assumptions reflect the projected costs of maintaining and servicing in-force policies and associated overhead expenses. The current level of expenses is taken as an appropriate expense base, adjusted for expected expense inflation if appropriate.

An increase in the level of expenses would result in an increase in expenditure, thereby reducing profits for the shareholders.

Lapse and surrender rates

Lapse relates rates to the termination of policies on premiums not paid up. Surrenders relate to the voluntary termination of policies by policyholders. Policy termination assumptions are determined using statistical measures based on the Company's experience and vary by product type, policy duration and sales trends. For lapses, the Company's actual lapse experience is investigated. The lapse assumption is set based on this assumption but at a level that is expected to be consistent from year to year.

An increase in lapse rates early in the life of the policy would tend to reduce profits for shareholders, but later increases are broadly neutral in effect.

Discount rate

Life insurance liabilities are determined as the sum of the discounted value of the expected benefits and future administration expenses directly linked to the contract, less the discounted value of the theoretical premiums that would be required to meet these future cash outflows. Discount rates are based on current industry risk rates, adjusted for the Group's own risk exposure.

A decrease in the discount rate will increase the value of the insurance liability and therefore reduce profits for the shareholders.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2020

32 FAIR VALUE DISCLOSURES

The Group measures investment property, land and buildings, which are disclosed as part of property and equipment, and investments in listed equities at fair value.

Valuation process - listed equities

The Group obtains values of listed equities based on the prices quoted on the Zimbabwe Stock Exchange for counters listed in Zimbabwe and the Malawi Stock Exchange for counters listed in Malawi.

Valuation process - properties

The Group's properties (investment property, land and buildings) are valued by independent external valuers in order to determine their fair values. Valuations were performed by Bard Real Estate, an accredited independent property valuer, as at 31 December 2020.

Valuations of the Group's commercial and industrial properties were based on comparative and investment methods. The investment method involves the capitalization of expected rental income by an appropriate yield. The comparative approach seeks to ascribe to the subject property a value similar to that achieved in transactions for comparable properties. The comparative method makes use of assessed rental value rates

and capitalization rates for similar properties sold and after appropriate adjustments, such rates are applied to each property to determine its value. The valuation is based on market evidence.

Residential stands and small pieces of undeveloped stands were valued based on sales evidence on similar properties situated in comparable residential suburbs as those of the subject properties.

For large tranches of undeveloped land, the valuer adopted the development/residual value method. The assessment was based on the assumption that it is subdivided into smaller stands and fully serviced. The total estimated costs of development and disposal, which include servicing costs, agency fees, interest on servicing costs, contingency costs and the developer's profit, were then deducted from the value determined.

Depending on the valuation method applied, valuations are based upon assumptions that include transaction prices on similar properties, market related rental income and market yields.

Fair value hierarchy - Group	Level 1	Level 2	Level 3	Total gain/(loss)	Total gain/
	ZWL\$	ZWL\$	ZWL\$	for the period	(loss) for
				in statement of	the period
				profit or loss	in through
				and other	investment
				comprehensive	contract
				income	liabilities
				ZWL\$	ZWL\$
31 December 2020					
Commercial	-	-	502,456,595	29,759,039	-
Residential	-	-	755,992,385	44,775,224	-
Land	-	-	1,859,302,916	110,121,089	22,120,255
Total investment properties	-	-	3,117,751,895	184,655,351	22,120,255
Equities at fair value through profit or loss	662,745,899	-	-	400,865,627	-
Land and buildings	-	-	351,782,823	45,007,982	-
31 December 2019					
Commercial	-	-	478,581,532	190,226,222	-
Residential	-	-	720,070,146	404,446,959	-
Land	-	-	1,770,955,033	994,705,006	21,766,610
Total investment properties	-	-	2,969,606,711	1,589,378,187	21,766,610
Equities at fair value through profit or loss	313,481,258	-	-	(274,548,350)	-
Land and buildings	-	-	326,018,952	187,735,930	-

Gains / losses recorded in the statement of profit or loss and other comprehensive income for recurring fair value measurements categorised within level 3 of the fair value hierarchy amount to ZWL\$184,655,351 (December 2019: ZWL\$1,589,378,187). Fair value gains of ZWL\$22,120,255 were recorded directly in investment contract liabilities.

All gains and losses recorded in the statement of profit or loss and other comprehensive income for recurring fair value measurements categorised within level 3 of the fair value hierarchy are attributable to changes in unrealised gains or losses relating to investment and other properties held at the end of the reporting period.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2020

32 FAIR VALUE DISCLOSURES (Continued)

Valuation techniques and key unobservable inputs used to derive level 3 fair values

The table below presents the following for each class of the investment property:

- The fair value measurements at the end of the reporting period;
- The level of the fair value hierarchy (in this case level 3) within which the fair value measurements are categorised in their entirety;
- A description of the valuation techniques applied;
- The inputs used in the fair value measurement
- Quantitative information about the significant observable inputs used in the fair value measurement

Valuation technique	Key unobservable inputs	Class of property valued using this technique	Fair value 31-Dec-2020	Fair value 31-Dec-2019	Inter-relationship between unobservable inputs and key fair value measurement
Income capitalisation	- Rental per square metre	Commercial	502,456,595	478,581,532	Increase or decrease in fair value would result from the following movements in these inputs respectively: - increase or decrease in net rental income - decrease or increase in prime yield - decrease or increase in void rates
	- Prime yield	Industrial	-	-	
	- Void rate	Land and buildings (PPE)	-	-	
Comparative method	- Rate per square metre	Residential	755,992,385	720,070,146	The estimated fair value would increase if prices for comparable properties increased, and decrease if prices for comparable properties decreased.
		Land	1,859,302,916	1,770,955,033	

Descriptions and definitions

The table above includes the following descriptions and definitions relating to valuation techniques and key unobservable inputs made in determining the fair

values:

i. Income capitalisation method

Under the income capitalisation method, a property's fair value is estimated based on the normalised net operating income generated by the property, which is divided by the capitalisation rate (discounted by the investor's rate of return). Under the income capitalisation method, over (above market rent) and under-rent situations are separately capitalised (discounted).

ii. Comparative method

Under the market comparable method (or market comparable approach), a property's fair value is estimated based on comparable transactions. The unit of comparison applied by the Group is the price per square metre (sqm).

iii. Rent per square metre

The rent at which space could be let in the market conditions prevailing at the date of valuation. The unit of comparison is the rental rate per square metre.

Analysis of property portfolio

Sector
Commercial
Industrial

iv. Void rate

The Group determines the void rate which can be experienced based on the percentage of estimated vacant space divided by the total lettable area.

v. Prime yield

The prime yield is defined as the internal rate of return of the cash flow from the property, assuming a rise to estimated rental value ("ERV") at the next review, but with no further rental growth.

Sensitivity analysis to significant changes in unobservable inputs within level 3 of the hierarchy.

The significant unobservable inputs used in the fair value measurement categorised within level 3 of the value hierarchy of the Group's portfolio of investment properties and land and buildings were as follows:

- Prime yield;
- Void rate;
- Rental per square metre; and
- Comparable transacted properties.

Increases/(decreases) in the transaction prices on comparable properties and rental per square metre in isolation would result in a higher/(lower) fair value measurement.

Increases/(decreases) in the long-term void rate and prime yield in isolation would result in a lower/(higher) fair value measurement.

Lettable space m2		% of portfolio	
December 2020	December 2019	December 2020	December 2019
9,031	9,031	100.00%	100.00%
-	-	-	-
9,031	9,031	100.00%	100.00%

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2020

33 RETIREMENT BENEFITS

33.1 Fidelity Life Pension Fund

All eligible employees are members of the Fidelity Life Defined Contribution Pension Scheme which is administered by the Company. Employees in the subsidiary in Malawi are members of the Vanguard Life Assurance Pension Scheme which is administered by the Company. The fund is financed by Group and employee contributions.

Contributions were made as follows during the year:

	GROUP		COMPANY	
	2020 ZWL\$	2019 ZWL\$	2020 ZWL\$	2019 ZWL\$
Employer's contribution	5,795,697	14,696,107	4,008,684	6,841,412

33.2 National Social Security Scheme

The Group employees in Zimbabwe contribute to the National Social Security Scheme, a Defined Contribution Pension Scheme promulgated under the National Social Security Act of 1989. The obligation under the scheme is limited to specific contributions legislated from time to time. The contribution rates were reviewed following the gazetting of Statutory Instrument 108 and 109 of 2020 on 15 May 2020 increasing the contributions from 3.5% to 4.5% of basic salary per employee per month limited to ZWL\$225.

Contributions were made as follows during the year:

	GROUP		COMPANY	
	2020 ZWL\$	2019 ZWL\$	2020 ZWL\$	2019 ZWL\$
Employer's contribution	288,986	945,247	280,234	846,043

34 RELATED PARTY INFORMATION

34.1 Related parties

The following are the related parties of the Company:

Related party	Nature of relationship	
Fidelity Life Financial Services (Private) Limited	Wholly owned subsidiary	
Zimbabwe Actuarial Consultants (Private) Limited	Wholly owned subsidiary	
Vanguard Life Assurance Company Limited	Subsidiary	
Fidelity Funeral Assurance (Private) Limited	Subsidiary	
Fidelity Life Asset Management Company (Private) Limited	Subsidiary	
Langford Estates 1962 (Private) Limited	Subsidiary	
Fidelity Life Medical Aid Society	Society managed by the company	
Zimre Holdings Limited	Shareholder	
Turismo Investments (Private) Limited	Shareholder	
Zimre Property Investments Limited	Common shareholder	
Emeritus Reinsurance (Private) Limited	Common shareholder	
Zimbabwe Insurance Brokers Limited	Common shareholder	
F. Ruwende	Non Executive Chairman	
R.G. Maramba	Non Executive Director	Resigned 1 July 2020
S. Kudenga	Non Executive Director	
I. Mvere	Non Executive Director	
F. Dzanya	Non Executive Director	
G. Dhombo	Independent Non Executive Director	
H. Nemaire	Independent Non Executive Director	
R. Java	Chief Executive Officer	
B. Wesley	Key management	
S. Mudzengi	Key management	
N. Mupfurutsa	Key management	
R. Chihota	Key management	
M. Gumbo	Key management	
K. Dube	Key management	
C. Matongo	Key management	
E. Masvavike	Key management	
R. Mutangadura	Key management	Resigned 1 November 2020
Z.Zvenyika	Chief Finance Officer	Appointed February 2020

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2020

34.2 Related party transactions

The following represent transactions with related parties during the year:-

Related party	Nature of transaction	GROUP		COMPANY	
		2020 ZWL\$	2019 ZWL\$	2020 ZWL\$	2019 ZWL\$
Income					
Vanguard Life Assurance Company Limited	Management fee income	-	-	-	5,199,769
Fidelity Life Financial Services (Private) Limited	Dividend income	-	-	-	5,661,575
Zimbabwe Insurance Brokers Limited	Pension contributions	123,881	2,349,464	123,881	2,349,464
Zimre Property Investments Limited	Pension contributions	2,049,254	1,556,906	2,049,254	1,556,906
Emeritus Reinsurance (Private) Limited	Pension contributions	82,501	11,184,207	82,501	11,184,207
Expenses					
Fidelity Life Medical Aid Society	Medical aid contributions	(2,212,827)	(3,131,795)	(1,741,140)	(3,131,795)
Zimbabwe Actuarial Consultants (Private) Limited	Actuarial fees	-	-	(1,861,639)	(9,055,445)
Fidelity Life Asset Management Company (Private) Limited	Management fees	-	-	(604,461)	(2,752,541)
Emeritus Reinsurance (Private) Limited	Reassurance premiums	(12,357,223)	(17,994,169)	(12,357,223)	(17,994,169)

34.3 Related party balances

34.3.1 Related party receivables

Included in trade and other receivables are the following balances:-

Fidelity Life Asset Management Company (Private) Limited	-	-	2,468,059	2,210,341
Langford Estates 1962 (Private) Limited	-	-	1,497,701	534,472
Fidelity Life Financial Services (Private) Limited	-	-	4,299,947	2,469,957
Fidelity Funeral Services Company (Private) Limited	-	-	1,291,037	2,522,065
Fidelity Life Medical Aid Society	3,978,061	4,167,709	4,292,282	4,193,058
Zimbabwe Actuarial Consultants (Private) Limited	-	-	746,286	1,590
Vanguard Life Assurance Company Limited	-	-	818,350	24,814
	3,978,061	4,167,709	15,413,662	11,956,297

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2020

34 RELATED PARTY INFORMATION (Continued)

34.3.2 Related party payables	GROUP		COMPANY	
	2020 ZWL\$	2019 ZWL\$	2020 ZWL\$	2019 ZWL\$
Included in related party payables				
Fidelity Life Medical Aid Society	1,189,604	6,067,730	482,830	155,375
Fidelity Funeral Services Company (Private) Limited	-	-	-	-
Fidelity Life Financial Services (Private) Limited	-	-	22,692	-
Langford Estates 1962 (Private) Limited	-	-	-	-
Zimbabwe Actuarial Consultants	-	-	7,697,455	6,277,343
Total	1,189,604	6,067,730	8,202,976	6,432,718

The related party payables are interest free and have no fixed repayment terms. Related party payables are unsecured.

34.4 Compensation to key management

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. The compensation to key management was as follows during the year:-

Short term benefits	37,942,357	34,785,147	26,480,931	6,005,705
Post employment benefits	2,560,681	1,974,234	1,295,434	394,209
Total	40,503,038	36,759,382	27,776,364	6,399,914

The remuneration of directors and key management is determined by the Human Resources and Corporate Governance Committee of the Board having regard to the performance of the individuals and market trends.

34.5 Loans to key management

Included in trade and other receivables as at year end are loans to key management as follows:-

Loans receivable	150,764	189,692	16,892	-
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The loans are payable over 5 years, attract interest at 5% per annum and are secured against the properties that were acquired by the employees.

34.6 Directors' shareholding

The following directors have shareholding in the company as follows:-

	Number of shares	
	2020	2019
F. Ruwende	348	348

35 SUBSIDIARIES

The principal business of each of the subsidiaries of Fidelity Life Assurance of Zimbabwe, all of which have been included in the consolidated financial statements, is as follows:-

Description	Business	Location
Fidelity Life Asset Management Company (Private) Limited	Asset management	Zimbabwe
Vanguard Life Assurance Company Limited	Life assurance	Malawi
Zimbabwe Actuarial Consultants (Private) Limited	Actuarial consultants	Zimbabwe
Fidelity Life Financial Services (Private) Limited	Micro-lending	Zimbabwe
Fidelity Funeral Services Company (Private) Limited	Funeral services	Zimbabwe
Langford Estates 1962 (Private) Limited	Property development	Zimbabwe

The shareholding of the company in each of the subsidiaries is as follows:-

Description	Shareholding	
	2020	2019
Fidelity Life Asset Management Company (Private) Limited	96%	96%
Vanguard Life Assurance Company Limited	62%	62%
Zimbabwe Actuarial Consultants (Private) Limited	100%	100%
Fidelity Life Financial Services (Private) Limited	100%	100%
Fidelity Funeral Services Company (Private) Limited	91%	91%
Langford Estates 1962 (Private) Limited	81%	81%

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2020

36 NON-CONTROLLING INTERESTS

Vanguard Life Assurance Company Limited and Langford Estates 1962 (Private) Limited are the only subsidiaries of the Company that have material non-controlling interests (NCI). The NCI of all other subsidiaries that are not 100% owned by the group are considered to be immaterial.

Summarised financial information in relation to the NCI of Vanguard Life Assurance Company Limited and Langford Estates 1962 (Private)

For the period ended 31 December	Vanguard Life		Langford Estates	
	2020 ZWL\$	2019 Restated* ZWL\$	2020 ZWL\$	2019 ZWL\$
Revenue				
Gross premiums written	223,321,529	266,645,128	-	-
Outward reinsurance premiums	(5,984,994)	(7,451,344)	-	-
Net premiums earned	217,336,535	259,193,784	-	-
Fees from fund management and investment contracts	1,805,598	3,324,138	-	-
Interest income on money market investments	39,771,636	28,324,303	-	-
Fair value gains on equities at fair value through profit or loss	26,101,493	7,424,985	-	-
Fair value gains on investment properties	5,466,357	15,291,841	164,024,829	1,261,666,055
Other income	1,743,207	10,328,147	1,536,839	4,379,524
Total income	292,224,828	323,887,198	165,561,668	1,266,045,580
Expenses				
Claims and benefits	(76,306,739)	(67,652,639)	-	-
Reinsurance recoveries	4,060,428	2,074,802	-	-
Net claims and benefits incurred	(72,246,311)	(65,577,837)	-	-
Change in life assurance policyholder liabilities	(116,167,517)	(109,948,886)	-	-
Fee and commission expenses, and other acquisition costs	(11,461,243)	(19,321,221)	-	-
Other operating and administrative expenses	(71,633,153)	(90,903,933)	(1,150,569)	(3,931,163)
Total expenses	(271,508,224)	(285,751,878)	(1,150,569)	(3,931,163)
Profit from operations	20,716,605	38,135,320	164,411,099	1,262,114,417
Finance costs	(1,641,251)	(1,910,173)	-	-
Profit before tax	19,075,354	36,225,147	164,411,099	1,262,114,417
Income tax expense	(7,184,415)	(13,096,003)	-	-
Profit after tax	11,890,939	23,129,144	164,411,099	1,262,114,417

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2020

36 NON-CONTROLLING INTERESTS (Continued)

For the year ended 31 December	Vanguard Life		Langford Estates	
	2020 ZWL\$	2019 Restated* ZWL\$	2020 ZWL\$	2019 ZWL\$
Profit attributable to NCI	4,545,906	8,842,272	31,618,540	242,722,146
Other comprehensive income allocated to NCI	8,826,789	35,305,497	-	-
Total comprehensive income allocated to NCI	13,372,695	44,147,769	31,618,540	242,722,146
Cash flows from operating activities	89,450,640	114,268,619	-	-
Cash flows from investing activities	(59,068,255)	(66,314,153)	-	-
Cash flows from financing activities	7,176,679	(4,250,894)	-	-
Net cash flows attributable to NCI	37,559,065	43,703,573	-	-
Assets:				
Property and equipment	55,872,853	29,916,826	-	-
Investment property	225,564,706	205,609,260	2,047,035,180	1,883,010,351
Intangible assets	34,383,288	22,823,288	-	-
Right of use assets	-	10,647,048	-	-
Deferred acquisition costs	-	-	-	-
Corporate tax asset	-	6,298,897	-	-
Inventories	-	-	-	-
Trade and other receivables	251,294,854	147,251,688	-	-
Financial assets at fair value through profit or loss	350,549,040	185,852,192	-	-
Debt securities at amortised cost	316,624,647	227,978,072	-	-
Cash and cash equivalents	310,625,830	294,483,325	-	-
	1,544,915,217	1,130,860,597	2,047,035,180	1,883,010,351
Liabilities:				
Life assurance policyholder liabilities	1,178,184,986	880,772,113	-	-
Deferred tax	42,600,292	36,215,463	-	-
Trade and other payables	110,805,089	44,638,300	1,860,980	2,247,250
Lease obligation	25,057,474	15,384,141	-	-
Income tax liability	-	-	-	-
	1,356,647,842	977,010,018	1,860,980	2,247,250
Accumulated non-controlling interests	67,391,336	54,018,641	393,316,366	361,697,826

37 SEGMENT REPORTING

Segment information

The Group has two main reportable segments as follows:

Insurance

This segment is involved in life assurance and pensions. The segment accounts for 38% (2019: 37%) of the Group's external revenue.

Microlending

This segment is involved in consumer loans, business loans and loans to farmers. It accounts for 2% (2019: 4%) of the Group's external revenue. The segment has experienced steady growth since its formation in 2010.

Other

Included in this segment are the actuarial, asset management and funeral services units. These are individually immaterial and reported as

other income. There was a significant increase in total revenue in this segment arising from fair value adjustments of properties held by one of the segment which holds a land bank as investment property arising from transfer of the land inventory to investment property.

Factors that management used to identify the Group's reportable segments

The Group's reportable segments are strategic business units that offer more or less similar services. The segment described as other comprises of business units that have combined income significantly less than 10% of the combined revenue of all operating segments.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision maker has been identified as the executive management team including the Chief Executive Officer and the Chief Finance Officer.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2020

SEGMENT REPORTING (continued)

Measurement of operating segment profit or loss, assets and liabilities

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. The Group evaluates performance on the basis of profit or loss from operations but excluding non-recurring losses, such as goodwill impairment.

Inter-segment sales are priced along the same lines as sales to external customers, with an appropriate discount being applied to encourage use of Group resources at a rate acceptable to local tax authorities. This policy was applied consistently throughout the current and prior year.

The Group has no transactions with a single external customer that exceeds 10% of its total revenue.

36 NON-CONTROLLING INTERESTS (Cont'd)

2020	Insurance ZWL\$	Microlending ZWL\$	Other ZWL\$	Consolidation adjustments ZWL\$	Group ZWL\$
Total revenue	1,064,558,751	43,237,983	209,037,456	(166,872,229)	1,149,961,961
Total benefits, claims and other expenses	(1,022,087,054)	(73,553,478)	(36,029,542)	50,939,788	(1,080,730,286)
Profit before tax	42,471,697	(30,315,495)	173,007,914	(115,932,441)	69,231,675
Depreciation of property and equipment	25,610,810	152,258	1,143,692	-	26,906,759
Amortisation of intangible assets	83,163	83,145	192,754	-	359,062
Amortisation of deferred acquisition costs	-	-	-	-	-
Finance costs	12,440,728	5,836,405	-	-	18,277,134
Fair value gains on equities	391,116,967	905,550	8,843,109	-	400,865,627
Fair value gains on investment property	25,777,105	1,212,281	162,546,553	(4,880,587)	184,655,351
Income tax expense	9,752,387	1,867,370	3,426,900	-	15,046,657
Additions to non-current assets	27,797,721	119,371	434,799	-	28,351,892
Reportable segment non-current assets	4,262,525,087	21,817,511	46,596,288	-	4,330,938,886
Reportable segment current assets	1,104,610,569	23,143,301	14,911,008	-	1,142,664,879
Reportable segment liabilities	4,693,387,935	29,373,355	23,764,318	-	4,746,525,608
Cash flows from operating activities	205,630,683	(28,477,752)	(54,243,992)	-	122,908,940
Cash flows from investing activities	96,168,631	(2,315,579)	25,191,754	-	119,044,806
Cash flows from financing activities	(24,508,302)	25,116,930	(24,538,147)	-	(23,929,519)
2019	Insurance ZWL\$	Microlending ZWL\$	Other ZWL\$	Consolidation adjustments ZWL\$	Group ZWL\$
Total revenue	1,751,901,562	115,608,864	1,310,582,200	(997,409,865)	2,180,682,761
Total benefits claims and other expenses	(1,622,266,176)	(224,194,017)	(24,260,317)	48,699,873	(1,822,020,637)
Profit before tax	129,635,386	(108,585,153)	1,286,321,883	(948,709,992)	358,662,124
Depreciation of property and equipment	26,465,270	833,424	1,859,106	-	29,157,800
Amortisation of intangible assets	171,883	1,132,983	684,034	-	1,988,899
Amortisation of deferred acquisition costs	-	-	-	-	-
Finance costs	28,942,278	6,448,625	-	-	35,390,903
Fair value gains on equities	(259,930,745)	(2,721,944)	(11,895,662)	-	(274,548,350)
Fair value gains on investment property	406,438,811	6,951,274	1,281,154,687	(105,166,585)	1,589,378,187
Income tax expense	18,283,818	6,197,370	4,329,853	-	28,811,041
Additions to non-current assets	118,312,519	1,052,974	52,632	-	119,418,125
Reportable segment non-current assets	1,907,461,856	19,671,236	1,931,306,363	-	3,858,439,454
Reportable segment current assets	696,802,111	56,045,174	15,510,292	-	768,357,576
Reportable segment liabilities	3,876,239,508	27,946,099	18,111,392	-	3,922,296,999
Cash flows from operating activities	118,322,406	232,221,071	(457,568,817)	-	(112,925,908)
Cash flows from investing activities	9,449,017	(1,052,974)	(62,345,089)	-	(53,949,046)
Cash flows from financing activities	(144,605,627)	(32,542,145)	97,660,114	-	(79,487,657)

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2020

37 SEGMENT REPORTING (Continued)

GEOGRAPHICAL INFORMATION	Zimbabwe ZWL\$	Malawi ZWL\$	Total ZWL\$
2020			
Revenue			
Total revenue	1,024,609,362	292,224,828	1,316,834,190
Inter-segment revenue	(166,872,229)	-	(166,872,229)
Total revenue from external customers	857,737,133	292,224,828	1,149,961,961
Group's revenue per statement of profit or loss and other comprehensive income	857,737,133	292,224,828	1,149,961,961
Depreciation of property and equipment	23,987,207	2,919,552	26,906,760
Amortisation of intangible assets	275,898	83,163	359,062
Amortisation of deferred acquisition costs	-	-	-
Finance costs	16,635,883	1,641,251	18,277,134
Fair value adjustments on equities	374,764,133	26,101,493	400,865,627
Fair value adjustments on investment property	179,188,994	5,466,357	184,655,351
Income tax expense	(7,862,241)	(7,184,415)	(15,046,657)
Segment profit before tax	50,156,320	19,075,354	69,231,675
Cash flows from operating activities	33,458,300	89,450,640	122,908,940
Cash flows from investing activities	178,113,060	(59,068,255)	119,044,806
Cash flows from financing activities	(31,106,198)	7,176,679	(23,929,519)
2019			
Revenue			
Total revenue	2,854,205,428	323,887,198	3,178,092,626
Inter-segment revenue	(997,409,865)	-	(997,409,865)
Total revenue from external customers	1,856,795,563	323,887,198	2,180,682,761
Group's revenue per statement of profit or loss and other Comprehensive income	1,856,795,563	323,887,198	2,180,682,761
Depreciation of property and equipment	24,214,790	4,943,010	29,157,800
Amortisation of intangible assets	1,817,012	171,887	1,988,899
Amortisation of deferred acquisition costs	-	-	-
Finance costs	33,480,730	1,910,173	35,390,903
Fair value adjustments on equities	(281,973,336)	7,424,985	(274,548,350)
Fair value adjustments on investment property	1,574,086,346	15,291,841	1,589,378,187
Tax expense	(15,715,042)	(13,096,003)	(28,811,041)
Segment profit before tax	322,436,977	36,225,147	358,662,124
Cash flows from operating activities	(221,293,960)	114,268,619	(112,925,908)
Cash flows from investing activities	12,365,111	(66,314,157)	(53,949,046)
Cash flows from financing activities	(75,236,763)	(4,250,894)	(79,487,657)
2020			
Additions to non-current assets	21,540,178	6,811,714	28,351,892
Reportable segment non current assets	3,664,568,999	666,369,887	4,330,938,886
Reportable segment current assets	272,882,171	869,782,708	1,142,664,879
Reportable segment liabilities	3,389,877,767	1,356,647,841	4,746,525,608
2019			
Additions to non-current assets	37,164,267	82,253,858	119,418,125
Reportable segment non current assets	3,377,541,429	480,898,025	3,858,439,454
Reportable segment current assets	92,345,593	676,011,983	768,357,577
Reportable segment liabilities	2,925,754,981	996,542,018	3,922,296,999

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2020

38 PRESCRIBED ASSETS

The Pension and Provident Funds Act (Chapter 24:09) as amended by the Government of Zimbabwe Statutory Instrument 206 of 2019 requires companies in the life assurance industry to hold 15% of their assets as investments in prescribed stocks and bonds. The Company's investment in such assets is summarised below:-

Counterparty	2020 ZWL\$	2019 ZWL\$
Inventories-South View Stands	60,113,163	7,966,383
Residential Stand Debtors	2,029,016	47,516,202
Development Bonds	298,872	1,872,900
Investment Properties	688,965,962	536,144,872
	751,407,012	593,500,356
Total assets	3,593,660,357	3,097,149,133
Percentage of total assets	21%	19%

The Company is fully compliant with the prescribed assets requirements.

Compliance with Insurance Regulations 1989 (Section 3 and 8) Statutory Instrument 95 of 2017, Insurance (Amendment) Regulations 2017 (19)

The financial statements of the Company must comply with the provisions of Insurance Regulations 1989, promulgated as Statutory Instrument 95 of 2017 read with Instrument 59 of 2020, section (3).

The following are the details on compliance with the said provisions of the statute:

Section 3 (1) (a)

The minimum unencumbered capital requirement for an insurer for registration or ongoing operations shall be the equivalent of Seventy Five Million Zimbabwe Dollars in the case of an insurer which carries on life assurance business including funeral assurance.

	2020 ZWL\$	2019 ZWL\$
Investments	3,531,122,980	3,097,149,133
Allowance for inadmissible assets	(1,971,877,000)	(1,225,176,280)
Value of Assets	1,559,245,980	1,871,972,853
Actuarial values of policy liabilities	1,029,608,000	758,982,104
Other liabilities	414,219,000	517,653,491
Total	1,443,827,000	1,276,635,595
FLA statutory capital per SI95 requirement	115,418,980	595,337,262
SI95 minimum statutory capital requirement	75,000,000	336,436,191
Statutory capital surplus	40,418,980	258,901,071

The Company is fully compliant with the minimum capital requirements. Although this solvency position is healthy by international standards in a normal economy, the economic instability in Zimbabwe demands even higher solvency levels. To improve underwriting capacity and strengthen financial soundness of the Company, Management are still pursuing balance sheet restructuring initiatives of the equity and property portfolios to unlock value.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2020

40 IMPACT OF COVID 19

The Covid-19 pandemic had a major impact on the economy and the business with the resultant lockdowns and movement restrictions affecting trading activity. As for most businesses, Fidelity Life Group was not immune to the effects of the Covid-19 pandemic and the emergence of Covid-19 in early March 2020 diverted the Board and Management's focus to navigating through the impact on our business and prepare for growth in a new normal. The Group implemented the appropriate regulatory measures and guidelines to ensure that the business operates in a safe environment for its customers, staff, and all stakeholders.

Covid-19 Response Measures

Fidelity Life Group introduced a wide-ranging set of measures to support global and national efforts to tackle the Covid-19 pandemic. Strict protocols for hygiene and physical distancing were put in place at Fidelity Life Group offices including maintaining skeletal staff during lockdown and post lockdowns, whilst the majority of employees were working from home. In addition, Fidelity Life Group implemented a robust Business Continuity Framework that allowed the company to

successfully continue all its operations, allowing clients and stakeholders to remotely access our services and systems online through various digital and electronic platforms. During the period, the Group continued to receive premiums and incoming client payments and was also able to settle claims and outbound payments.

Exposure monitoring, planning, and scenario modeling

The Covid-19 pandemic continues to cause disruption and its impact on the business in the short to medium term is uncertain. Nonetheless, there is hope in the long term with the introduction of vaccines. Management has implemented measures to ensure business continuity and viability in the uncertain environment and will continuously review these measures. Scenario and stress testing planning framework to support decision making over now, next, and beyond time horizon is being enhanced.

Financial Impact

The Group conducted a worse-case scenario financial impact analysis of COVID-19 on the business in 2020 and in the next 12 months. The impact on the current and future financial statements is shown below:

Area of negative impact	Estimated impact in 2020 financial statements	Estimated impact in the next 12 months	Management Actions
Insurance revenue	Low	Low	Uncontrollable
Claims experience	Low	Low	Uncontrollable
FLFS Loan disbursements	Medium	Low	Manageable
Non-insurance revenue	Low	Low	Manageable
Investment income	Medium	Medium	Uncontrollable
Operating expenses	Medium	Low	Controllable
Credit risk	Low	Low	Controllable
Solvency Risk	Low	Low	Uncontrollable

41 EVENTS AFTER THE REPORTING DATE

41.1 Dividend

At a board meeting held on 02 June 2021, the directors recommended not to declare a dividend for the year ended 31 December 2020. This decision was reached due to a need to preserve internal resources to fund the Group's growth strategy. No dividend was declared for the year ended 31 December 2020.

41.2 Approval of the consolidated financial Statements

The consolidated financial statements were approved by the Board of Directors for issue on 02 June 2021 and the directors have power to amend and/or reissue the financial statements should circumstances requiring that arise.



FIDELITY LIFE

ASSURANCE OF ZIMBABWE

HISTORICAL FINANCIALS

2020

**Let us finance
your dreams
with our Microloans.**



FIDELITY LIFE

FINANCIAL SERVICES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

for the year ended 31 December 2020

HISTORICAL	Notes	GROUP		
		31-Dec-20 ZWL\$	Restated * 31-Dec-19 ZWL\$	Restated * 1-Jan-19 ZWL\$
ASSETS				
Property and equipment	6	358,855,764	74,878,740	13,367,901
Investment property	7	3,117,751,895	661,999,240	37,246,615
Right of use asset	7.1	29,559,329	3,433,421	-
Intangible assets	4	52,865,342	5,579,065	347,202
Inventories	10	2,122,263	2,244,041	24,688,741
Investment in subsidiaries	8	-	-	-
Deferred tax assets	17.1	-	72,532	6,228
Trade and other receivables	9	293,017,745	63,703,690	43,968,538
Corporate tax asset		-	1,404,186	431,879
Deferred acquisition costs	5	-	-	-
Equities at fair value through profit or loss	11.1	662,745,899	69,882,774	15,203,896
Debt securities at amortised cost	11.2	316,923,519	51,239,503	2,321,009
Cash and deposits with banks	12	550,557,240	73,247,335	9,522,429
Total assets		5,384,398,996	1,007,684,527	147,104,438
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent				
Issued share capital	13	1,089,233	1,089,233	1,089,233
Share premium		671,409	671,409	671,409
Treasury shares		(10,037)	(10,037)	(10,037)
Retained earnings		47,473,230	14,187,162	(1,146,312)
Revaluation reserve		24,409,705	1,744,187	1,064,833
Foreign currency translation reserve		100,594,732	15,256,032	(1,211,349)
Total ordinary shareholder's equity		174,228,272	32,937,986	457,777
Non-controlling interests		464,941,464	93,620,546	4,991,264
Total equity		639,169,736	126,558,532	5,449,041
Liabilities				
Insurance contract liabilities and investment contract liabilities with discretionary participation features	14.1	3,722,269,955	699,521,286	94,926,664
Investment contracts without discretionary participation features	14.2	397,468,982	39,411,707	5,624,413
Borrowings	15	32,464,290	23,685,254	21,658,700
Deferred tax liabilities	17.2	45,105,405	8,609,388	583,150
Lease obligation	16	25,057,474	3,429,537	80,845
Trade and other payables	18	513,432,232	104,978,446	17,015,657
Corporate tax liability		9,430,922	1,490,377	1,765,968
Total liabilities		4,745,229,260	881,125,995	141,655,397
Total equity and liabilities		5,384,398,996	1,007,684,527	147,104,438

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

* Further information on the restatement is included in Note 14 to the financial statements.



CHAIRMAN

2 June 2021



CHIEF EXECUTIVE OFFICER

SEPARATE STATEMENT OF FINANCIAL POSITION

for the year ended 31 December 2020

HISTORICAL	Notes	COMPANY		
		31-Dec-20 ZWL\$	Restated * 31-Dec-19 ZWL\$	Restated * 1-Jan-19 ZWL\$
ASSETS				
Property and equipment	6	280,564,504	58,628,375	11,876,309
Investment property	7	840,623,605	195,633,060	34,750,812
Right of use asset		-	-	-
Intangible assets	4	18,403,533	358,301	-
Inventories	10	2,008,966	2,185,930	2,368,189
Investment in subsidiaries	8	1,829,254,344	378,882,384	31,987,674
Deferred tax assets	17.1	-	6,228	6,228
Trade and other receivables	9	31,752,281	20,588,470	35,593,475
Corporate tax asset		-	-	286,304
Deferred acquisition costs	5	-	-	-
Equities at fair value through profit or loss	11.1	292,950,437	26,886,440	13,638,833
Debt securities at amortised cost	11.2	298,872	417,516	1,630,622
Cash and deposits with banks	12	235,266,489	6,844,915	3,652,421
Total assets		3,531,123,031	690,431,619	135,790,867
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent				
Issued share capital	13	1,089,233	1,089,233	1,089,233
Share premium		671,409	671,409	671,409
Treasury shares		(10,037)	(10,037)	(10,037)
Retained earnings		58,277,678	14,822,561	4,491,943
Revaluation reserve		13,398,818	(669,448)	885,557
Foreign currency translation reserve		101,923,517	16,543,425	(1,212,075)
Total ordinary shareholder's equity		175,350,618	32,447,143	5,916,030
Non-controlling interests		-	-	-
Total equity		175,350,618	32,447,143	5,916,030
Liabilities				
Insurance contract liabilities and investment contract liabilities with discretionary participation features	14.1	2,544,084,633	503,174,924	85,819,693
Investment contracts without discretionary participation features	14.2	397,468,982	39,411,707	5,624,413
Borrowings	15	16,859,568	20,235,254	21,200,367
Deferred tax liabilities	17.2	-	-	126,146
Trade and other payables	18	388,673,626	94,080,800	15,608,002
Corporate tax liability		8,685,604	1,081,791	1,496,216
Total liabilities		3,355,772,413	657,984,476	129,874,837
Total equity and liabilities		3,531,123,031	690,431,619	135,790,867

The above separate statement of financial position should be read in conjunction with the accompanying notes.

* Further information on the restatement is included in Note 14 to the financial statements.



CHAIRMAN

2 June 2021



CHIEF EXECUTIVE OFFICER

CONSOLIDATED AND SEPARATE STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME for the year ended 31 December 2020

HISTORICAL	Notes	GROUP		COMPANY	
		2020 ZWL\$	Restated * 31-Dec-19 ZWL\$	2020 ZWL\$	Restated * 31-Dec-19 ZWL\$
Gross premiums	19	359,093,888	82,222,395	135,772,360	22,780,561
Premiums ceded to reinsurers		(20,646,432)	(3,436,909)	(14,661,438)	(1,775,819)
Net premiums		338,447,456	78,785,486	121,110,922	21,004,742
Fees and commission income	20	28,571,619	4,310,141	25,915,509	3,413,232
Investment income	21	40,916,478	6,847,142	1,124,245	237,326
Interest income from residential stands receivables		8,194,589	3,682,559	8,194,589	3,682,559
Fair value gains and losses from equities		301,822,042	15,532,471	259,229,588	13,346,387
Fair value gains and losses from investment property	32	2,205,306,955	527,920,940	572,470,097	126,408,759
Interest income from microlending		18,940,383	6,602,074	-	-
Other operating income	22	27,546,725	14,059,666	28,654,113	9,453,452
Share of profit of investments in Subsidiaries	8	-	-	1,364,737,981	329,521,592
Income from sale of residential stands		4,462,545	56,261	4,462,545	56,261
Total revenue		2,974,208,792	657,796,740	2,385,899,589	507,124,310
Gross benefits and claims paid		(111,217,750)	(26,560,189)	(38,666,679)	(12,101,052)
Claims ceded to reinsurers		16,997,756	464,337	12,937,327	1,813
Net benefits and claims		(94,219,994)	(26,095,852)	(25,729,352)	(12,099,239)
Gross change in insurance and investment contract liabilities	14.1	(1,957,504,664)	(386,036,426)	(1,874,336,225)	(369,028,302)
Fee and commission expenses, and other acquisition costs	23	(15,250,362)	(5,406,014)	(3,364,863)	(819,067)
Operating and administration expenses	24	(219,571,764)	(39,131,397)	(121,613,320)	(14,567,663)
Allowance for expected credit losses on receivables	9	(2,057,762)	(1,059,071)	(222,537)	(522)
Cost of sales of residential stands	10	(137,175)	(183,884)	(137,175)	(183,884)
Project development costs	24.1	(300,690,300)	(94,746,574)	(300,690,300)	(94,746,574)
Finance costs	25	(11,740,163)	(4,776,682)	(6,590,877)	(3,861,870)
Net monetary gain/(loss)		-	-	-	-
Total benefits, claims and other expenses		(2,601,172,184)	(557,435,900)	(2,332,684,649)	(495,307,121)
Profit/(Loss) before tax		373,036,608	100,360,840	53,214,940	11,817,189
Income tax expense	26	(21,695,960)	(6,685,698)	(9,759,823)	(1,486,571)
Profit/(Loss) for the year		351,340,648	93,675,142	43,455,117	10,330,618
Other comprehensive income:					
Items that will not be reclassified to profit or loss:					
Gross gains on property revaluation		272,401,111	56,574,843	230,239,638	46,676,304
Share of revaluation gains on property		-	-	253,887	95,619
Income tax related to items that will not be reclassified to profit or loss		(311,258)	(66,342)	-	-
Gross change in insurance liabilities through OCI		(249,424,335)	(55,829,147)	(216,425,259)	(48,326,928)
Gains on property revaluation, net of tax		22,665,518	679,354	14,068,266	(1,555,005)
Items that will or may be reclassified to profit or loss:					
Exchange differences arising on translation of foreign operations		138,605,038	26,754,995	85,380,092	17,755,500
Other comprehensive income/(loss) for the year, net of tax		161,270,556	27,434,349	99,448,358	16,200,495
Total comprehensive profit/(loss) for the year		512,611,204	121,109,491	142,903,475	26,531,113
Profit/(Loss) for the year attributable to:					
Owners of the parent		33,286,068	15,333,474	43,455,117	10,330,618
Non-controlling interests		318,054,580	78,341,668	-	-
Total profit/(loss) for the year		351,340,648	93,675,142	43,455,117	10,330,618
Total comprehensive profit/(loss) attributable to:					
Owners of the parent		141,290,286	32,480,209	142,903,475	26,531,113
Non-controlling interests		371,320,918	88,629,282	-	-
Total comprehensive profit/(Loss) for the year		512,611,204	121,109,491	142,903,475	26,531,113
Earnings per share attributable to the ordinary equity holders of the parent					
Basic and dilute profit/(loss) per share (cents)	27.1	30.84	14.21	40.27	9.57
Headline profit/(loss) per share (cents)	27.2	29.48	11.03	38.26	4.80

The above consolidated and separate statements of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

* Further information on the restatement is included in Note 14 to the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2020

GROUP

	Share capital ZWL\$	Treasury shares ZWL\$	Share premium ZWL\$	Restated * Retained earnings ZWL\$	Revaluation reserve ZWL\$	Foreign currency translation reserve ZWL\$	Attributable to shareholders of parent ZWL\$	Non-controlling interest ZWL\$	Total equity ZWL\$
Year ended 31 December 2019									
Balance at 1 January 2019 previously stated	1,089,233	(10,037)	671,409	2,332,232	1,064,833	(1,211,349)	3,936,321	4,991,264	8,927,585
Prior period regulatory and currency reforms adjustment	-	-	-	(3,478,544)	-	-	(3,478,544)	-	(3,478,544)
Balance at 1 January 2019 restated*	1,089,233	(10,037)	671,409	(1,146,312)	1,064,833	(1,211,349)	457,777	4,991,264	5,449,041
Profit for the year-restated	-	-	-	15,333,474	-	-	15,333,474	78,341,668	93,675,142
Other comprehensive income for the year	-	-	-	-	679,354	16,467,381	17,146,735	10,287,614	27,434,349
Total comprehensive income for the year	-	-	-	15,333,474	679,354	16,467,381	32,480,209	88,629,282	121,109,491
Balance at 31 December 2019	1,089,233	(10,037)	671,409	14,187,162	1,744,187	15,256,032	32,937,986	93,620,546	126,558,532
Year ended 31 December 2020									
Balance at 1 January 2020	1,089,233	(10,037)	671,409	14,187,162	1,744,187	15,256,032	32,937,986	93,620,546	126,558,532
Profit for the year	-	-	-	33,286,068	-	-	33,286,068	318,054,580	351,340,648
Other comprehensive income for the year	-	-	-	-	22,665,518	85,338,700	108,004,218	53,266,338	161,270,556
Total comprehensive income for the year	-	-	-	33,286,068	22,665,518	85,338,700	141,290,286	371,320,918	512,611,204
Balance at 31 December 2020	1,089,233	(10,037)	671,409	47,473,230	24,409,705	100,594,732	174,228,272	464,941,464	639,169,736

*Further information on restatement is included in Note 14 to the financial statements. The above separate statement of changes in equity should be read in conjunction with the accompanying notes.

SEPARATE STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2020

COMPANY

	Share capital ZWL\$	Treasury shares ZWL\$	Share premium ZWL\$	Restated * Retained earnings ZWL\$	Revaluation reserve ZWL\$	Foreign currency translation reserve ZWL\$	Total equity ZWL\$
Balance at 1 January 2019 previously stated	1,089,233	(10,037)	671,409	1,399,694	885,557	(1,212,075)	2,823,781
Prior period regulatory and currency reforms adjustment	-	-	-	3,092,249	-	-	3,092,249
Balance at 1 January 2019 restated*	1,089,233	(10,037)	671,409	4,491,943	885,557	(1,212,075)	5,916,030
Profit the year-restated	-	-	-	10,330,618	-	-	10,330,618
Other comprehensive income for the year	-	-	-	-	(1,555,005)	17,755,500	16,200,495
Total comprehensive income/(loss) for the year	-	-	-	10,330,618	(1,555,005)	17,755,500	26,531,113
Balance at 31 December 2019*	1,089,233	(10,037)	671,409	14,822,561	(669,448)	16,543,425	32,447,143
Year ended 31 December 2020							
Balance at 1 January 2020	1,089,233	(10,037)	671,409	14,822,561	(669,448)	16,543,425	32,447,143
Profit for the year	-	-	-	43,455,117	-	-	43,455,117
Other comprehensive income for the year	-	-	-	-	14,068,266	85,380,092	99,448,358
Total comprehensive income/(loss) for the year	-	-	-	43,455,117	14,068,266	85,380,092	142,903,475
Dividend paid	-	-	-	-	-	-	-
Balance at 31 December 2020	1,089,233	(10,037)	671,409	58,277,678	13,398,818	101,923,517	175,350,618

*Further information on restatement is included in Note 14 to the financial statements. The above separate statement of changes in equity should be read in conjunction with the accompanying notes.

The following describes the nature and purpose of each reserve within equity

Reserve	Description and purpose
Share premium	Amount subscribed for share capital in excess of nominal value
Treasury shares	Weighted average cost of own shares held in treasury
Revaluation reserve	Gains/losses arising on the revaluation of property (other than investment property)
Foreign currency translation reserve	Gains/losses arising on retranslating the net assets of foreign operations into Zimbabwe Dollars.
Retained earnings	All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS

for the year ended 31 December 2020

Notes	GROUP		COMPANY	
	2020 ZWL\$	2019 Restated * ZWL\$	2020 ZWL\$	2019 Restated * ZWL\$
CASH FLOWS FROM OPERATING ACTIVITIES				
	373,036,608	100,360,840	53,214,940	11,817,189
Profit/(Loss) before tax				
Adjustments:	(206,898,550)	(70,024,134)	49,678,745	(10,546,512)
Fair value gains on equities at fair value through profit or loss	(301,822,042)	(15,532,471)	(259,229,588)	(13,346,387)
Fair value gains on investment property	7 (2,205,306,955)	(527,920,940)	(572,470,097)	(126,408,759)
Amortisation of intangible assets	4 137,526	85,903	-	-
Impairment of intangible asset	-	17,632	-	-
Amortisation of right of use asset	7.1 2,403,907	547,119	-	-
Amortisation of deferred acquisition costs	5 -	-	-	-
Finance costs	11,740,163	4,776,682	6,590,877	3,861,870
Depreciation of property and equipment	6 12,585,201	2,031,429	9,538,089	1,008,814
Gross change in insurance and investment contract liabilities with DPF	1,957,504,664	386,036,426	1,874,336,225	369,028,302
Cash inflow/(outflow) on investment contracts without DPF	39,411,706	5,624,414	39,411,707	5,624,413
Non cash claim and other expenses	-	3,889,805	-	3,889,805
Interest income	(36,337,873)	(6,480,836)	(184,064)	(90,123)
Dividend income	(4,578,605)	(366,306)	(940,181)	(147,203)
Share of profit of investments accounted using the equity method	-	-	(1,364,737,981)	(329,521,592)
Non cash adjustment-IAS29	-	-	-	-
Unrealised exchange gains/ (losses)	19,668,925	(2,580,659)	19,668,925	(4,355,988)
Projects development costs	300,565,761	85,058,451	300,565,761	85,058,451
Profit on disposal of investment property	(1,924,551)	-	(1,924,551)	-
Profit/(loss) on disposal of property, plant & equipment	(946,378)	(5,210,783)	(946,378)	(5,148,114)
	(119,246,490)	(19,776,825)	(16,737,246)	8,601,610
Changes in working capital				
Decrease/ (increase) in inventories	121,778	144,700	176,964	182,258
(Increase) in deferred acquisition costs	-	(3,090,711)	-	-
Increase/(decrease) in trade and other receivables	(227,256,293)	(19,735,151)	(10,941,274)	15,005,005
Increase/(decrease) in trade and other payables	107,888,025	2,904,337	(5,972,935)	(6,585,653)
	46,891,568	10,559,881	86,156,439	9,872,288
Cash generated from operations				
Income taxes paid	(8,402,049)	(6,658,244)	(2,149,763)	(2,027,142)
NET CASH GENERATED FROM OPERATING ACTIVITIES	38,489,519	3,901,637	84,006,677	7,845,146
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to and replacement of property and equipment	6 (17,718,295)	(614,355)	(2,161,961)	(171,310)
Additions and improvements to investment property	7 -	(171,000)	-	(171,000)
Additions to intangible assets	4 (22,824,977)	(1,860,957)	(18,045,232)	(358,301)
Interest income	36,337,873	6,480,836	184,064	90,123
Dividend income	4,578,605	366,306	940,181	147,203
Additions to financial assets at fair value through profit or loss	-	(14,827,813)	(1,254,991)	(1,120,501)
Disposals of financial assets at fair value through profit or loss	169,340,611	1,568,100	169,340,611	1,568,100
Proceeds from sale of investment property	10,889,755	-	10,889,755	-
Proceeds from sale of property and equipment	8,496,543	5,224,898	6,946,334	5,162,229
Additions to debt securities held at amortised cost	(35,173,680)	(22,251,857)	-	-
Disposal of debt securities held at amortised cost	118,645	-	118,644	-
NET CASH GENERATED FROM / (UTILISED) IN INVESTING ACTIVITIES	154,045,082	(26,085,841)	166,957,405	5,146,543
CASH FLOWS FROM FINANCING ACTIVITIES				
Finance costs	(11,740,163)	(4,776,682)	(6,590,877)	(3,861,870)
Repayments of lease obligations	(757,789)	(757,789)	-	-
Repayments of borrowings	15.3 (21,528,173)	(11,136,120)	(15,951,630)	(5,559,576)
Proceeds from borrowings	15.3 17,731,265	9,747,115	-	-
NET CASH UTILISED IN FINANCING ACTIVITIES	(16,294,860)	(6,923,476)	(22,542,507)	(9,421,446)
NET INCREASE IN CASH AND CASH EQUIVALENTS	176,239,741	(29,107,680)	228,421,575	3,570,243
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	73,247,335	9,144,679	6,844,915	3,274,672
Exchange differences on translation of a foreign operation	301,070,164	93,210,337	-	-
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	550,557,240	73,247,335	235,266,489	6,844,915

The above consolidated and separate statements of cash flows should be read in conjunction with the accompanying notes.

* Further information on the restatement is included in Note 14 to the financial statements.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2020

	GROUP		COMPANY	
	2020 ZWL\$	2019 ZWL\$	2020 ZWL\$	2019 Restated ZWL\$
4. INTANGIBLE ASSETS				
Net carrying amount at the beginning of the year	5,579,065	347,202	358,301	-
Gross carrying amount - Cost	6,157,589	822,191	412,577	54,276
Accumulated amortisation	(578,524)	(474,989)	(54,276)	(54,276)
Additions	22,824,977	1,860,957	18,045,232	358,301
Exchange rate movement on foreign operations	24,598,826	3,474,441	-	-
Impairment	-	(17,632)	-	-
Amortisation charge for the year	(137,526)	(85,903)	-	-
Net carrying amount at the end of the year	52,865,342	5,579,065	18,403,533	358,301
Gross carrying amount - Cost	53,581,392	6,157,589	18,457,809	412,577
Accumulated amortisation	(716,050)	(578,524)	(54,276)	(54,276)

A software with a cost of ZWL\$22,824,977 was acquired during the year, it has an estimated useful life of 4 years.

Intangible asset work in progress amounting to ZWL\$18,405,231 and ZWL\$358,302 in 2019 capitalised was not amortised since the intangible asset project implementation is yet to be completed.

Fidelity Funeral Services a subsidiary had an intangible asset, a mortuary license with a cost of ZWL\$17,632. This Intangible asset relates to mortuary license granted by City of Harare in 2014. The license was renewable on a yearly basis with the City of Harare at a cost of ZWL\$8,000 and was fully expensed in the year incurred. Although there is a fair value of the license there is currently no market for the disposal of the License as it can only be issued by City of Harare. The intangible asset was fully impaired in prior year through the profit or loss statement.

5. DEFERRED ACQUISITION COSTS

The Group incurs costs to obtain and process new business. Acquisition costs comprise direct costs, such as initial commission, and the indirect

costs of obtaining and processing new business. The Subsidiary in Malawi restated the deferred acquisition costs asset, operating expenses and insurance liabilities in the financial statements to reflect the change in treatment of deferred acquisition cost in terms of calculating insurance liabilities and data omitted in the 2019 valuation exercise. Previously the insurance liabilities were calculated using net premium value method which does not consider future expenses.

The Fidelity Life Assurance Group changed the treatment to calculating the insurance liabilities using gross premium value method which consider future expenses discounted at the present value in 2016 and the Subsidiary in Malawi had not implemented for this change to ensure consistency in the presentation of the group's financial statements, The Subsidiary in Malawi is correcting for this in the current period. The effect of the change is a decrease in gross change in insurance and investment contract liabilities by ZWL\$2,470,914 and an increase in profit for the year ended 31 December 2019 by the same amount. The restatement is shown in the note 14.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2020

6. PROPERTY AND EQUIPMENT	GROUP				
	Land and buildings ZWL\$	Motor vehicles ZWL\$	Equipment and computers ZWL\$	Furniture and fittings ZWL\$	Total ZWL\$
Restated net carrying amount at 31 December 2018	12,059,922	693,233	334,456	280,290	13,367,901
Gross carrying amount - cost/valuation	5,171,366	2,600,726	2,765,594	471,111	11,008,796
Prior period regulatory and currency reforms adjustment	7,020,282				7,020,282
Accumulated depreciation	(131,726)	(1,907,493)	(2,431,138)	(190,821)	(4,661,178)
Additions	996,685	7,047	364,215	173,789	1,541,736
Exchange rate movement on foreign operations	2,042,692	925,637	2,049,250	513,062	6,697,586
Disposals	-	(82,929)	(14,122)	(7,899)	(104,951)
Gross carrying amount - cost/valuation	-	(627,096)	(1,696,640)	(52,832)	(2,376,568)
Accumulated depreciation	-	544,167	1,682,518	44,933	2,271,618
Depreciation charge for the year	(578,585)	(562,033)	(698,368)	(192,443)	(2,031,429)
Revaluation surplus	56,574,843	-	-	-	56,574,843
Gross carrying amount - cost/valuation	55,996,258	-	-	-	55,996,258
Accumulated depreciation	578,586	-	-	-	578,586
Net carrying amount at 31 December 2019	71,095,556	980,955	2,035,431	766,799	74,878,740
Gross carrying amount - cost/valuation	71,227,282	2,906,314	3,482,419	1,105,130	78,721,145
Accumulated depreciation	(131,726)	(1,925,359)	(1,446,988)	(338,331)	(3,842,404)
Additions	34,141	1,403,459	2,577,409	519,130	4,534,139
Exchange rate movement on foreign operations	10,266,289	2,354,140	6,445,041	1,534,718	20,600,188
Disposals	(927,381)	(43,735)	(2,099)	-	(973,214)
Gross carrying amount - cost/valuation	(927,381)	(1,562,277)	(66,207)	-	(2,555,865)
Accumulated depreciation	-	1,518,542	64,109	-	1,582,650
Depreciation charge for the year	(9,242,157)	(705,055)	(2,087,406)	(550,583)	(12,585,201)
Revaluation surplus	272,401,111	-	-	-	272,401,111
Gross carrying amount - cost/valuation	263,195,473	-	-	-	263,195,473
Accumulated depreciation	9,205,638	-	-	-	9,205,638
Net carrying amount at 31 December 2020	343,627,559	3,989,764	8,968,377	2,270,064	358,855,764
Gross carrying amount - cost/valuation	343,795,806	5,101,636	12,438,662	3,158,978	364,495,082
Accumulated depreciation	(168,247)	(1,111,872)	(3,470,285)	(888,914)	(5,639,318)

Land and buildings are carried at fair value determined on an open market value basis by independent professional valuers. The latest fair values were estimated as at 31 December 2020. Land and buildings with a carrying amount of ZWL\$278,052,000 (2019: ZWL\$57,945,381) were pledged as collateral in respect of a borrowing facility with NMB Bank Zimbabwe Limited which is disclosed in Note 15.1. The value

of land and buildings is categorised as a level 3 recurring fair value measurement, as disclosed in Note 32.

Included in 2019 buildings additions amounting to ZWL\$927,381 were non cash.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2020

	COMPANY				
	Land and buildings ZWL\$	Motor vehicles ZWL\$	Equipment and computers ZWL\$	Furniture and fittings ZWL\$	Total ZWL\$
6. PROPERTY AND EQUIPMENT					
Restated net carrying amount at 31 December 2018	10,920,282	532,121	276,094	147,812	11,876,309
Gross carrying amount - cost/valuation	3,900,000	1,511,315	2,270,513	194,477	7,876,305
Prior period regulatory and currency reforms adjustment	7,020,282	-	-	-	7,020,282
Accumulated depreciation	-	(979,194)	(1,994,419)	(46,665)	(3,020,278)
Additions	927,381	7,047	114,872	49,391	1,098,691
Disposals	-	-	(14,115)	-	(14,115)
Gross carrying amount - cost/valuation	-	-	(1,596,034)	-	(1,596,034)
Accumulated depreciation	-	-	1,581,919	-	1,581,919
Depreciation charge for the year	(578,586)	(206,517)	(199,825)	(23,886)	(1,008,814)
Revaluation surplus	46,676,304	-	-	-	46,676,304
Gross carrying amount - cost/valuation	46,097,718	-	-	-	46,097,718
Accumulated depreciation	578,586	-	-	-	578,586
Net carrying amount at 31 December 2019	57,945,381	332,651	177,026	173,317	58,628,375
Gross carrying amount - cost/valuation	57,945,381	1,518,362	789,351	243,868	60,496,962
Accumulated depreciation	-	(1,185,711)	(612,325)	(70,551)	(1,868,587)
Additions	-	981,781	955,835	224,345	2,161,961
Disposals	(927,381)	-	-	-	(927,381)
Gross carrying amount - cost/valuation	(927,381)	(71,028)	-	-	(998,409)
Accumulated depreciation	-	71,028	-	-	71,028
Depreciation charge for the year	(9,205,638)	(134,018)	(160,421)	(38,012)	(9,538,089)
Revaluation surplus	230,239,638	-	-	-	230,239,638
Gross carrying amount - cost/valuation	221,034,000	-	-	-	221,034,000
Accumulated depreciation	9,205,638	-	-	-	9,205,638
Net carrying amount at 31 December 2020	278,052,000	1,180,414	972,440	359,650	280,564,504
Gross carrying amount - cost/valuation	278,052,000	2,429,115	1,745,186	468,213	282,694,514
Accumulated depreciation	-	(1,248,701)	(772,746)	(108,563)	(2,130,010)

Land and buildings are carried at fair value determined on an open market value basis by independent professional valuers. The latest fair value was estimated as at 31 December 2020. Land and buildings with a carrying amount of ZWL\$278,052,000 (2019: ZWL\$57,945,381) were pledged as collateral in respect of a borrowing facility with NMB Bank

Zimbabwe Limited which is disclosed in Note 15.1. The value of land and buildings is categorised as a level 3 recurring fair value measurement, as disclosed in Note 32.

Included in 2019 buildings additions amounting to ZWL\$927,381 were non cash.

7. INVESTMENT PROPERTY

Balance at the beginning of the year

Additions	-	2,663,946	-	2,663,946
Improvements	-	171,000	-	171,000
Transfer from inventory	-	22,300,000	-	-
Disposals	(62,921,976)	(2,524,840)	(66,584,301)	(2,524,840)
Exchange rate movement on foreign operations	174,262,927	40,058,195	-	-
Fair value gains - properties held for investment contracts	139,104,749	34,163,383	139,104,749	34,163,383
Fair value gains through profit or loss	2,205,306,955	527,920,940	572,470,097	126,408,759

Balance at the end of the year

Management determined that the investment properties consist of four classes of property – office and retail buildings, residential houses, developed residential stands, undeveloped land and developed commercial and institutional stands. Investment properties are held for long term rental yields and capital appreciation.

Included in 2019 additions and improvements are non cash additions and improvements amounting to ZWL\$2,663,946. For the Company additions acquired in 2019 amounting ZWL\$2,663,946 were non cash.

	GROUP		COMPANY	
	2020 ZWL\$	2019 ZWL\$	2020 ZWL\$	2019 Restated ZWL\$
Balance at the beginning of the year	661,999,240	37,246,615	195,633,060	34,750,812
Additions	-	2,663,946	-	2,663,946
Improvements	-	171,000	-	171,000
Transfer from inventory	-	22,300,000	-	-
Disposals	(62,921,976)	(2,524,840)	(66,584,301)	(2,524,840)
Exchange rate movement on foreign operations	174,262,927	40,058,195	-	-
Fair value gains - properties held for investment contracts	139,104,749	34,163,383	139,104,749	34,163,383
Fair value gains through profit or loss	2,205,306,955	527,920,940	572,470,097	126,408,759
Balance at the end of the year	3,117,751,895	661,999,240	840,623,605	195,633,060

Included in disposals are non cash disposals amounting to ZWL\$52,032,221 in 2020 and ZWL\$2,524,840 in 2019.

As at 31 December 2020, the fair values of the properties are based on valuations performed by Bard Real Estate an accredited independent valuer. Bard Real Estate is a specialist in valuing these types of investment properties and has recent experience in the location and category of the investment properties being valued. Valuation models in accordance with recommendations by the International Valuation Standards Committee

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2020

7. INVESTMENT PROPERTY (Continued)

have been applied.

There were no transfers between Levels 1 or 2 to Level 3 during the year. Investment properties are at Level 3. Refer to Note 32 for relevant fair value hierarchy disclosures.

Significant judgements and assumptions were applied for the Group's Investment property portfolio. Land banks and residential properties were valued in US\$ using the comparison method and/or market evidence and an interbank exchange rate was applied converting the US\$ values to ZWL\$ for financial reporting purposes.

During the year ZWL\$4,496,616 (2019: ZWL\$2,122,792) was recognised in the consolidated statement of profit or loss and other comprehensive income in relation to rental income from the investment properties. For the Company, rental income arising from investment properties amounted ZWL\$5,932,420 (2019: ZWL\$405,128). Direct operating expenses, including repairs and maintenance, arising from investment property that generated rental income amounted to ZWL\$5,082,118 (2019: ZWL\$148,823). Direct operating expenses, including repairs and maintenance, arising from investment property that did not generate rental income during the year amounted to ZWL\$Nil (2019:

ZWL\$65,986). These expenses were mostly incurred on properties held by the Company.

7.1 Right of Use Asset

The Group leases several offices in major towns and cities in Zimbabwe and Malawi. Each lease is negotiated separately and will have terms and conditions that vary widely from those agreed for other lease arrangements. The lease agreements do not impose any covenants, and leased assets may not be used as security for borrowings. Lease contracts are usually signed for fixed periods of 1 to 5 years. The Group disclosed the office building under lease separately from property and equipment. The Subsidiary in Malawi negotiated the lease from the five year period to one year resulting in the derecognition of the right of use asset as the lease is now being accounted as a short term lease.

	GROUP		
	Office buildings ZWL\$	Motor Vehicles ZWL\$	Total ZWL\$
Net carrying amount at 31 December 2018	-	82,929	82,929
Cost	-	99,515	99,515
Accumulated amortisation	-	(16,586)	(16,586)
Additions	180,863	-	180,863
Exchange rate movement on foreign operations	2,549,803	1,166,945	3,716,748
Amortisation for the year	(357,174)	(189,945)	(547,119)
Net carrying amount at 31 December 2019	2,373,492	1,059,929	3,433,421
Cost	2,730,666	1,266,460	3,997,126
Accumulated amortization	(357,174)	(206,531)	(563,705)
Additions	-	13,184,156	13,184,156
Exchange rate movement on foreign operations	2,548,472	17,719,150	20,267,622
Derecognition of right of use asset	(4,921,965)	-	(4,921,965)
Cost	(5,279,139)	-	(5,279,139)
Amortisation	357,174	-	357,174
Amortization	-	(2,403,907)	(2,403,907)
Net carrying amount at 31 December 2020	-	29,559,329	29,559,329
Cost	-	32,169,766	32,169,766
Accumulated amortization	-	(2,610,438)	(2,610,438)

Set out below are the carrying amounts of lease liabilities and the movements during the period:

7.1.1 Movement analysis to 31 December 2020

Movements in right of use assets and lease liabilities as included in note 7.1 and note 16 during the year were as follows:

	2020 Right-Of-Use Asset	2019 Right-Of-Use Asset
Balance as at 31 December 2019	3,433,421	-
Impact of adoption of IFRS 16	-	82,929
Balance as at 1 January 2020	3,433,421	82,929
Additions	13,184,156	180,863
Amortization	(2,403,907)	(547,119)
Derecognition of right of use asset	(4,921,965)	-
Exchange rate movement on foreign operations	20,267,622	3,716,748
Balance at 31 December 2020	29,559,329	3,433,421

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2020

7.1 Right of Use Asset (Continued)

7.1.2 Retained earnings

The impact of transition to IFRS 16 on retained earnings is as follows:

Recognition of right of use asset under IFRS 16

Recognition of lease obligation

Total change in equity due to adopting IFRS 16 (1 January 2019)

	2020 Right-Of-Use Asset	2019 Right-Of-Use Asset
Recognition of right of use asset under IFRS 16	-	82,929
Recognition of lease obligation	-	(82,929)
Total change in equity due to adopting IFRS 16 (1 January 2019)	-	-

7.1.3 The following amounts are recognised in profit and loss

	GROUP		COMPANY	
	2020 ZWL\$	2019 ZWL\$	2020 ZWL\$	2019 Restated ZWL\$
Amortization of right of use assets	2,403,907	357,174	-	-
Interest expense on lease liabilities	1,642,235	228,347	-	-
Expense relating to short term leases	10,295,311	946,624	2,771,467	499,320

The Group had total cash outflows for leases amounted to ZWL\$14,341,452 in 2020 and ZWL\$1,532,145 in 2019.

	GROUP		COMPANY	
	2020 ZWL\$	2019 Restated ZWL\$	2020 ZWL\$	2019 Restated ZWL\$
8 INVESTMENT IN SUBSIDIARIES				

The Company accounts for Investment in subsidiaries applying the equity method. The share of losses in Fidelity Funeral Services Company (Private) Limited exceeded the Company's interest in the subsidiary resulting in the accounting of share of losses to the extent of profit made in the current year.

Fidelity Life Asset Management Company (Private) Limited	-	-	34,488,743	7,923,914
Fidelity Funeral Services Company (Private) Limited	-	-	-	-
Fidelity Life Financial Services (Private) Limited	-	-	13,844,531	10,362,087
Zimbabwe Actuarial Consultants (Private) Limited	-	-	15,574,225	1,472,271
Langford Estates 1962 (Private) Limited	-	-	1,651,451,608	338,207,899
Vanguard Life Assurance Company Limited	-	-	113,895,237	20,916,213
	-	-	1,829,254,344	378,882,384

8.1 RECONCILIATION OF CARRYING AMOUNT

Opening balance

Share of profit	-	-	378,882,384	31,987,674
Share of revaluation gains on property	-	-	1,364,737,981	329,521,592
Share of Exchange differences arising on translation of foreign operations	-	-	253,887	95,619
Dividends	-	-	85,380,092	17,755,500
	-	-	-	(478,000)
Closing balance	-	-	1,829,254,344	378,882,384

9. TRADE AND OTHER RECEIVABLES

Residential stand sales debtors	2,519,767	16,889,744	2,519,767	16,889,744
Micro-finance loans receivable	24,139,563	12,599,696	-	-
Insurance debtors	178,796,841	24,292,907	4,982,767	1,391,445
Other trade debtors	3,704,723	518,932	-	-
Trade receivables - gross	209,160,894	54,301,279	7,502,534	18,281,189
Less : expected credit loss on trade receivables	(13,176,561)	(5,365,464)	(2,386,713)	(2,164,176)
Trade receivables - net	195,984,333	48,935,815	5,115,821	16,117,013
Receivables from related parties, net of ECL (Note 34.3.1)	3,978,061	929,087	15,413,662	2,019,768
Loans to employees, net of ECL	23,451	80,803	23,451	4,149
Total receivables classified as financial assets at amortised cost	199,985,845	49,945,705	20,552,934	18,140,930
Prepayments	76,911,559	2,181,943	4,632,980	1,932,835
Other receivables, net of ECL	16,120,341	11,576,042	6,566,367	514,705
Total trade and other receivables	293,017,745	63,703,690	31,752,281	20,588,470
Non-current portion	18,517,632	18,517,632	18,517,632	18,517,632
Current portion	274,500,113	45,186,058	13,234,649	2,070,838
Total trade and other receivables	293,017,745	63,703,690	31,752,281	20,588,470

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2020

9. TRADE AND OTHER RECEIVABLES (continued)

There was a significant decline in stand debtors in the current period as most of the debtors settled their accounts and no new debtors were recognised as the Southview development project has reached its tail end.

Included in other receivables balance are debtors arising from non core business activities such as rental debtors and debtors arising from disposal of non core assets from the Southview development project. Receivables from related parties, loans to employees and other receivables are shown net of expected credit losses. The amount of expected credit losses for these receivables are shown in the table below.

	GROUP		COMPANY	
	2020 ZWL\$	2019 Restated ZWL\$	2020 ZWL\$	2019 Restated ZWL\$
The total expected credit loss is made up of the following:				
Expected credit loss on trade receivables	13,176,561	5,365,464	2,386,713	2,164,176
Expected credit loss on loans to employees	-	107,141	-	107,141
Expected credit loss on other receivables	47,614	47,614	47,614	47,614
Expected credit loss on related party receivables	-	645,589	-	645,587
	13,224,175	6,165,808	2,434,327	2,964,518

Movements in expected credit losses were as follows:

Opening credit loss allowance as at 1 January 2020

Receivables written off during the year as uncollectable

Net increase during the year through profit or loss

Reversal of unutilised amount through profit or loss

Impact on year end ECL exposures transferred between stages during the year

Balance at the end of the year

	GROUP		COMPANY	
	2020 ZWL\$	2019 ZWL\$	2020 ZWL\$	2019 ZWL\$
	6,165,808	4,318,673	2,964,518	3,596,818
	(784,742)	(127,038)	-	(52,700)
	(2,057,762)	(1,059,071)	(222,537)	(522)
	-	-	-	-
	9,900,871	3,103,244	(307,654)	(579,078)
	13,224,175	6,235,808	2,434,327	2,964,518

The increase in expected credit losses has been disclosed separately on the face of the statement of profit or loss and other comprehensive income. Reversal of unutilised amounts is included in other operating income.

9.1. Impairment - Expected Credit Loss Models

With the adoption of IFRS 9, the Group revised its impairment methodology for each class of assets held at amortised cost that bear similar credit risk characteristics. The IFRS 9 methodology requires the use of forward looking probability weighted expected credit loss models to determine the impairment allowance on the financial assets held at amortised cost. The impairment methodology applied for each material class of financial assets is indicated below.

(I) Trade receivables: micro-finance loans receivable

In determining impairment allowances for micro-finance loans and advances, the Group applies the full expected credit loss model under IFRS 9. This model starts with establishing a 3 stage loan grading model, which grades each loan based on whether there has been a significant increase in the credit risk and/or a default event observed since the initial recognition of that loan. Under the current model, credit risk of each loan is tracked using the ageing of the receivable. The loan is graded into stage 1, stage 2 or stage 3 based on the age of the oldest outstanding instalment. The grade into which the loan is categorised determines how the impairment loss on the loan is calculated. The stages are as defined below:

Stage 1 - Performing loans - all micro-finance loans advanced by the Group start off in this stage. In the absence of a significant deterioration in credit risk, the loans remain in Stage 1. For loans in Stage 1, ECL is estimated based on the loan's risk of default in the twelve months after the year end (12-month ECL).

Stage 2 - Non-performing loans - a micro-finance loan advances into Stage 2 if it experiences a significant increase in credit risk. For the Group, a micro-finance loan is assessed as having experienced a significant increase in credit risk when one or more instalment is overdue at the point of measuring the ECL. This is consistent with the rebuttable presumption in IFRS 9 that suggests that a debtor has experienced a

significant increase in credit risk when it carries a balances that is 30 days overdue. For Stage 2 loans, the ECL represents losses expected over the remaining contractual life of the loan (lifetime expected credit loss).

Stage 3 - Loans in default - the loan reaches default when it carries an instalment older than 120 days. IFRS 9 carries a rebuttable presumption that default does not occur later than when a financial asset is 90 days past due. The Group has rebutted this presumption. For the micro-finance loans, default occurs from the 121 days overdue mark as the Group's debt collection procedures indicate that it is at this point that the debtor would have failed to fulfil their obligations without reasonable doubt. For Stage 3 loans, the ECL represents losses expected over the remaining contractual life of the loan (lifetime expected credit loss).

After staging, the model then calculates the expected credit loss as a product of Probability of Default (PD), Loss Given Default (LGD), and Exposure At Default (EAD). The methods applied by the Group to determine these inputs are described below:

PD - Probability of default is the estimation of the likelihood of a loan reaching default state over a given time horizon. The determination of PD considers all reasonable and supportable information relating to the loan book that the Group can obtain without undue cost or effort. This includes information about past performance of the loan portfolio, current conditions and forecasts of future conditions that may affect the loans. This information is a combination of information that is internal and external to the Group. PDs were calculated for the 3 stages using Markov Chains. No adjustments for economic factors were made to the calculated PDs as no plausible correlation could be established between macro-economic factors and the probability of a person defaulting under this loan portfolio.

LGD - Loss given default is the financial loss that the Group could suffer when a borrower defaults on their loan. The Group used run-off triangles to model the progression of loans in default state from the year they were disbursed. The run-off triangles were tabulated starting with loans disbursed in 2012, tracking the ultimate loss on defaulted loans through to 2020. A weighted average LGD ratio was calculated for the entire portfolio, adjusted for macro-economic factors and discounted at the original effective interest rate applicable to the micro-finance loans.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2020

9 TRADE AND OTHER RECEIVABLES (continued)

9.1 Impairment - Expected Credit Loss Models (continued)

(i) Trade receivables: microfinance loans receivable (continued)

A small percentage of the micro-finance loan book is secured. LGD for the secured loans was estimated separately for each loan, rather than at portfolio level. For secured loans, the LGD is defined as the expected ultimate loss on the loan expressed as a proportion of the outstanding loan balance at the point of default. The ultimate loss is the difference between outstanding loan balance at default and the amount recovered from sale of the security held. The fair value of the assets held as security is determined through management estimates. Where the estimated fair value of the asset equals or exceeds the outstanding loan amount, LGD is estimated as zero.

The calculated LGDs were adjusted for inflation based on the correlation

As at 31 December 2020

Micro-finance loans receivable

Performing

Overdue

Default

Gross carrying amount

Expected credit loss on micro-finance loans receivable

Net carrying amount

As at 31 December 2019

Micro-finance loans receivable

Performing

Overdue

Default

Gross carrying amount

Expected credit loss on micro-finance loans receivable

Net carrying amount

Analysis of changes in the gross carrying amount in relation to micro-finance loans receivable is as follows:

As at 31 December 2020

Gross carrying amount at beginning of the year

New receivables originated

Receivables derecognised or matured (excluding written off)

Receivables written off

Receivables transferred between stages during the year

Gross loan and advances to customers at year end

As at 31 December 2019

Gross carrying amount at beginning of the year

New receivables originated

Receivables derecognised or matured (excluding written off)

Receivables written off

Receivables transferred between stages during the year

Gross loan and advances to customers at year end

that was established between LGD and inflation indices.

EAD - Exposure at default is an estimation of the expected financial exposure to the Group at the point a loan reaches default state. EAD has been calculated as the amortised cost of each loan at the end of the minimum number of months that would be required for the loan to reach default state from its current state, assuming no collections are made on the loan.

ECL is then calculated as a probability weighted average of a range of possible loss outcomes, with the key variables being PD and LGD.

The ECL calculated on the loans in the 3 stages is as follows:

Stage 1 12-month ECL ZWL\$	Stage 2 Lifetime ECL ZWL\$	Stage 3 Lifetime ECL ZWL\$	Total ZWL\$
17,012,476	-	-	17,012,476
-	3,255,797	-	3,255,797
-	-	3,871,290	3,871,290
17,012,476	1,883,376	1,325,093	24,139,563
(372,835)	(185,616)	(3,392,669)	(3,951,120)
16,639,641	1,697,760	(2,067,576)	20,188,443

Stage 1 12-month ECL ZWL\$	Stage 2 Lifetime ECL ZWL\$	Stage 3 Lifetime ECL ZWL\$	Total ZWL\$
9,391,226	-	-	9,391,226
-	1,883,376	-	1,883,376
-	-	1,325,094	1,325,094
9,391,226	1,883,376	1,325,094	12,599,696
(522,434)	(591,348)	(1,002,114)	(2,115,896)
8,868,792	1,292,028	322,980	10,483,800

Stage 1 12-month ECL ZWL\$	Stage 2 Lifetime ECL ZWL\$	Stage 3 Lifetime ECL ZWL\$	Total ZWL\$
9,391,227	1,883,376	1,325,093	12,599,696
15,054,251	3,086,626	3,289,319	21,950,826
(761,307)	(648,054)	(497,683)	(2,555,099)
-	-	-	(814,731)
(4,376,776)	(814,731)	(1,849,621)	(7,041,127)
19,307,394	3,507,218	2,267,108	24,139,565

Stage 1 12-month ECL ZWL\$	Stage 2 Lifetime ECL ZWL\$	Stage 3 Lifetime ECL ZWL\$	Total ZWL\$
6,624,269	937,884	784,477	8,346,630
10,763,567	1,925,587	328,733	13,017,887
(6,003,937)	(567,880)	(44,488)	(6,616,305)
-	-	-	-
(1,992,672)	(412,215)	256,371	(2,148,516)
9,391,227	1,883,376	1,325,093	12,599,696

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2020

9 TRADE AND OTHER RECEIVABLES (continued)

9.1 Impairment - Expected Credit Loss Models (continued)

As at 31 December 2020

Balance at the beginning of the year

Allowances written off on uncollectable receivables

New allowances originated

Allowances derecognised or matured (excluding written off)

Impact on year end ECL of exposures transferred between stages during the year

Balance at the end of the year

	Stage 1 12-month ECL ZWL\$	Stage 2 Lifetime ECL ZWL\$	Stage 3 Lifetime ECL ZWL\$	Total ZWL\$
	522,434	591,348	1,002,114	2,115,896
	-	-	-	-
	125,753	656,404	20,221	802,378
	(815,058)	(32,270)	(355,072)	(1,202,400)
	557,298	942,946	735,002	2,235,246
	390,427	2,158,428	1,402,265	3,951,120

As at 31 December 2019

Balance at the beginning of the year

Allowances written off on uncollectable receivables

New allowances originated

Allowances derecognised or matured (excluding written off)

Impact on year end ECL of exposures transferred between stages during the year

Balance at the end of the year

	Stage 1 12-month ECL ZWL\$	Stage 2 Lifetime ECL ZWL\$	Stage 3 Lifetime ECL ZWL\$	Total ZWL\$
	467,661	287,584	601,963	1,357,208
	-	-	-	-
	961,034	416,687	20,221	1,397,942
	(202,963)	(188,517)	(355,072)	(746,552)
	(703,298)	75,594	735,002	107,298
	522,434	591,348	1,002,114	2,115,896

(ii) Trade receivables: residential stand sales

The stand sales debtors represent trade debtors with a significant financing component. The IFRS 9 practical expedient for trade debtors requires that for such debtors, a policy choice be taken to either apply the simplified approach under the practical expedient, or the full three-stage approach under the general model. The Group elected to apply the simplified approach on its stands sales debtors. Under this approach, lifetime expected credit losses are recognised from initial recognition of the receivables, on a portfolio basis. The residential stand debtors are secured by the respective residential stands sold, significantly reducing the risk of outright loss. Credit loss is however expected from delayed payment of instalments by these debtors.

The expected loss rate is a significant estimate and has been calculated as a probability weighted average of a range of possible loss outcomes estimated based on historic, current and forward looking internal and macro-economic information that is readily available without undue cost or effort. Each scenario was adjusted to factor in time value of money at the original effective interest rate of the debtors, and inflation based on its correlation with the performance of the debtors' book.

There was no material change in the impairment allowances on these debtors from prior year. However, due to significant increases in inflation rates at the end of the year, there was a significant reduction in the expected loss rate due to the inverse relationship established between inflation and expected losses on the stand sales debtors' book.

The residential stand sales debtors are analysed below:

As at 31 December 2020

Residential stand sales debtors

Performing

Overdue

Default

Gross carrying amount

Expected credit loss on residential stand sales debtors

Net carrying amount

	Stage 2 12-month ECL ZWL\$	Stage 3 Lifetime ECL ZWL\$	Total ZWL\$
	964,243	-	964,243
	339,231	-	339,231
	-	1,216,293	1,216,293
	1,303,474	1,216,293	2,519,767
	(205,443)	(1,164,174)	(1,369,616)
	1,098,031	52,119	1,150,151

As at 31 December 2019

Residential stand sales debtors

Performing

Overdue

Default

Gross carrying amount

Expected credit loss on residential stand sales debtors

Net carrying amount

	Stage 2 12-month ECL ZWL\$	Stage 3 Lifetime ECL ZWL\$	Total ZWL\$
	16,163,788	-	16,163,788
	311,857	-	311,857
	-	414,099	414,099
	16,475,645	414,099	16,889,744
	(989,889)	(157,190)	(1,147,079)
	15,485,756	256,909	15,742,665

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2020

9 TRADE AND OTHER RECEIVABLES (continued)

9.1 Impairment - Expected Credit Loss Models (continued)

(ii) Trade receivables: residential stand sales (continued)

As at 31 December 2020

Balance at the beginning of the year

New receivables originated			
Receivables derecognised or matured (excluding written off)			
Receivables written off			
Impact on year end ECL of exposures transferred between stages during the year			

Balance at the end of the year

As at 31 December 2019

Balance at the beginning of the year

New receivables			
Receivables derecognised or matured (excluding written off)			
Receivables written off			
Impact on year end ECL of exposures transferred between stages during the year			

Balance at the end of the year

Further disclosures on the debtors impairment allowance are included in Note 9. Movements in expected credit losses for stand sales receivables are as follows:

As at 31 December 2020

Opening loss allowance as at 1 January 2020

Allowances written off on uncollectable receivables			
New allowances originated			
Allowances derecognised or matured (excluding written off)			
Impact on year end ECL of exposures transferred between stages during the year			

Balance at the end of the year

As at 31 December 2019

Opening loss allowance as at 1 January 2019

Allowances written off on uncollectable receivables			
New allowances originated			
Allowances derecognised or matured (excluding written off)			
Impact on year end ECL of exposures transferred between stages during the year			

Balance at the end of the year

(iii) Cash and short term deposits

The general expected credit loss model under the IFRS 9 also applies to the Group's cash and short term deposits. Credit risk associated with counterparties on short term and demand deposits is assessed based on credit ratings determined by the Global Credit Rating Company, which ratings are external to the Group. Where these ratings are not available, counterparty credit risk is assessed through internal mechanisms designed to assess the strength of the counterparty's capacity to meet their contractual cash obligations in the near term. As the deposits are for periods less than 3 months, no significant increases in credit risk were noted as at 1 January 2020 and over the course of the year. As such, the cash and short term deposits were classified within Stage 1, prompting a 12 month expected credit loss assessment per IFRS 9. The probability of default on these instruments was assessed as insignificant due to their short tenure, resulting in an immaterial ECL which has not been recognised.

iv) Debt securities at amortised cost

These are investments in prescribed assets with a long tenure, issued by both government and private entities. The assets pay fixed interest coupons

at half yearly or quarterly intervals. The principal amount is settled on maturity of the investment. There has been no indication of a lack of capacity by the counterparties to settle the coupons and principal amounts as they fall due, particularly because of their prescribed asset status. As such, PD is estimated to approximate zero. No impairment allowance has been recognised on these instruments.

(v) Insurance debtors

Insurance debtors were assessed to be outside the scope of IFRS 9's requirements. As such, the impairment allowance for insurance debtors continues to be measured on an incurred loss model. The Group elected to provide in full all insurance debtors in the 120+ days and 10% on all insurance debtors in the 60 to 90+ days category. There were therefore no changes in the measurement of the impairment allowance on insurance debtors.

(vi) Related party receivables

Expected credit losses on related party receivables were assessed as immaterial.

Stage 2 12-month ECL ZWL\$	Stage 3 Lifetime ECL ZWL\$	Total ZWL\$
16,475,645	414,099	16,889,744
-	-	-
(15,248,850)	(398,475)	(15,647,325)
-	-	-
1,245,862	31,486	1,277,348
2,472,657	47,110	2,519,767
Stage 2 12-month ECL ZWL\$	Stage 3 Lifetime ECL ZWL\$	Total ZWL\$
31,339,116	1,440,264	32,779,380
-	-	-
(19,493,463)	(1,442,749)	(20,936,212)
-	-	-
4,629,992	416,584	5,046,576
16,475,645	414,099	16,889,744
Stage 2 12-month ECL ZWL\$	Stage 3 Lifetime ECL ZWL\$	Total ZWL\$
989,889	157,190	1,147,079
-	-	-
-	-	-
(840,244)	75,243	(765,001)
55,798	931,741	987,539
205,443	1,164,174	1,369,617
Stage 2 12-month ECL ZWL\$	Stage 3 Lifetime ECL ZWL\$	Total ZWL\$
683,807	463,272	1,147,079
-	-	-
-	-	-
229,562	61,216	290,778
76,520	(367,298)	(290,778)
989,889	157,190	1,147,079

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2020

	GROUP		COMPANY	
	2020 ZWL\$	2019 ZWL\$	2020 ZWL\$	2019 ZWL\$
10 INVENTORIES				
Projects under development				
Land inventory	1,736,115	1,775,905	1,736,115	1,775,905
Residential stands	-	-	-	-
Consumables	272,851	410,026	272,851	410,025
	113,297	58,110	-	-
	2,122,263	2,244,041	2,008,966	2,185,930

Inventories recognised as an expense during the year ended 31 December 2020 amounted to ZWL\$137,175 (2019: ZWL\$183,884). During the year inventory related costs amounting to ZWL\$300,690,300 were written off due to completion of sale of stands arising from project Southview development activities. A balance of ZWL\$300,565,761 of the project development costs relates to exchange losses on the underlying liability. These are shown in the statement of profit or loss and other comprehensive income as project development costs.

Inventories valued at ZWL\$22,300,000 was transferred to investment property in 2019 resulting in a significant decrease in inventories. Further information is detailed in Note 7.

There were no borrowing costs capitalised during the current financial year.

11 FINANCIAL ASSETS

11.1 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	GROUP		COMPANY	
	2020 ZWL\$	2019 ZWL\$	2020 ZWL\$	2019 ZWL\$
Balance at the beginning of the year	69,882,774	15,203,896	26,886,440	13,638,833
Additions	46,169,093	14,651,317	1,254,991	1,120,501
Fair value adjustments - through investment contract liabilities	174,920,029	348,819	174,920,029	348,819
Fair value adjustments - through profit or loss	301,822,035	15,532,472	259,229,588	13,346,387
Exchange gain/(loss)	239,991,382	25,714,370	-	-
Disposals	(170,039,414)	(1,568,100)	(169,340,611)	(1,568,100)
Balance at the end of the year	662,745,899	69,882,774	292,950,437	26,886,440

Financial assets at fair value through profit and loss relate to shares held in various listed counters. Refer to note 30 for relevant fair value hierarchy disclosures.

11.2 DEBT SECURITIES AT AMORTISED COST

	2020 ZWL\$	2019 ZWL\$	2020 ZWL\$	2019 ZWL\$
Balance at the beginning of the year	51,239,503	2,321,009	417,516	1,630,622
Additions	35,173,680	22,251,857	-	-
Exchange gain	230,628,981	28,570,130	-	-
Maturities	(118,645)	(1,903,493)	(118,644)	(1,213,106)
Balance at the end of the year	316,923,519	51,239,503	298,872	417,516

Debt securities at amortised cost include development bonds and treasury bills that carry prescribed asset status. Interest rates on these instruments range from 5% to 12%. 99% of the bonds will have matured by 31 December 2021, and the remaining 1% extend as far as 2026. Further disclosure on prescribed assets is provided in Note 38.

12 CASH AND DEPOSITS WITH BANKS

	2020 ZWL\$	2019 ZWL\$	2020 ZWL\$	2019 ZWL\$
Money market investments	451,793,278	62,587,513	164,059,965	1,932,794
Bank and cash	98,386,212	10,282,072	70,828,774	4,534,371
Cash and cash equivalents	550,179,490	72,869,585	234,888,739	6,467,165
Restricted cash	377,750	377,750	377,750	377,750
	550,557,240	73,247,335	235,266,489	6,844,915

Restricted cash refers to a fixed deposit kept by First Capital Bank Zimbabwe as security for a loan received from First Capital Bank Malawi. The lien over the cash deposit runs for the tenure of the loan, which is expiring on 30 November 2021, as disclosed in Note 15.

The credit quality of cash and cash equivalents held is disclosed in Note 30.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2020

13 SHARE CAPITAL

Authorised share capital

200,000,000 ordinary shares of ZWL\$0.01 each

Issued and fully paid share capital

108,923,291 ordinary shares of ZWL\$0.01 each

GROUP		COMPANY	
2020 ZWL\$	2019 ZWL\$	2020 ZWL\$	2019 ZWL\$
2,000,000	2,000,000	2,000,000	2,000,000
1,089,233	1,089,233	1,089,233	1,089,233

14 INSURANCE AND INVESTMENT CONTRACT LIABILITIES

Prior period regulatory and currency reforms adjustments

Fidelity Life Assurance of Zimbabwe conducted an asset separation between policyholders and shareholders to ensure compliance with the requirements of the Insurance Act (Chapter 24:07) and the Pension and Provident funds Act (Chapter 24:09). The results of the exercise as per the Company's calculations disclosed a 94:6 split between policyholders and shareholders respectively, previously the Company was applying the 90:10 split. The results were approved by the Insurance and Pensions Commission (IPEC).

Asset separation

Fidelity Life Assurance of Zimbabwe maintained its assets and liabilities on a combined basis operating a pooled fund. Profits of the company were therefore shared between policyholders and shareholders in accordance with the provisions of the Company's articles of association.

In addition to having a shareholder fund, Fidelity Life Assurance of Zimbabwe had to separate and maintain distinct asset portfolios (Funds) at least for the three broad categories of insurance funds that it operates which includes investment contracts, insurance contracts with profit and insurance contracts without profits.

This necessitated a project to establish a basis on which to achieve such separation and administer the funds separately in compliance with the Insurance Act (Chapter 24:7) and the Pension and Provident funds Act (Chapter 24:09).

In addition to the IPEC approved 94:6 split of assets for policyholders and shareholders, Fidelity Life Assurance of Zimbabwe was also required to address the requirements of the Guideline for the Insurance and Pensions Industry on adjusting Insurance and Pension values in response to currency reforms issued in terms of Section 3 (1) (a) of Statutory Instrument 69 of 2020.

Following the approval of Fidelity Life Assurance of Zimbabwe proposed Asset Separation report by IPEC, the company has implemented the notional 94:6 split between Shareholders and Policyholders. Consequently, the actuarial liability has been restated in line with the results of the asset split and the 2019 currency reforms.

This prior period regulatory and currency reforms adjustments has been accounted for retrospectively, and the comparative information for 2019 has been restated. The effect of the change is a decrease of ZWL\$16,248,334 in profit for the year ended 31 December 2019. Furthermore, opening retained earnings for 2019 have been increased by ZWL\$3,092,249 which is the amount of the adjustment relating to periods before 2019. The restatement is shown in the note below

Prior period error

The Subsidiary in Malawi restated the deferred acquisition costs asset, operating expenses and insurance liabilities in the financial statements to reflect the change in treatment of deferred acquisition cost in terms of calculating insurance liabilities and data omitted in the 2019 valuation exercise. Previously the insurance liabilities were calculated using net premium value method which does not consider future expenses. The Fidelity Life Assurance Group changed the treatment to calculating the insurance liabilities using gross premium value method which consider future expenses discounted at the present value in 2016 and the Subsidiary in Malawi had not implemented for this change to ensure consistency in the presentation of the group's financial statements, The Subsidiary in Malawi is correcting for this in the current period.

The effect of the change is a decrease in gross change in insurance and investment contract liabilities by ZWL\$2,470,914 and an increase in profit for the year ended 31 December 2019 by the same amount. The restatement is shown in the note below.

	GROUP			COMPANY		
	As previously stated 2019 ZWL\$	Effect of restatement 2019 ZWL\$	Restated 2019 ZWL\$	As previously stated 2019 ZWL\$	Effect of restatement 2019 ZWL\$	Restated 2019 ZWL\$
Impact on statement of profit or loss and other comprehensive income - year ended 31 December 2019						
Gross change in insurance and investment contract liabilities	404,755,675	(18,719,248.66)	386,036,426	385,276,637	(16,248,334)	369,028,302
Fee and commission expenses and other acquisition costs	3,630,682	1,775,332	5,406,014	-	-	-
Fair value gains and losses from investment property	545,438,845	(17,517,905)	527,920,940	143,926,664	(17,517,905)	126,408,759
Share of profit of investments in subsidiaries	-	-	-	335,933,107	(6,411,515)	329,521,592
Other comprehensive income						
Gross change in insurance liabilities through OCI	-	-	-	-	-	-
Share of exchange differences arising on translation of foreign operations	28,744,533	(1,989,538)	26,754,995	-	-	-
Gross gains on property revaluation	63,595,125	(7,020,282)	56,574,843	53,696,586	(7,020,282)	46,676,304
Impact on earnings per share						
Basic/diluted earnings per share (cents)	14.74	(0.53)	14.21	16.69	(7.12)	9.57
Headline earnings per share (cents)	11.57	(0.54)	11.03	11.92	(7.12)	4.80
Impact on statement of cash flow						
Profit before tax	100,934,827	(573,987)	100,360,840	19,498,278	(7,681,089)	11,817,189
Gross change in insurance and investment contract liabilities with DPF	404,755,675	(18,719,249)	386,036,426	385,276,637	(16,248,335)	369,028,302

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2020

14. INSURANCE AND INVESTMENT CONTRACT LIABILITIES

IMPACT OF RESTATEMENTS

	As previously stated 2019 ZWL\$	Effect of restatement 2019 ZWL\$	Restated 2019 ZWL\$	As previously stated 2019 ZWL\$	Effect of restatement 2019 ZWL\$	Restated 2019 ZWL\$
COMPANY						
Impact on statement of financial position						
Retained earnings	19,411,401	(4,588,840)	14,822,561	1,399,694	3,092,249	4,491,943
Insurance contract liabilities and investment contract liabilities with discretionary participation features	491,565,803	11,609,120	503,174,923	57,962,239	27,857,454	85,819,693
Investment in subsidiaries	378,882,384	-	378,882,384	25,576,159	6,411,515	31,987,674
Property and equipment	58,628,375	-	58,628,375	4,856,027	7,020,282	11,876,309
Investment property	195,633,060	-	195,633,060	17,232,907	17,517,905	34,750,812
	As previously stated 2019 ZWL\$	Effect of restatement 2019 ZWL\$	Restated 2019 ZWL\$	As previously stated 2019 ZWL\$	Effect of restatement 2019 ZWL\$	Restated 2019 ZWL\$
GROUP						
Impact on statement of financial position						
Deferred acquisition cost	5,807,061	(5,807,061)	-	159,278	(159,278)	-
Retained earnings	18,239,691	(4,052,531)	14,187,162	2,332,232	(3,478,544)	(1,146,312)
Foreign currency translation reserve	16,484,971	(1,228,939)	15,256,032			
Non controlling interest	94,381,147	(760,601)	93,620,546			
Insurance contract liabilities and investment contract liabilities with discretionary participation features	692,265,994	7,255,292	699,521,286	67,069,210	27,857,454	94,926,664
Property and equipment	74,878,740	-	74,878,740	6,347,619	7,020,282	13,367,901
Investment property	661,999,240		661,999,240	19,728,710	17,517,905	37,246,615

14.1 Insurance contract liabilities and investment contract liabilities with discretionary participation features

Balance at the beginning of the year

Prior period regulatory and currency reforms adjustments

Balance at the beginning of the year restated

Split out of investment contract liabilities without DPF

Change in life assurance policyholder liabilities for the year

Movement through profit or loss

Movement through other comprehensive income

Exchange rate movement on foreign operations

Balance at the end of the year

	2020 ZWL\$	2019 Restated ZWL\$	2020 ZWL\$	2019 Restated ZWL\$
Balance at the beginning of the year	699,521,286	67,069,210	503,174,924	57,962,239
Prior period regulatory and currency reforms adjustments	-	27,857,454	-	27,857,454
Balance at the beginning of the year restated	699,521,286	94,926,664	503,174,924	85,819,693
Split out of investment contract liabilities without DPF	(49,851,776)	-	(49,851,776)	-
Change in life assurance policyholder liabilities for the year	3,072,600,444	604,594,622	2,090,761,485	417,355,231
Movement through profit or loss	1,957,504,664	386,036,426	1,874,336,225	369,028,302
Movement through other comprehensive income	249,424,335	55,829,147	216,425,259	48,326,928
Exchange rate movement on foreign operations	865,671,445	162,729,049	-	-
Balance at the end of the year	3,722,269,955	699,521,286	2,544,084,633	503,174,924

14.2 Investment contracts without discretionary participation features

Balance at the beginning of the year

Split out from insurance contract liabilities

Fair value gains from equities

Fair value gains from investment properties

Other investment income

Net cash flow

Gross premium income

Gross benefits and claims paid

Investment expenses

Balance at the end of the year

	2020 ZWL\$	2019 Restated ZWL\$	2020 ZWL\$	2019 Restated ZWL\$
Balance at the beginning of the year	39,411,707	5,624,413	39,411,707	5,624,413
Split out from insurance contract liabilities	49,851,776	-	49,851,776	-
Fair value gains from equities	174,920,029	348,819	174,920,029	348,819
Fair value gains from investment properties	139,104,749	34,163,383	139,104,749	34,163,383
Other investment income	40,914	6,563	40,914	6,563
Net cash flow	(5,860,192)	(731,471)	(5,860,192)	(731,471)
Gross premium income	1,115,601	325,075	1,115,601	325,075
Gross benefits and claims paid	(652,815)	(212,493)	(652,815)	(212,493)
Investment expenses	(6,322,978)	(844,053)	(6,322,978)	(844,053)
Balance at the end of the year	397,468,982	39,411,707	397,468,982	39,411,707

Refer to Note 31 for further disclosures on insurance and investment contract liabilities.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2020

14.3 POLICYHOLDER AND SHAREHOLDER FUNDS

Fidelity Life Assurance of Zimbabwe conducted an asset separation between policyholders and shareholders in compliance with the requirements of the Insurance Act (Chapter 24:07) and the Pension and Provident funds Act (Chapter 24:09). Investments returns and assets allocation are disclosed as shown below on an IPEC approved basis of 94:6.

2020	2020 ZWL\$	2019 ZWL\$	2020 ZWL\$
14.3.1 Assets and liabilities allocation			
Assets	Policyholder	Shareholder	Total
Land and buildings	278,052,000	2,512,505	280,564,504
Intangible assets	18,403,533	-	18,403,533
Investment property	840,623,605	-	840,623,605
Inventories	2,008,966	-	2,008,966
Investments in subsidiaries	1,641,435,374	187,818,970	1,829,254,344
Other assets	31,752,282	-	31,752,281
Equities at fair value through profit or loss	292,950,437	-	292,950,437
Debt securities at amortised cost	298,872	-	298,872
Cash and deposits with banks	225,394,211	9,872,278	235,266,489
Total assets	3,330,919,280	200,203,753	3,531,123,031
Liabilities			
Borrowings	15,847,994	1,011,574	16,859,568
Trade and other payables	373,517,677	23,841,554	397,359,231
Total liabilities	389,365,671	24,853,128	414,218,799
Net assets value			3,116,904,232
Allocated closing fund balance	2,941,553,609	175,350,625	3,116,904,234
2019	2020 ZWL\$	2019 ZWL\$	2020 ZWL\$
Assets and liabilities allocation			
Assets	Policyholder	Shareholder	Total
Land and buildings	58,628,375	-	58,628,375
Investment property	195,633,060	-	195,633,060
Investments in subsidiaries	339,490,873	39,291,511	378,782,384
Other assets	21,415,239	1,723,690	23,138,929
Equities at fair value through profit or loss	26,886,440	-	26,886,440
Debt securities at amortised cost	417,516	-	417,516
Cash and deposits with banks	6,534,221	410,694	6,944,915
Total assets	649,005,724	41,425,895	690,431,619
Liabilities			
Borrowings	18,943,643	1,291,611	20,235,254
Trade and other payables	89,088,383	6,074,208	95,162,591
Total liabilities	108,032,026	7,365,819	115,397,845
Net assets value			575,033,774
Allocated closing fund balance	540,973,698	34,060,078	575,033,774

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2020

14.3 POLICYHOLDER AND SHAREHOLDER FUNDS (Continued)

14.3.2 Investment returns allocation

Direct Revenue

	2020 ZWL\$	2019 ZWL\$
Net premiums earned	121,110,922	21,004,743
Brokerage commissions and management fees	25,915,509	3,413,232
Other operating income	28,654,113	9,453,451
Net claims and benefits incurred	(25,729,352)	(12,099,239)
Fees and commission expenses and other acquisition costs	(3,364,863)	(819,068)
Other operating and administrative expenses	(121,835,857)	(14,568,178)
Net direct growth in fund	24,750,473	6,384,941
Fair value gains	831,699,685	157,273,051
Share of profit subsidiaries	1,364,737,981	335,933,107
Other investment income	13,781,379	3,976,146
Southview project operating expenses	(300,827,475)	(94,930,458)
Finance costs	(6,590,877)	(3,861,870)
Income tax expense	(9,759,823)	(1,486,571)
Gains on property and equipment revaluations	230,239,638	53,792,204
Share of revaluation gains on property	253,887	95,619
Exchange differences arising on translation of foreign operations	85,380,092	17,755,500
Net investment returns	2,208,914,488	468,546,728
Net profit before change in policyholder liability	2,233,664,960	474,931,669
Allocation of profit (94:6)		
Policyholder	2,099,645,063	446,435,769
Shareholder	134,019,898	28,495,900

14.4 IPEC CURRENCY REFORM GUIDELINE COMPLIANCE

The Insurance and Pensions Commission (IPEC) issued currency reform guidelines in 2020 to compensate policyholders for the loss of value due to the change in currency from US\$ to ZWL\$. The following describe the steps taken by the Company to comply with the guideline for each product class and the split of assets and operating profits per each sub account thereof.

Insurance contract liabilities and investment contract liabilities with discretionary participation features

Policyholders who were present as at the determination date were identified and the policies have been made paid up as at the determination date. The paid-up values become the Sum Assured of the member as at 31 December 2018.

Assets were split into Sub Account 1 and Sub Account 2 in compliance with the IPEC Guideline. The paid-up members participate in Sub Account 1 and benefit from bonuses allocated to participants in Sub Account 1. Contributions that were remitted post the Determination

Date went towards purchasing a new policy at the policyholders' current age and the remaining term. The policyholders will benefit from bonuses allocated to Sub Account 2.

Policyholders who bought policies before the Determination Date will participate in both Sub Accounts whilst those who bought policies after the Determination Date participates only in Sub Account 2.

Insurance contract liabilities and investment contract liabilities without discretionary participation features

The investment products have been split between Sub Account 1 and Sub Account 2. The members who were participating in the Fund before the determination date participate in Sub Account 1 and benefit from interest awarded to Sub Account 1.

Contributions that were remitted post the Determination Date went invested in a separate Fund that is in Sub Account 2. The policyholders will benefit from interest awarded to Sub Account 2.

Below is an illustration of the split of assets into the respective sub-accounts

14.4.1 Assets

	Sub- Account 1 ZWL\$	Sub- Account 2 ZWL\$	Total ZWL\$
Prescribed assets	291,798	7,073	298,872
Land and buildings	289,639,300	6,816,232	296,455,533
Investment property	725,511,000	115,112,605	840,623,605
Listed equities	106,642,000	2,509,000	109,151,000
Unlisted equities	1,465,951,000	175,485,000	1,641,436,000
Money market investments	27,934,000	3,309,000	31,243,000
Inventories(Land and projects)	1,794,000	215,000	2,009,000
Loans and receivables	1,625,000	195,000	1,820,000
Non current trade receivables	16,537,931	1,979,701	18,517,632
Other	-	-	-
Total	2,635,926,030	305,628,612	2,941,554,642

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2020

14.4 IPEC CURRENCY REFORM GUIDELINE COMPLIANCE (Continued)

Below is an illustration of the split of profit into the respective sub-accounts

14.4.2 Operating profit

	Sub- Account 1 ZWL\$	Sub- Account 2 ZWL\$	Total ZWL\$
Premiums net of reinsurance	-	121,111,000	121,111,000
Fee and commission income	23,394,000	2,522,000	25,916,000
Interest income from residential stands receivables	8,195,000	-	8,195,000
Investment income	662,000	71,000	733,000
Fair value gains/(losses)	234,355,000	25,266,000	259,621,000
Income from sale of stands	4,463,000	-	4,463,000
Gains/losses on property revaluation	516,757,000	55,713,000	572,470,000
Other income	1,281,921,000	111,471,000	1,393,392,000
Income	2,069,747,000	316,154,000	2,385,901,000
Benefits and claims after reinsurance	(23,256,019)	(2,473,000)	(25,731,492)
Change in liabilities	(1,683,318,211)	(181,483,000)	(1,864,982,693)
Policyholder benefits	(1,706,574,230)	(183,956,000)	(1,890,530,230)
Cost of sales of stands	(137,175)	-	(137,175)
Fee, commission and acquisition costs	(3,037,393)	(327,000)	(3,364,721)
Finance costs	(5,949,452)	(641,000)	(6,591,093)
Projects development	(271,427,069)	(29,263,000)	(300,719,332)
Operating expenses	(91,961,100)	(39,412,000)	(131,412,512)
Non-operating income	89,503,200	9,945,000	99,458,145
Other expenses	(283,008,988)	(59,698,000)	(342,706,988)
Profit before tax	80,163,782	72,500,000	152,663,782
Income tax	-	(9,760,000)	(9,760,000)
Profit after tax	80,163,782	62,740,000	142,903,782

	GROUP		COMPANY	
	2020 ZWL\$	2019 Restated ZWL\$	2020 ZWL\$	2019 ZWL\$ Restated
15 BORROWINGS				
15.1 LONG-TERM BORROWINGS				
FBC Bank Limited	-	5,037,851	-	5,037,851
Infrastructure Development Bank of Zimbabwe	-	1,570,737	-	1,570,737
Standard Chartered Bank of Zimbabwe Limited	-	975,620	-	975,620
Agribank Limited	-	402,261	-	402,261
NMB Bank Limited	6,708,558	8,129,266	6,708,558	8,129,266
First Capital Bank Malawi	10,151,010	4,119,519	10,151,010	4,119,519
	16,859,568	20,235,254	16,859,568	20,235,254
Current portion of long-term borrowings	(12,301,770)	(6,805,793)	(12,301,770)	(6,805,793)
Non-current portion of long term borrowings	4,557,798	13,429,461	4,557,798	13,429,461

FBC Bank Limited, Infrastructure Development Bank of Zimbabwe, Standard Chartered Bank of Zimbabwe Limited and Agribank Limited

The Group assumed CFI Holdings Limited's loans, issued by these banks amounting to USD\$16 million, when it acquired Langford Estates (1962) (Private) Limited through a land-for-debt swap arrangement in 2015. The borrowings accrued interest at 10% per annum and had a tenor of 7 years ending 30 June 2022. The loan facility was fully settled during the year.

NMB Bank Limited Facility

The loan with NMB Bank was acquired to enable settlement of the Redeemable Bonds that were settled in 2018. The NMB loan accrues interest at 10% per annum and has fixed monthly repayments to 31 January 2023. The facility is secured through a first mortgage bond over property valued at ZWL\$57.1 million and cession of residential stand sales receivables worth ZWL\$12 million.

First Capital Bank Malawi

The loan with FCB Malawi was used to refinance Vanguard Life Assurance through a rights issue. The loan is denominated in Malawi Kwacha and accrued interest at 23% per annum. The interest rate was revised to 18.9% as at 31 December 2020 and is subject to variation at the bank's discretion as influenced by bank rates advised by the Reserve Bank of Malawi from time to time. The facility is repayable in equal monthly instalments to 30 November 2021. The terms of the loan require security of 110% of the facility amount to be kept in deposit with First Capital Bank Zimbabwe for the duration of the facility, which would amount to US\$377,750.

For the long-term borrowings, their fair values are not materially different to carrying amounts as the interest rates on these borrowings approximate market rates.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2020

	GROUP		COMPANY	
	2020 ZWL\$	2019 ZWL\$	2020 ZWL\$	2019 ZWL\$
15.2 CURRENT BORROWINGS				
ZB Bank Limited	7,635,118	-	-	-
Ecobank	7,969,604	3,450,000	-	-
Current portion of non-current borrowings	12,301,770	6,805,793	12,301,770	6,805,793
	27,906,492	10,255,793	12,301,770	6,805,793

Ecobank loan

The micro-finance business acquired a ZWL\$7.9 million loan facility with Ecobank Zimbabwe Limited to increase its lending capacity. The facility amount is drawn down in tranches in line with the business' needs. Drawdowns on the facility accrue interest at varying interest rates depending on the prevailing interest rate on each drawdown date. Currently, ZWL\$7,969,604 of the outstanding amount accrues interest at 45% per annum. The facility is available for one year, expiring on 31 July 2021.

ZB Bank Loan

The overdraft facility with ZB was acquired as a line-of-credit for the micro-finance business to increase the unit's lending capacity. The loan accrues interest at 49% per annum on a one year tenure. The loan is available for one year, expiring on 28 February 2021.

15.3 MOVEMENT IN BORROWINGS

Movements in borrowings during the year were as follows for both the Group and the Company:

	GROUP		COMPANY	
	2020 ZWL\$	2019 ZWL\$	2020 ZWL\$	2019 ZWL\$
Balance at the beginning of the year	23,685,254	21,658,700	20,235,254	21,200,367
Net cash out flow on borrowings	(3,796,908)	(1,389,005)	(15,951,630)	(5,559,577)
Proceeds from borrowings	17,731,265	9,747,115	-	-
Repayment of borrowings	(21,528,173)	(11,136,120)	(15,951,630)	(5,559,577)
Finance costs capitalised	11,740,163	4,776,682	6,590,877	3,861,870
Finance costs paid	(11,740,163)	(4,776,682)	(6,590,877)	(3,861,870)
Exchange differences on foreign currency denominated loans	12,575,944	3,415,559	12,575,944	4,594,464
Balance at the end of the year	32,464,290	23,685,254	16,859,568	20,235,254
Current borrowings	27,906,492	10,255,793	12,301,770	6,805,793
Non-current borrowings	4,557,798	13,429,461	4,557,798	13,429,461
Borrowings as at 31 December	32,464,290	23,685,254	16,859,568	20,235,254

16 LEASE OBLIGATIONS

The Group leased motor vehicles with a net carrying value of ZWL\$2,236,463 (2019: ZWL\$2,594,774). The transaction was generally classified as a lease liability in accordance with IFRS 16. The lease periods approximated the estimated useful economic lives of the motor vehicles and the Group has a right to purchase the motor vehicles outright at the end of the minimum lease term by paying a nominal amount.

Set out below are the carrying amounts of the lease liability and the movements during the year

	GROUP		COMPANY	
	2020 ZWL\$	2019 ZWL\$	2020 ZWL\$	2019 ZWL\$
Balance as at 1 January	3,429,537	80,845		
additions	13,184,157	-	-	-
Derecognition of right of use asset	(5,279,139)	-	-	-
Interest	1,642,235	292,325	-	-
Payments	(5,557,237)	(757,798)	-	-
Exchange rate movement on foreign operations	17,637,921	3,814,166	-	-
Balance as at 31 December	25,057,474	3,429,537		

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2020

16. LEASE OBLIGATIONS (Continued)

	Minimum lease payments ZWL\$	Interest payments ZWL\$	Present value ZWL\$
2020			
Not later than one year	13,383,064	3,101,616	10,281,447
Between one year and five years	16,388,775	1,612,748	14,776,027
Later than five years	-	-	-
	29,771,839	4,714,364	25,057,474
Current liabilities			10,281,453
Non-current liabilities			14,776,021
			25,057,474
2019			
Not later than one year	1,815,850	302,530	1,513,319
Between one year and five years	2,314,881	398,663	1,916,218
Later than five years	-	-	-
	4,130,731	701,193	3,429,537
Current liabilities			1,513,319
Non-current liabilities			1,916,218
			3,429,537

	GROUP		COMPANY	
	2020 ZWL\$	2019 ZWL\$	2020 ZWL\$	2019 ZWL\$ Restated
17 DEFERRED INCOME TAX				
17.1 DEFERRED TAX ASSET				
Other temporary differences	-	72,534	-	6,228
Total	-	72,534	-	6,228
Analysis of movements in deferred tax assets:				
Balance at the beginning of the year	72,534	6,228	6,228	6,228
Movement through profit or loss	(72,534)	66,306	(6,228)	-
Movement through other comprehensive income	-	-	-	-
Exchange rate movements	-	-	-	-
Balance at the end of the year	-	72,534	-	6,228
17.2 DEFERRED TAX LIABILITY				
Property and equipment	40,829,842	850,409	-	-
Investment property	6,290,272	8,290,078	-	-
Provisions	(2,014,709)	(531,099)	-	-
Total	45,105,405	8,609,388	-	-
Reconciliation				
Balance at the beginning of the year	8,609,388	583,150	-	126,146
Movement through profit or loss	3,876,646	1,341,652	-	(126,146)
Movement through other comprehensive income	311,267	66,342	-	-
Other temporary differences	-	-	-	-
IFRS 9 adjustment	-	-	-	-
Exchange rate movements	32,308,104	6,618,245	-	-
Balance at the end of the year	45,105,405	8,609,388	-	-
17.3 DEFERRED INCOME TAX IMPACT ON PROFIT OR LOSS				
Decrease/(Increase) in deferred tax asset through profit or loss	72,534	(66,306)	-	-
Increase in deferred tax liability through profit or loss	3,876,646	1,341,652	6,246	(126,146)
Deferred income tax charge/(credit) included in profit or loss	3,949,180	1,275,346	6,246	(126,146)

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2020

18 TRADE AND OTHER PAYABLES	GROUP		COMPANY	
	2020 ZWL\$	2019 Restated ZWL\$	2020 ZWL\$	2019 ZWL\$ Restated
Trade payables	96,767,875	3,464,436	18,797,335	1,225,372
South View offsite works liability	308,941,729	80,970,211	308,941,729	80,970,211
Related party payables (Note 34.3.2)	1,189,604	563,659	8,202,976	1,517,592
Deferred income from sale of residential stands	4,533,864	4,214,724	4,533,864	3,851,444
Statutory liabilities	2,579,631	605,309	2,579,631	605,309
Other payables	99,419,529	15,160,107	45,618,091	5,910,872
	513,432,232	104,978,446	388,673,626	94,080,800
18.1 Deferred income reconciliation				
Balance at the beginning of the year	4,214,724	3,625,854	3,851,444	3,625,854
Capitalised	1,031,174	645,131	1,394,454	281,851
Movement through profit and loss	(712,034)	(56,261)	(712,034)	(56,261)
Balance at the end of the year	4,533,864	4,214,724	4,533,864	3,851,444

Trade payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually due within 30 days of invoice or statement date.

Other payables mainly relate to accrued finance costs, accrued value added tax, accrued staff expenses and accrued audit fees.

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method. As these are mostly payable within twelve months of provision of the goods or services, the impact of discounting is not expected to be material. Their carrying amounts are considered to be the same as their fair values, due to their short-term nature.

19 GROSS PREMIUMS WRITTEN

Employee benefits income

Annuity consideration	72,749,073	21,181,038	10,320,074	2,426,873
Recurring premiums	95,644,714	25,327,962	44,423,354	9,392,841
New business premiums	15,565,221	5,335,638	7,596,196	2,452,329
Single premiums	53,719,027	4,150,688	37,110,548	2,134,532
	237,678,035	55,995,326	99,450,172	16,406,575

Individual life income

Life premiums	30,512,461	10,344,577	20,050,694	3,563,678
Funeral premiums	16,271,493	2,810,307	16,271,494	2,810,308
Single premiums	74,631,899	13,072,185	-	-
	121,415,853	26,227,069	36,322,188	6,373,986

Gross premiums

	359,093,888	82,222,395	135,772,360	22,780,561
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20. FEES AND COMMISSION INCOME

Brokerage fees	748,672	809,966	748,672	68,932
Reassurance commission	1,912,704	337,121	1,912,704	337,121
Management fees	25,910,243	3,163,054	23,254,133	3,007,179
	28,571,619	4,310,141	25,915,509	3,413,232

21. INVESTMENT INCOME

Interest income	28,916,375	6,447,936	184,064	90,123
Dividend income	4,578,605	366,306	940,181	147,203
Other investment income	7,421,498	32,900	-	-
	40,916,478	6,847,142	1,124,245	237,326

22. OTHER OPERATING INCOME

Actuarial fees	6,903,272	718,036	-	-
Management fees	291,794	-	17,430,006	1,159,158
Rental and other property income	4,496,616	2,122,792	5,932,420	405,128
Loss/(profit) on disposal of property and equipment	946,378	5,148,114	946,378	5,148,114
Gain on disposal of investment property	1,924,551	-	1,924,551	-
Bad debts recovered	-	-	-	-
Debtors impairment allowance reduction	653,415	699,789	653,415	699,789
Loan establishment and administration fee income	2,662,114	509,163	-	-
Sundry	9,668,585	4,861,772	1,767,343	2,041,263
	27,546,725	14,059,666	28,654,113	9,453,452

Sundry income includes land sale agreement withdrawal charges, charges for funeral services provided to parties not insured by the Group and other miscellaneous income.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2020

	GROUP		COMPANY	
	2020 ZWL\$	2019 ZWL\$	2020 ZWL\$	2019 ZWL\$
23. FEE AND COMMISSION EXPENSES AND OTHER ACQUISITION COSTS				
Fee and commission expenses	15,249,661	4,639,493	3,364,162	809,065
Other acquisition costs	701	766,521	701	10,002
	15,250,362	5,406,014	3,364,863	819,067
24. OPERATING AND ADMINISTRATIVE EXPENSES				
Staff costs	109,640,359	14,907,490	68,185,963	6,002,569
Auditors' remuneration	16,794,930	753,790	10,757,296	436,333
Directors' remuneration - fees	4,318,114	356,685	3,166,937	137,910
- other services	102,533	114,675	-	-
Depreciation of property and equipment	12,585,478	2,031,430	9,538,365	1,008,814
Computer and data expenses	3,137,942	1,118,848	786,996	336,250
Marketing expenses	4,658,501	1,577,780	347,003	410,862
Actuarial, legal and other professional fees	26,778,333	7,778,160	14,147,622	2,052,851
Motor vehicle maintenance costs	3,242,286	1,141,638	1,672,219	388,167
Amortisation and impairment of intangibles	137,526	103,535	-	-
Amortisation right of use asset	2,403,907	547,119	-	-
Allowance for credit losses	-	-	-	-
Bad debts written off	784,742	127,038	-	52,700
Net exchange gains/(losses) on foreign translations	(4,473,563)	2,421,716	(4,413,360)	2,421,716
Rental from short term leases	10,295,311	946,624	2,771,467	499,320
Other operating expenses	29,165,365	5,204,869	14,652,812	820,171
	219,571,764	39,131,397	121,613,320	14,567,663

Other operating expenses comprise mainly of electricity charges, rates, telephone expenses, printing and stationery costs.

Net exchange losses on foreign translations arose from exchange differences on foreign denominated assets and liabilities held by the Group. Refer to Note 30(d).

24.1 PROJECT DEVELOPMENT COSTS

Direct development costs	124,539	9,688,123	124,539	9,688,123
Foreign exchange loss	300,565,761	85,058,451	300,565,761	85,058,451
	300,690,300	94,746,574	300,690,300	94,746,574

25. FINANCE COSTS

Interest expense - debt assumed on Langford acquisition (Note 15.3)	536,188	1,433,988	536,188	1,433,988
Interest expense - debt related to Southview project (Note 15.3)	4,101,485	2,051,697	4,101,485	2,051,697
Loan drawdown fees	-	-	-	-
Interest on lease liabilities	-	-	-	-
Other interest expenses	7,102,490	1,290,997	1,953,204	376,185
Total finance costs	11,740,163	4,776,682	6,590,877	3,861,870

Included in the other interest expenses are finance costs relating to the company's foreign loan obligation from Malawi amounting to ZWL\$1,953,204, Micro lending subsidiary ZWL\$3,508,038 and the Malawi subsidiary ZWL\$1,641,249.

26. INCOME TAX EXPENSE/(CREDIT)

Current	17,746,780	5,410,352	9,753,577	1,612,717
Deferred	3,949,180	1,275,346	6,246	(126,146)
	21,695,960	6,685,698	9,759,823	1,486,571
Tax rate reconciliation				
Accounting profit	373,036,608	100,360,840	53,214,940	11,817,189
Tax at Zimbabwe statutory rate of 24.72%	92,214,649	25,842,916	13,154,733	3,042,926
Tax effect of amounts not deductible/(taxable) in calculating taxable income:				
Items not deductible for tax:				
Allowance for credit losses	453,668	272,576	-	-
Asset write-offs not allowable for tax	-	-	-	-
Other disallowable expenses	28,370,926	88,298,376	1,278,278	57,166
Non-taxable items:				
Differences arising from movements in unrealised fair value (gains)/losses	(2,994,320)	(871,902)	(1,100)	(199,384)
Dividend income	-	-	-	-
Other non-taxable income	(30,815,793)	(10,858)	(708,482)	(6,268)
Other adjustments:				
Impairment of Section 17 allowances not claimed	-	-	-	-
Differences arising from 8th schedule tax for life assurance	(3,963,607)	(3,237,948)	(3,963,607)	(1,407,869)
Deferral of unutilised tax losses	(62,576,790)	(103,921,095)	-	-
Difference in tax rate applied in foreign jurisdiction	1,007,226	313,632	-	-
Income tax penalties provisions	-	-	-	-
	21,695,960	6,685,698	9,759,823	1,486,571

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2020

	GROUP		COMPANY	
	2020 ZWL\$	2019 ZWL\$	2020 ZWL\$	2019 ZWL\$
27. EARNINGS PER SHARE (EPS)				
Reconciliation of total earnings to headline earnings attributable to shareholders				
Numerator				
Profit/ (Loss) for the year attributable to owners of the parent and profit used in EPS	33,286,068	15,333,474	43,455,117	10,330,618
Add/(deduct) non recurring items				
Impairment of intangible assets	137,526	-	-	-
Profit on disposal of property	(2,870,929)	-	(2,870,929)	-
Bad debts written off	784,742	(3,426,187)	-	(5,148,114)
Other non recurring items	481,709	-	709,694	-
Taxation on headline earnings adjustable items	-	-	-	-
Headline earnings attributable to ordinary shareholders	31,819,116	11,907,287	41,293,882	5,182,504
Denominator				
Weighted number of ordinary shares in issue	108,923,291	108,923,291	108,923,291	108,923,291
Less: Shares purchased for the Employee Share Ownership Plan	(1,003,743)	(1,003,743)	(1,003,743)	(1,003,743)
Weighted average number of shares used in basic EPS	107,919,548	107,919,548	107,919,548	107,919,548
Less: Dilutive adjusting effects	-	-	-	-
Weighted average number of shares used in diluted EPS	107,919,548	107,919,548	107,919,548	107,919,548
27.1 Basic and diluted earnings per share (cents)	30.84	14.21	40.27	9.57
27.2 Headline earnings per share (cents)	29.48	11.03	38.26	4.80

Basic earnings per share

Basic earnings per share is basic earnings attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue during the year.

Headline earnings per share

Headline earnings per share is a disclosure requirement in terms of Statutory Instrument 134 of 2019 of the Zimbabwe Stock Exchange (ZSE) listing requirements for companies listed on the ZSE. Headline earnings per share is calculated by dividing the headline earnings by the weighted average number of shares in issue during the year. Disclosure of headline earnings is not a requirement of International Financial Reporting Standards (IFRS).

	GROUP		COMPANY	
	2020 ZWL\$	2019 ZWL\$	2020 ZWL\$	2019 ZWL\$
28. CAPITAL EXPENDITURE COMMITMENTS				
Authorised and contracted for	-	-	-	-
Authorised but not contracted for	16,813,362	20,214,427	1,349,479	4,105,380
	16,813,362	20,214,427	1,349,479	4,105,380

Capital expenditure will be financed from the Group's own resources and borrowings.

29. MANAGEMENT OF CAPITAL

The Group's objective when managing capital is to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits to other stakeholders. The capital of the Group comprises of reserves and share capital. The Group's strategy has been to maintain capital that is higher than the minimum required by the regulatory authorities. The Group's compliance with the capital requirements as set out by the regulatory authorities is as follows :

31 December 2020	Capital	Minimum capital requirement	Surplus / (Deficit)
Fidelity Life Assurance of Zimbabwe Limited	115,477,000	75,000,000	40,477,000
Vanguard Life Assurance Company Limited	112,835,277	84,679,383	28,155,895
Fidelity Life Asset Management Company (Private) Limited	26,675,193	10,000,000	16,675,193
Fidelity Life Financial Services (Private) Limited	15,587,457	1,635,732	13,951,725

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2020

29. MANAGEMENT OF CAPITAL (Continued)

31 December 2019

Fidelity Life Assurance of Zimbabwe Limited	
Vanguard Life Assurance Company Limited	
Fidelity Life Asset Management Company (Private) Limited	
Fidelity Life Financial Services (Private) Limited	

Capital	Minimum capital requirement	Surplus / (Deficit)
132,715,492	75,000,000	57,715,492
21,638,485	18,215,766	3,422,720
8,503,175	500,000	8,003,175
9,795,893	20,000	9,775,893

The regulatory capital position for Fidelity Life Assurance, as defined in Section 24 of the Insurance Act (Chapter 24:07) (the "Insurance Act"), amended by Statutory Instrument 95 of 2017, Insurance (Amendment) Regulations, 2017 (No. 19) ("SI 95 of 2017") read with Instrument 59 of 2020, section (3) requires a provider of life and funeral assurance in Zimbabwe to maintain a minimum unencumbered statutory capital (as defined in the Statutory Instrument) of ZWL\$75million. Further disclosure on FLA's capital position is included in Note 39. The Company is fully compliant with the minimum capital requirements. The Company continues to pursue plans disclosed in Note 39 to improve the solvency position of the Company.

The Group endeavours to preserve a strong cash base and achieve a debt to capital ratio of approximately 100%. The objective of this strategy is to secure access to finance at reasonable cost by maintaining a high credit rating. The Group also constantly scouts for opportunities that enable it to acquire strategic assets such as land banks. Such opportunities may entail an increase in the debt to capital ratio. Under such circumstances, the Group's cap on the debt to capital ratio will be 200%. The debt to capital ratios at 31 December were as follows:-

Debt
Borrowings

Equity
Capital

Debt to capital ratio (%)

GROUP		COMPANY	
2020 ZWL\$	2019 Restated ZWL\$	2020 ZWL\$	2019 Restated ZWL\$
32,464,290	23,685,254	16,859,568	20,235,254
639,169,736	139,591,481	175,350,618	44,056,266
5%	9%	10%	23%

30. FINANCIAL INSTRUMENTS - RISK MANAGEMENT

The Group is exposed through its operations to the following financial risks:-

- Credit risk
- Fair value or cash flow interest rate risk
- Liquidity risk
- Foreign exchange risk
- Equity price risk

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and methods used to measure them. Further quantitative information in respect of these risks is presented throughout these consolidated and separate financial statements.

There have been no substantive changes in the Group's exposure

to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from the previous periods unless otherwise stated in this note.

Principal financial instruments

The principal financial instruments held by the Group, from which financial instrument risk arises, are as follows:-

- Trade and other receivables (excluding prepayments and statutory assets)
- Debt securities at amortised
- Bank and cash
- Money market investments
- Equities at fair value through profit or loss
- Trade and other payables (excluding deferred income and statutory liabilities)
- Borrowings

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2020

30. FINANCIAL INSTRUMENTS - RISK MANAGEMENT (Continued)

(i) Financial instruments by category

A summary of the financial instruments held by category is provided below:-

Financial assets	GROUP		COMPANY	
	Financial assets at fair value through profit or loss ZWL\$	Financial assets at amortised cost ZWL\$	Financial assets at fair value through profit or loss ZWL\$	Financial assets at amortised cost ZWL\$
2020				
Trade and other receivables (excluding prepayments and statutory assets)	-	199,985,844	-	20,552,934
Equities at fair value through profit or loss	662,745,899	-	292,950,437	-
Debt securities at amortised cost	-	316,923,519	-	298,872
Cash and deposits with banks	-	550,557,240	-	235,266,489
	662,745,899	1,067,466,603	292,950,437	256,118,295
2019				
Trade and other receivables (excluding prepayments and statutory assets)	-	49,945,704	-	18,140,930
Equities at fair value through profit or loss	69,882,774	-	26,886,440	-
Debt securities at amortised cost	-	51,239,503	-	417,516
Cash and deposits with banks	-	73,247,335	-	6,844,915
	69,882,774	174,432,542	26,886,440	25,403,362

	GROUP		COMPANY	
	2020 ZWL\$	2019 Restated ZWL\$	2020 ZWL\$	2019 Restated ZWL\$
Trade and other payables (excluding statutory liabilities and deferred income)	506,318,737	100,158,412	381,560,131	89,624,048
Borrowings	32,464,290	23,685,254	16,859,568	20,235,254
	538,783,028	123,843,667	398,419,699	109,859,302

(ii) Financial instruments not measured at fair value

Financial instruments not measured at fair value include cash and cash equivalents, debt securities at amortised cost, trade and other receivables (excluding prepayments and statutory assets), trade and other payables (excluding deferred income and statutory liabilities) and borrowings. Due

to their nature, their carrying values approximate their fair values.

(iii) Financial instruments measured at fair value

Financial instruments were measured at fair value at 31 December 2020:-

Group	LEVEL 1		LEVEL 2		LEVEL 3	
	2020 ZWL\$	2019 ZWL\$	2020 ZWL\$	2019 ZWL\$	2020 ZWL\$	2019 ZWL\$
Financial assets						
Equities at fair value through profit or loss	662,745,899	69,882,774	-	-	-	-
Company	LEVEL 1		LEVEL 2		LEVEL 3	
	2020 ZWL\$	2019 ZWL\$	2020 ZWL\$	2019 ZWL\$	2020 ZWL\$	2019 ZWL\$
Financial assets						
Equities at fair value through profit or loss	292,950,437	26,886,440	-	-	-	-

Level 1: The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data 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.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to Management. The Board receives quarterly reports from the Chief Executive Officer through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The Group's internal audit and risk and compliance departments also review the risk management policies and processes and report their findings to the Audit, Risk and Compliance Committee.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2020

30. FINANCIAL INSTRUMENTS - RISK MANAGEMENT (Continued)

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below:-

(a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or a counterparty to a financial instrument fails to meet its contractual obligations. The Group is mainly exposed to credit risk from trade and other receivables, debt securities at amortised cost and cash and deposits with banks.

Credit risk from trade and other receivables mainly emanates from residential stand sales debtors and microfinance loans receivable. The residential stand debtors are secured by the properties sold on credit by the Group to the respective customers. The microfinance loan book

is predominantly comprised of customers in formal employment. A pre-condition of extending such loans is the establishment of an agreement with the employer wherein the employer is obliged to deduct the loans repayments through their monthly payroll process from any of their employees to whom such loans are extended. Further disclosures regarding the credit quality of trade and other receivables are provided in Note 9.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. Credit quality of cash and cash equivalents is reflected in the table below, based on credit ratings determined by the Global Credit Rating Company:

Counterparties with external credit rating (Global Credit Rating Company):

	GROUP		COMPANY	
	2020 ZWL\$	2019 ZWL\$	2020 ZWL\$	2019 ZWL\$
A	40,298,231	1,317,881	39,401,182	827,782
A+	8,059,725	1,775,713	9,963,494	1,670,246
AA-	3,273,978	509,613	3,273,978	503,497
B+	2,307,442	-	2,324,761	-
BB	-	60,873	-	60,873
BB-	1,130,402	47,311	1,130,763	29,661
BB+	6,974,844	828,094	6,677,099	695,388
BBB	300,376	1,174,194	117,375	14
BBB-	-	-	-	-
BBB+	785,799	944,903	785,799	944,903
Cash	2,959,374	120,699	2,667,750	16,758
Unrated	484,467,068	66,468,054	168,924,287	2,095,793
	550,557,240	73,247,335	235,266,489	6,844,914

Quantitative disclosures of the risk exposure in relation to financial assets are set out below:-

	GROUP		COMPANY	
	Carrying value ZWL\$	Maximum exposure ZWL\$	Carrying value ZWL\$	Maximum exposure ZWL\$
At 31 December 2020				
Trade and other receivables (excluding prepayments and statutory assets)	216,106,186	216,106,186	36,878,553	36,878,553
Debt securities at amortised cost	316,923,519	316,923,519	298,872	298,872
Cash and cash equivalents	550,557,240	550,557,240	235,266,489	235,266,489
	1,083,586,944	1,083,586,944	272,443,913	272,443,913
At 31 December 2019				
Trade and other receivables (excluding prepayments and statutory assets)	61,196,617	61,196,617	18,330,506	18,330,506
Debt securities at amortised cost	51,239,503	51,239,503	417,516	417,516
Cash and cash equivalents	73,247,335	73,247,335	6,844,915	6,844,915
	185,683,455	185,683,455	25,592,937	25,592,937

(b) Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its borrowings. It is the risk that the Group will encounter difficulties in meeting its financial obligations as they fall due. In order to mitigate any liquidity risk that the

Group faces, the Group's policy has been throughout the year ended 31 December 2020, to maintain substantial facilities and reserves as well as significant liquid resources. The following table sets out the contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities:-

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (Continued)

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30. FINANCIAL INSTRUMENTS-RISK MANAGEMENT (Continued)

(b) Liquidity risk (Continued)

	Up to 3 months ZWL\$	Between 3 and 12 months ZWL\$	Between 1 and 2 years ZWL\$	Over 2 years ZWL\$	Total ZWL\$
GROUP					
At 31 December 2020					
Trade and other payables (excluding deferred income and statutory liabilities)	506,318,737	-	-	-	506,318,737
Borrowings	429,408	27,477,085	4,085,220	472,579	32,464,291
	506,748,144	27,477,085	4,085,220	472,579	538,783,027
At 31 December 2019					
Trade and other payables (excluding deferred income and statutory liabilities)	100,158,412	-	-	-	100,158,412
Borrowings	1,672,045	12,341,861	10,161,536	7,755,975	31,931,418
	101,830,457	12,341,861	10,161,536	7,755,975	132,089,830

	Between 1 and 2 years ZWL\$	Over 2 years ZWL\$	Total ZWL\$
GROUP			
At 31 December 2020			
ASSETS			
Inventories	113,297	2,008,966	2,122,263
Trade and other receivables	274,500,113	18,517,632	293,017,745
Corporate tax asset	-	-	-
Deferred tax assets	-	-	-
Deferred acquisition costs	-	-	-
Equities at fair value through profit or loss	-	662,745,899	662,745,899
Debt securities at amortised cost	313,754,283	3,169,235	316,923,519
Cash and deposits with banks	550,557,240	-	550,557,240
	1,138,924,934	686,441,731	1,825,366,665

	Between 1 and 2 years ZWL\$	Over 2 years ZWL\$	Total ZWL\$
LIABILITIES			
Insurance contract liabilities and investment contract liabilities with discretionary participation features	-	3,722,269,955	3,722,269,955
Investment contracts without discretionary participation features	-	397,468,982	397,468,982
Borrowings	27,906,492	4,557,798	32,464,290
Deferred tax liabilities	-	45,105,405	45,105,405
Lease obligations	13,383,064	16,388,775	29,771,839
Trade and other payables	513,432,232	-	513,432,232
Corporate tax liability	9,430,922	-	9,430,922
	564,152,710	4,185,790,914	4,749,943,625

	Between 1 and 2 years ZWL\$	Over 2 years ZWL\$	Total ZWL\$
GROUP			
At 31 December 2019			
ASSETS			
Inventories	58,110	2,185,931	2,244,041
Trade and other receivables	18,517,632	45,186,058	63,703,690
Corporate tax asset	1,404,181	-	1,404,181
Deferred tax assets	-	72,534	72,534
Deferred acquisition costs	-	5,807,061	5,807,061
Equities at fair value through profit or loss	-	69,882,774	69,882,774
Debt securities at amortised cost	50,821,986	417,516	51,239,503
Cash and deposits with banks	73,247,335	-	73,247,335
	144,049,245	123,551,874	267,601,119

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2020

30. FINANCIAL INSTRUMENTS - RISK MANAGEMENT (Continued)

(b) Liquidity risk (Continued)

LIABILITIES

	Between 1 and 2 years ZWL\$	Over 2 years ZWL\$	Total ZWL\$
Insurance contract liabilities and investment contract liabilities with discretionary participation features	-	692,265,994	692,265,994
Investment contracts without discretionary participation features	-	39,411,707	39,411,707
Borrowings	10,255,791	13,429,462	23,685,254
Deferred tax liabilities	-	8,609,388	8,609,388
Lease obligations	1,513,319	1,916,218	3,429,537
Trade and other payables	104,978,445	-	104,978,445
Corporate tax liability	1,490,382	-	1,490,382
	118,237,937	755,632,769	873,870,707

(b) Liquidity risk (continued)

	Up to 3 months ZWL\$	Between 3 and 12 months ZWL\$	Between 1 and 2 years ZWL\$	Over 2 years ZWL\$	Total ZWL\$
COMPANY					
At 31 December 2020					
Trade and other payables (excluding deferred income and statutory liabilities)	381,560,130	-	-	-	381,560,130
Borrowings	429,408	11,872,362	4,085,220	472,579	16,859,568
	381,989,538	11,872,362	4,085,220	472,579	398,419,699
At 31 December 2019					
Trade and other payables (excluding deferred income and statutory liabilities)	89,624,048	-	-	-	89,624,048
Borrowings	1,672,045	8,891,860	10,161,536	7,755,975	28,481,416
	91,296,094	8,891,860	10,161,536	7,755,975	118,105,464

(c) Market risk

Market risk arises from the Group's use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (foreign currency exchange risk) or other market factors (other price risk). The Investments Committee manages and controls market risk exposures to the equity market within acceptable parameters but ensuring optimum return on risk.

(ci) Fair value or cash flow interest rate risk

The adequacy of excess assets held by the Group may be adversely affected as a result of interest rate movements, adverse changes in credit spreads or deterioration in the quality of invested assets, impacting on the Group's cash flow and liquidity. The Group seeks to manage this risk through the monitoring of adherence to established set of investment guidelines, which are reviewed and updated periodically by the Investments Committee. The Group's borrowings are at fixed interest rates.

d) Foreign currency exchange risk

This is the risk that the fair value of the cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates.

Foreign exchange risks arise from recognized monetary financial assets and liabilities and future commercial transactions, that are not denominated in the functional currency of the Group. The Group holds local bank and cash balances as well as loans, receivables and liabilities denominated in USD and is exposed to foreign exchange risk arising from exposure to the fluctuation of the Zimbabwe dollar with respect to the USD.

The Group also operates in Malawi and is exposed to foreign exchange risk arising from exposure to the fluctuation of the Malawian Kwacha (MWK), with respect to the Zimbabwe dollar ZWL\$. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

The following table details the Group's sensitivity to a 10% increase or decrease in the Zimbabwe dollar ZWL\$ against the Malawian Kwacha and USD with all other variables held constant. 10% represents management's assessment of the reasonable possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and is calculated by adjusting the translation of foreign currency amounts at the period end for a 10% change in foreign currency rates.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2020

31. ASSURANCE RISK MANAGEMENT (continued)

	Change in assumptions (+, increase) (-, decrease)	Impact on liabilities	Impact on profit before tax	Impact on profit after tax
Base				
2020				
Mortality	+10%	2,168,935	(2,168,935)	(311,689)
Mortality	-10%	839,229	(839,229)	(120,602)
Lapse	-10%	(1,101,938)	1,101,938	158,355
Expense	+10%	9,817,708	(9,817,708)	(1,410,864)
Discount rate	+1%	(6,037,729)	6,037,729	867,658
Investment return	+1%	98,045	(98,045)	(14,090)
2019				
Mortality	+10%	2,168,935	(2,168,935)	(126,442)
Mortality	-10%	839,229	(839,229)	(48,924)
Lapse	-10%	(1,101,938)	1,101,938	64,240
Expense	+10%	9,817,708	(9,817,708)	(572,342)
Discount rate	+1%	(6,037,729)	6,037,729	351,981
Investment return	+1%	98,045	(98,045)	(5,716)

(i) Underwriting strategy

The underwriting strategy seeks diversity to ensure a balanced portfolio and is based on a large portfolio of similar risks over a number of years and as such, it is believed that this reduces the variability of the outcome. The Group manages its assurance risk through underwriting limits, approval procedures for transactions that involve new products or that exceed set limits, pricing guidelines, centralized management of reinsurance and monitoring of emerging issues. The Group uses several methods to assess and monitor assurance risk exposures both for individual types of risks insured and overall risks. These methods include internal risk measurement models, sensitivity and scenario analyses.

(ii) Pricing strategy

The theory of probability is applied to the pricing and provisioning for a portfolio of assurance contracts. The principal risk is that the frequency and severity of claims is greater than expected. Assurance events are, by their nature, random, and the actual number and size of events during any one year may vary from those estimated using established statistical techniques.

Key assumptions

Material judgement is required in determining the liabilities and in the choice of assumptions. Assumptions in use are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information. Assumptions and prudent estimates are determined at the date of valuation and no credit is taken for possible beneficial effects of voluntary withdrawals. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

The key assumptions to which the estimation is particularly sensitive are as follows:

Mortality rates

Assumptions are based on standard tables, according to the type of contract written. An investigation into the actual mortality experience of the Company is used to compare the experience to the standard table. Adjustment to the standard table may be made where justified by the experience. An appropriate, but not excessive, prudent allowance is made for expected future improvements. Assumptions are differentiated by sex, underwriting class and contract type.

An increase in rates will lead to a larger number of claims (and claims could occur sooner than anticipated) which will increase the expenditure and reduce profits for the shareholders.

Longevity

Assumptions are based on standard industry and national tables, adjusted when appropriate to reflect the Company's own risk experience. An appropriate, but not excessive, prudent allowance is made for expected future improvements. Assumptions are differentiated by sex, underwriting class and contract type.

An increase in longevity rates will lead to an increase in the number on annuity payments to be made, which will increase the expenditure and reduce profits for the shareholders.

Investment return and inflation

Economic assumptions are based on the existing investment portfolio, and take account of the expected future medium to long-term economic environment. These estimates are based on current market returns as well as expectations about future economic and financial developments.

An increase in investment return would lead to an increase in profits for the shareholders.

Expenses

Operating expenses assumptions reflect the projected costs of maintaining and servicing in-force policies and associated overhead expenses. The current level of expenses is taken as an appropriate expense base, adjusted for expected expense inflation if appropriate.

An increase in the level of expenses would result in an increase in expenditure, thereby reducing profits for the shareholders.

Lapse and surrender rates

Lapse relates rates to the termination of policies on premiums not paid up. Surrenders relate to the voluntary termination of policies by policyholders. Policy termination assumptions are determined using statistical measures based on the Company's experience and vary by product type, policy duration and sales trends. For lapses, the Company's actual lapse experience is investigated. The lapse assumption is set based on this assumption but at a level that is expected to be consistent from year to year.

An increase in lapse rates early in the life of the policy would tend to reduce profits for shareholders, but later increases are broadly neutral in effect.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2020

31. ASSURANCE RISK MANAGEMENT (continued)

Discount rate

Life insurance liabilities are determined as the sum of the discounted value of the expected benefits and future administration expenses directly linked to the contract, less the discounted value of the theoretical premiums that would be required to meet these future cash outflows. Discount rates are based on current industry risk rates, adjusted for the Group's own risk exposure.

A decrease in the discount rate will increase the value of the insurance liability and therefore reduce profits for the shareholders.

32. FAIR VALUE DISCLOSURES

The Group measures investment property, land and buildings, which are disclosed as part of property and equipment, and investments in listed equities at fair value.

Valuation process - listed equities

The Group obtains values of listed equities based on the prices quoted on the Zimbabwe Stock Exchange for counters listed in Zimbabwe and the Malawi Stock Exchange for counters listed in Malawi.

Valuation process - properties

The Group's properties (investment property, land and buildings) are valued by independent external valuers in order to determine their fair values. Valuations were performed by Bard Real Estate, an accredited independent property valuer, as at 31 December 2020.

Valuations of the Group's commercial and industrial properties were based on comparative and investment methods. The investment method involves the capitalization of expected rental income by an appropriate yield. The comparative approach seeks to ascribe to the subject property a value similar to that achieved in transactions for comparable properties. The comparative method makes use of assessed rental value rates and capitalization rates for similar properties sold and after appropriate adjustments, such rates are applied to each property to determine its value. The valuation is based on market evidence.

Residential stands and small pieces of undeveloped stands were valued based on sales evidence on similar properties situated in comparable residential suburbs as those of the subject properties.

For large tranches of undeveloped land, the valuer adopted the development/residual value method. The assessment was based on the assumption that it is subdivided into smaller stands and fully serviced. The total estimated costs of development and disposal, which include servicing costs, agency fees, interest on servicing costs, contingency costs and the developer's profit, were then deducted from the value determined.

Depending on the valuation method applied, valuations are based upon assumptions that include transaction prices on similar properties, market related rental income and market yields.

Fair value hierarchy - Group	Level 1	Level 2	Level 3	Total	Total gain/	Total gain/
	\$	\$	\$	\$	(loss) for the period in statement of profit or loss and other comprehensive income	(loss) for the period in through investment contract liabilities
31 December 2020						
Commercial	-	-	502,456,533	502,456,533	355,407,013	-
Residential	-	-	755,992,424	755,992,424	534,742,791	-
Land	-	-	1,859,302,938	1,859,302,938	1,315,157,152	139,104,749
Total investment properties	-	-	3,117,751,895	3,117,751,895	2,205,306,955	139,104,749
Equities at fair value through profit or loss	662,745,899	-	-	662,745,899	301,822,042	-
Land and buildings	-	-	343,627,559	343,627,559	272,401,111	-
31 December 2019						
Commercial	-	-	106,687,720	106,687,720	70,384,956	-
Residential	-	-	160,521,564	160,521,564	132,258,001	-
Land	-	-	394,789,956	394,789,956	325,277,983	34,163,383
Total investment properties	-	-	661,999,240	661,999,240	527,920,940	34,163,383
Equities at fair value through profit or loss	69,882,774	-	-	69,882,774	15,532,471	-
Land and buildings	-	-	71,095,557	71,095,557	63,595,125	-

Gains recorded in the statement of profit or loss and other comprehensive income for recurring fair value measurements categorised within level 3 of the fair value hierarchy amount to ZWL\$2,205,306,955 (December 2019: ZWL\$527,920,940). Fair value gains of ZWL\$139,104,749 were recorded directly in investment contract liabilities.

All gains and losses recorded in the statement of profit or loss and other comprehensive income for recurring fair value measurements categorised within level 3 of the fair value hierarchy are attributable to changes in unrealised gains or losses relating to investment and other properties held at the end of the reporting period.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2020

32. FAIR VALUE DISCLOSURES (Continued)

Valuation techniques and key unobservable inputs used to derive level 3 fair values

The table below presents the following for each class of the investment property:

- The fair value measurements at the end of the reporting period;
- The level of the fair value hierarchy (in this case level 3) within which the fair value measurements are categorised in their entirety;
- A description of the valuation techniques applied;
- The inputs used in the fair value measurement
- Quantitative information about the significant observable inputs used in the fair value measurement

Valuation technique	Key unobservable inputs	Class of property valued using this technique	Fair value 31-Dec-2020	Fair value 31-Dec-2019	Inter-relationship between unobservable inputs and key fair value measurement
Income capitalisation	- Rental per square metre	Commercial	502,456,533	106,687,721	Increase or decrease in fair value would result from the following movements in these inputs respectively: - increase or decrease in net rental income - decrease or increase in prime yield
	- Prime yield	Industrial	-	-	
	- Void rate	Land and buildings (PPE)	-	-	
Comparative method	- Rate per square metre	Residential	755,992,424	160,521,564	The estimated fair value would increase if prices for comparable properties increased, and decrease if prices for comparable properties decreased.
		Land	1,859,302,938	394,789,956	

Descriptions and definitions

The table above includes the following descriptions and definitions relating to valuation techniques and key unobservable inputs made in determining the fair values.

i. Income capitalisation method

Under the income capitalisation method, a property's fair value is estimated based on the normalised net operating income generated by the property, which is divided by the capitalisation rate (discounted by the investor's rate of return). Under the income capitalisation method, over (above market rent) and under-rent situations are separately capitalised (discounted).

ii. Comparative method

Under the market comparable method (or market comparable approach), a property's fair value is estimated based on comparable transactions. The unit of comparison applied by the Group is the price per square metre (sqm).

iii. Rent per square metre

The rent at which space could be let in the market conditions prevailing at the date of valuation. The unit of comparison is the rental rate per square metre.

iv. Void rate

The Group determines the void rate which can be experienced based on

the percentage of estimated vacant space divided by the total lettable area.

v. Prime yield

The prime yield is defined as the internal rate of return of the cash flow from the property, assuming a rise to estimated rental value ("ERV") at the next review, but with no further rental growth.

Sensitivity analysis to significant changes in unobservable inputs within level 3 of the hierarchy.

The significant unobservable inputs used in the fair value measurement categorised within level 3 of the value hierarchy of the Group's portfolio of investment properties and land and buildings were as follows:

- Prime yield;
- Void rate;
- Rental per square metre; and
- Comparable transacted properties.

Increases/(decreases) in the transaction prices on comparable properties and rental per square metre in isolation would result in a higher/(lower) fair value measurement.

Increases/(decreases) in the long-term void rate and prime yield in isolation would result in a lower/(higher) fair value measurement.

Analysis of property portfolio

Sector

Commercial
Industrial

Total

	Lettable space m2		% of portfolio	
	December 2020	December 2019	December 2020	December 2020
Commercial	9,031	9,031	100.00%	100.00%
Industrial	-	-	-	-
Total	9,031	9,031	100.00%	100.00%

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2020

33. RETIREMENT BENEFITS

33.1 Fidelity Life Pension Fund

All eligible employees are members of the Fidelity Life Defined Contribution Pension Scheme which is administered by the Company. Employees in the subsidiary in Malawi are members of the Vanguard Life Assurance Pension Scheme which is administered by the Company. The fund is financed by Group and employee contributions.

Contributions were made as follows during the year:

	GROUP		COMPANY	
	2020 ZWL\$	2019 ZWL\$	2020 ZWL\$	2019 ZWL\$
Employer's contribution	3,866,565	552,555	2,754,041	467,191

33.2 National Social Security Scheme

The Group employees in Zimbabwe contribute to the National Social Security Scheme, a Defined Contribution Pension Scheme promulgated under the National Social Security Act of 1989. The obligation under the scheme is limited to specific contributions legislated from time to time. The contribution rates were reviewed following the gazetting of

Statutory Instrument 108 and 109 of 2020 on 15 May 2020 increasing the contributions from 3.5% to 4.5% of basic salary per employee per month limited to ZWL\$225.

Contributions were made as follows during the year:

	GROUP		COMPANY	
	2020 ZWL\$	2019 ZWL\$	2020 ZWL\$	2019 ZWL\$
Employer's contribution	212,904	63,445	208,423	53,455

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2020

34. RELATED PARTY INFORMATION

34.1 Related parties

The following are the related parties of the Company:

Related party	Nature of relationship	
Fidelity Life Financial Services (Private) Limited	Wholly owned subsidiary	
Zimbabwe Actuarial Consultants (Private) Limited	Wholly owned subsidiary	
Vanguard Life Assurance Company Limited	Subsidiary	
Fidelity Funeral Services (Private) Limited	Subsidiary	
Fidelity Life Asset Management Company (Private) Limited	Subsidiary	
Langford Estates 1962 (Private) Limited	Subsidiary	
Fidelity Life Medical Aid Society	Society managed by the company	
Zimre Holdings Limited	Shareholder	
National Social Security Authority (NSSA)	Shareholder	
Turismo Investments (Private) Limited	Shareholder	
Zimre Property Investments Limited	Common shareholder	
Emeritus Reinsurance (Private) Limited	Common shareholder	
Zimbabwe Insurance Brokers Limited	Common shareholder	
F. Ruwende	Non Executive Chairman	
R.G. Maramba	Non Executive Director	Resigned 1 July 2020
S. Kudenga		
I. Mvere	Non Executive Director	
F. Dzanya	Non Executive Director	
G. Dhombo	Non Executive Director	
H. Nemaire	Independent Non Executive Director	
R. Java	Independent Non Executive Director	
B. Wesley	Chief Executive Officer	
S. Mudzengi	Key management	
N. Mupfurutsa	Key management	
R. Chihota	Key management	
M. Gumbo	Key management	
K. Dube	Key management	
C. Matongo	Key management	
E. Masvavike	Key management	
R. Mutangadura	Key management	
Z.Zvenyika	Key management	Resigned 1 November 2020
	Chief Finance Officer	Appointed February 2020

34.2 Related party transactions

The following represent transactions with related parties during the year:-

Related party	Nature of transaction	GROUP		COMPANY	
		2020 ZWL\$	2019 ZWL\$	2020 ZWL\$	2019 ZWL\$
Income					
Vanguard Life Assurance Company Limited	Management fee income	-	-	7,158,236	1,159,158
Fidelity Life Financial Services (Private) Limited	Dividend income	-	-	-	478,000
Zimbabwe Insurance Brokers Limited	Pension contributions	106,793	182,567	106,793	182,567
Zimre Property Investments Limited	Pension contributions	466,991	104,703	466,991	104,703
Emeritus Reinsurance (Private) Limited	Pension contributions	46,776	627,167	46,776	627,167
Expenses					
Fidelity Life Medical Aid Society	Medical aid contributions	(1,301,940)	(246,512)	(987,236)	(217,044)
Zimbabwe Actuarial Consultants (Private) Limited	Actuarial fees	-	-	(3,224,126)	(814,959)
Fidelity Life Asset Management Company (Private) Limited	Management fees	-	-	(188,784)	(204,130)
Emeritus Reinsurance (Private) Limited	Reassurance premiums	(6,961,939)	(1,774,617)	(6,961,939)	(1,774,617)

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2020

34. RELATED PARTY INFORMATION CONTINUED

	GROUP		COMPANY	
	2020 ZWL\$	2019 ZWL\$	2020 ZWL\$	2019 ZWL\$
34.3 Related party balances				
34.3.1 Related party receivables				
Included in trade and other receivables are the following balances:-				
Fidelity Life Asset Management Company (Private) Limited	-	-	2,468,059	492,740
Langford Estates 1962 (Private) Limited	-	-	1,497,701	119,147
Fidelity Life Financial Services (Private) Limited	-	-	4,299,947	550,615
Fidelity Funeral Services Company (Private) Limited	-	-	1,291,037	562,232
Fidelity Life Medical Aid Society	3,978,061	929,087	4,292,282	934,737
Zimbabwe Actuarial Consultants (Private) Limited	-	-	746,286	355
Vanguard Life Assurance Company Limited	-	-	818,350	5,532
	3,978,061	929,087	15,413,662	2,665,357

	GROUP		COMPANY	
	2020 ZWL\$	2019 ZWL\$	2020 ZWL\$	2019 ZWL\$
34.3.2 Related party payables				
Included in related party payables				
Fidelity Life Medical Aid Society	1,189,604	563,659	482,830	34,637
Fidelity Funeral Services Company (Private) Limited	-	-	-	83,579
Fidelity Life Financial Services (Private) Limited	-	-	22,692	-
Langford Estates 1962 (Private) Limited	-	-	-	-
Zimbabwe Actuarial Consultants	-	-	7,697,455	1,399,376
	1,189,604	563,659	8,202,976	1,517,592

The related party payables are interest free and have no fixed repayment terms. Related party payables are unsecured.

34.4 Compensation to key management

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. The compensation to key management was as follows during the year:-

Short term benefits	27,638,691	2,107,634	18,234,520	592,136
Post employment benefits	2,011,641	65,515	860,420	37,558
Total	29,650,332	2,173,149	19,094,940	629,694

The remuneration of directors and key management is determined by the Human Resources and Corporate Governance Committee of the Board having regard to the performance of the individuals and market trends.

34.5 Loans to key management

Included in trade and other receivables as at year end are loans to key management as follows:-

Loans receivable	150,764	42,287	16,892	-
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The loans are payable over 5 years, attract interest at 5% per annum and are secured against the properties that were acquired by the employees.

34.6 Directors' shareholding

The following directors have shareholding in the company as follows:-

	NUMBER OF SHARES	
	2020	2019
F. Ruwende	348	348

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2020

35 SUBSIDIARIES

The principal business of each of the subsidiaries of Fidelity Life Assurance of Zimbabwe, all of which have been included in the consolidated financial statements, is as follows:-

Description	Business	Location
Fidelity Life Asset Management Company (Private) Limited	Asset management	Zimbabwe
Vanguard Life Assurance Company Limited	Life assurance	Malawi
Zimbabwe Actuarial Consultants (Private) Limited	Actuarial consultants	Zimbabwe
Fidelity Life Financial Services (Private) Limited	Micro-lending	Zimbabwe
Fidelity Funeral Services Company (Private) Limited	Funeral services	Zimbabwe
Langford Estates 1962 (Private) Limited	Property development	Zimbabwe

The shareholding of the company in each of the subsidiaries is as follows:-

Description	Shareholding 2020	2019
Fidelity Life Asset Management Company (Private) Limited		
Vanguard Life Assurance Company Limited	96%	96%
Zimbabwe Actuarial Consultants (Private) Limited	62%	62%
Fidelity Life Financial Services (Private) Limited	100%	100%
Fidelity Funeral Services Company (Private) Limited	100%	100%
Langford Estates 1962 (Private) Limited	91%	91%
	81%	81%

36. NON-CONTROLLING INTERESTS

Vanguard Life Assurance Company Limited and Langford Estates (Private) Limited are the only subsidiaries of the Company that have material non-controlling interests (NCI). The NCI of all other subsidiaries that are not 100% owned by the group are considered to be immaterial.

Summarised financial information in relation to the NCI of Vanguard Life Assurance Company Limited and Langford Estates 1962 (Private) Limited before intra-group eliminations, is presented below:

	VANGUARD LIFE		LANGFORD ESTATES	
	2020 ZWL\$	2019 ZWL\$	2020 ZWL\$	2019 ZWL\$
For the period ended 31 December				
Revenue				
Gross premiums written	223,321,527	59,441,835	-	-
Outward reinsurance premiums	(5,984,994)	(1,661,090)	-	-
Net premiums earned	217,336,533	57,780,745	-	-
Fees from fund management and investment contracts	1,805,598	741,034	-	-
Interest income on money market investments	39,771,656	6,314,192	-	-
Fair value gains on equities at fair value through profit or loss	26,101,493	1,655,214	-	-
Fair value gains on investment properties	5,466,357	3,408,932	1,627,265,310	397,469,870.00
Other income	1,743,207	2,302,401	-	-
Total income	292,224,846	72,202,517	1,627,265,310	397,469,870
Expenses				
Claims and benefits	(76,306,739)	(15,081,457)	-	-
Reinsurance recoveries	4,060,428	462,525	-	-
Net claims and benefits incurred	(72,246,311)	(14,618,932)	-	-
Change in life assurance policyholder liabilities	(116,167,517)	(24,510,343)	-	-
Fee and commission expenses, and other acquisition costs	(11,461,243)	(4,307,181)	-	-
Other operating and administrative expenses	(71,633,153)	(20,264,749)	(1,360,012)	(404,220)
Total expenses	(271,508,223)	(63,701,206)	(1,360,012)	(404,220)
Profit from operations	20,716,623	8,501,311	1,625,905,298	397,065,650
Finance costs	(1,641,249)	(425,825)	-	-
Profit before tax	19,075,374	8,075,486	1,625,905,298	397,065,650
Income tax expense	(7,184,415)	(2,919,425)	-	-
Profit after tax	11,890,959	5,156,062	1,625,905,298	397,065,650

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2020

36 NON-CONTROLLING INTERESTS (Continued)

	VANGUARD LIFE		LANGFORD ESTATES	
	2020 ZWL\$	2019 Restated* ZWL\$	2020 ZWL\$	2019 ZWL\$
For the period ended 31 December				
Profit attributable to NCI	4,545,914	1,971,162	312,684,191	76,361,244
Other comprehensive income allocated to NCI	53,266,338	11,048,215	-	-
Total comprehensive income allocated to NCI	57,812,252	13,019,377	312,684,191	76,361,244
Cash flows from operating activities	89,450,640	25,473,319	-	-
Cash flows from investing activities	(59,068,255)	(14,783,075)	-	-
Cash flows from financing activities	7,176,679	(947,630)	-	-
Net cash flows attributable to NCI	37,559,065	9,742,614	-	-
Assets:				
Property and equipment	26,313,524	6,669,205	-	-
Investment property	225,564,706	45,835,421	2,047,035,180	419,769,870
Intangible assets	34,383,288	5,087,879	-	-
Right of use assets	29,559,329	2,373,492	-	-
Deferred acquisition costs	-	-	-	-
Corporate tax asset	-	1,404,181	-	-
Inventories	-	-	-	-
Trade and other receivables	251,294,854	32,826,066	-	-
Financial assets at fair value through profit or loss	350,549,040	41,431,079	-	-
Debt securities at amortised cost	316,624,647	50,821,986	-	-
Cash and cash equivalents	310,625,830	65,647,662	-	-
	1,544,915,217	252,096,972	2,047,035,180	419,769,870
Liabilities:				
Life assurance policyholder liabilities	1,178,184,986	196,346,024	-	-
Deferred tax	42,600,292	8,073,328	-	-
Trade and other payables	110,805,089	9,950,988	1,860,980	500,969
Lease obligation	25,057,474	3,429,508	-	-
Income tax liability	-	-	-	-
	1,356,647,840	217,799,848	1,860,980	500,969
Accumulated non-controlling interests	71,185,884	13,373,640	393,296,823	80,612,632

37 SEGMENT REPORTING

Segment information

The Group has two main reportable segments as follows:

Insurance

This segment is involved in life assurance and pensions. The segment accounts for 61% (2019: 59%) of the Group's external revenue.

Microlending

This segment is involved in consumer loans, business loans and loans to farmers. It accounts for 1% (2019: 1%) of the Group's external revenue. The segment has experienced steady growth since its formation in 2010.

Other

Included in this segment are the actuarial, asset management and funeral services units. These are individually immaterial and reported as other income. There was a significant increase in total revenue in this segment

arising from fair value adjustments of properties held by one of the segment which holds a land bank as investment property arising from transfer of the land inventory to investment property. This is not expected to recur.

Factors that management used to identify the Group's reportable segments

The Group's reportable segments are strategic business units that offer more or less similar services. The segment described as other comprises of business units that have combined income significantly less than 10% of the combined revenue of all operating segments.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision maker has been identified as the executive management team including the Chief Executive Officer and the Chief Finance Officer.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2020

37 SEGMENT REPORTING (continued)

Measurement of operating segment profit or loss, assets and liabilities

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. The Group evaluates performance on the basis of profit or loss from operations but excluding non-recurring losses, such as goodwill impairment.

Inter-segment sales are priced along the same lines as sales to external customers, with an appropriate discount being applied to encourage use of Group resources at a rate acceptable to local tax authorities. This policy was applied consistently throughout the current and prior year.

The Group has no transactions with a single external customer that exceeds 10% of its total revenue.

2020	Insurance ZWL\$	Microlending ZWL\$	Other ZWL\$	Consolidation adjustments ZWL\$	Group ZWL\$
Total revenue	2,678,124,436	38,392,966	1,692,756,975	(1,435,065,585)	2,974,208,792
Total benefits, claims and other expenses	(2,605,834,120)	(32,287,549)	(25,063,081)	62,012,566	(2,601,172,184)
Profit before tax	72,290,315	6,105,417	1,667,693,894	(1,373,053,019)	373,036,608
Depreciation of property and equipment	12,457,917	49,795	77,766	-	12,585,478
Amortisation of intangible assets	83,163	47,440	6,923	-	137,526
Amortisation of deferred acquisition costs	-	-	-	-	-
Finance costs	8,232,125	3,508,038	-	-	11,740,164
Fair value gains on equities	285,331,082	3,145,504	13,345,457	-	301,822,042
Fair value gains on investment property	577,936,454	12,026,850	1,656,467,651	(41,124,000)	2,205,306,955
Income tax expense	16,944,238	2,622,973	2,128,749	-	21,695,960
Additions to non-current assets	27,018,906	116,419	223,791	-	27,359,116
Reportable segment non-current assets	4,165,145,450	20,182,809	57,507,381	-	4,242,835,640
Reportable segment current assets	1,104,729,588	22,041,777	14,791,990	-	1,141,563,355
Reportable segment liabilities	4,693,387,933	28,951,629	22,889,698	-	4,745,229,260
Cash flows from operating activities	173,457,317	37,747,170	(172,714,968)	-	38,489,519
Cash flows from investing activities	107,889,151	(1,052,971)	47,208,902	-	154,045,082
Cash flows from financing activities	(15,365,828)	(38,932,354)	38,003,322	-	(16,294,860)
2019					
Total revenue	585,738,342	11,158,389	409,740,690	(348,840,680)	657,796,740
Total benefits claims and other expenses	(559,434,405)	(5,402,761)	(3,574,479)	10,975,745	(557,435,900)
Profit before tax	26,303,937	5,755,628	406,166,211	(337,864,935)	100,360,840
Depreciation of property and equipment	1,944,438	23,750	63,243	-	2,031,431
Amortisation of intangible assets	38,318	40,663	6,923	-	85,903
Amortisation of deferred acquisition costs	-	-	-	-	-
Finance costs	4,166,451	610,230	-	-	4,776,682
Fair value gains on equities	15,001,601	71,689	459,182	-	15,532,471
Fair value gains on investment property	129,817,691	2,852,451	407,928,199	(12,677,401)	527,920,940
Income tax expense	4,405,996	1,397,694	882,008	-	6,685,698
Additions to non-current assets	23,577,870	168,251	11,733	-	23,757,854
Reportable segment non-current assets	409,837,620	3,607,931	429,386,476	-	842,832,028
Reportable segment current assets	154,988,515	12,225,700	3,445,347	-	170,659,563
Reportable segment liabilities	864,100,069	6,037,738	3,732,900	-	873,870,707
Cash flows from operating activities	32,032,483	(1,608,707)	(26,522,139)	-	3,901,637
Cash flows from investing activities	(9,636,533)	(168,251)	(16,281,057)	-	(26,085,841)
Cash flows from financing activities	(10,369,077)	2,891,045	554,556	-	(6,923,476)

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2020

37. SEGMENT REPORTING (Continued)

GEOGRAPHICAL INFORMATION

	Zimbabwe ZWL\$	Malawi ZWL\$	Total ZWL\$
2020			
Revenue			
Total revenue	4,117,049,529	292,224,846	4,409,274,375
Inter-segment revenue	(1,435,065,583)	-	(1,435,065,583)
Total revenue from external customers	2,681,983,946	292,224,846	2,974,208,792
Group's revenue per statement of profit or loss and other comprehensive income			
	2,681,983,946	292,224,846	2,974,208,792
Depreciation of property and equipment	9,665,926	2,919,552	12,585,478
Amortisation of intangible assets	54,362	83,163	137,526
Amortisation of deferred acquisition costs	-	-	-
Finance costs	10,098,914	1,641,249	11,740,163
Fair value adjustments on equities	275,720,549	26,101,493	301,822,042
Fair value adjustments on investment property	2,199,840,598	5,466,357	2,205,306,955
Income tax expense	14,511,545	7,184,415	21,695,960
Segment profit before tax	353,961,233	19,075,374	373,036,608
Cash flows from operating activities	(50,961,121)	89,450,640	38,489,519
Cash flows from investing activities	213,113,337	(59,068,255)	154,045,082
Cash flows from financing activities	(23,471,539)	7,176,679	(16,294,860)
2019			
Revenue			
Total revenue	934,352,017	72,202,517	1,006,554,534
Inter-segment revenue	(348,757,794)	-	(348,757,794)
Total revenue from external customers	585,594,223	72,202,517	657,796,740
Group's revenue per statement of profit or loss and other Comprehensive income			
	585,594,223	72,202,517	657,796,740
Depreciation of property and equipment	929,511	1,101,920	2,031,431
Amortisation of intangible assets	47,585	38,318	85,903
Amortisation of deferred acquisition costs	-	-	-
Finance costs	4,350,857	425,825	4,776,682
Fair value adjustments on equities	13,877,258	1,655,214	15,532,471
Fair value adjustments on investment property	542,029,913	3,408,932	545,438,845
Tax expense	3,766,273	2,919,425	6,685,698
Segment profit before tax	92,981,195	7,379,645	100,360,840
Cash flows from operating activities	(20,285,700)	25,502,721	3,901,637
Cash flows from investing activities	(11,302,766)	(14,783,075)	(26,085,841)
Cash flows from financing activities	(5,975,846)	(947,630)	(6,923,476)
2020			
Additions to non-current assets	2,502,171	24,856,945	27,359,116
Reportable segment non current assets	3,576,465,753	666,369,887	4,242,835,640
Reportable segment current assets	271,780,647	869,782,708	1,141,563,355
Reportable segment liabilities	3,388,581,419	1,356,647,841	4,745,229,260
2019			
Additions to non-current assets	5,421,423	18,336,431	23,757,854
Reportable segment non current assets	735,627,890	107,204,138	842,832,028
Reportable segment current assets	19,959,667	150,699,896	170,659,563
Reportable segment liabilities	651,716,690	222,154,016	873,870,707

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2020

38. PRESCRIBED ASSETS

The Pension and Provident Funds Act (Chapter 24:09) as amended by the Government of Zimbabwe Statutory Instrument 206 of 2019 requires companies in the life assurance industry to hold 15% of their assets as investments in prescribed stocks and bonds. The Company's investment in such assets is summarised below:-

Counterparty	2020 ZWL\$	2019 ZWL\$
Inventories-South View stands	2,008,966	1,775,905
Residential stand debtors	2,029,016	10,592,544
Development bonds	298,872	417,516
Investment properties	688,965,962	119,520,035
	693,302,816	132,306,000
Total assets	3,531,123,031	690,431,621
Percentage of total assets	20%	19%

The Company is fully compliant with the prescribed assets requirements.

Compliance with Insurance Regulations 1989 (Section 3 and 8)

Statutory Instrument 95 of 2017, Insurance (Amendment) Regulations 2017 (19)

The financial statements of the Company must comply with the provisions of Insurance Regulations 1989, promulgated as Statutory Instrument 95 of 2017 read with Instrument 59 of 2020, section (3).

The following are the details on compliance with the said provisions of the statute:

Section 3 (1) (a)

The minimum unencumbered capital requirement for an insurer for registration or ongoing operations shall be the equivalent of Seventy Five Million Zimbabwe Dollars in the case of an insurer which carries on life assurance business including funeral assurance.

	2020 ZWL\$	2019 ZWL\$
Investments	3,531,122,980	31,621
Allowance for inadmissible assets	(1,971,877,000)	(273,122,283)
Value of Assets	1,559,245,980	417,309,338
Actuarial values of policy liabilities	1,029,608,000	169,196,000
Other liabilities	414,219,000	115,397,846
Total	1,443,827,000	284,593,846
FLA statutory capital per SI95 requirement	115,418,980	132,715,492
SI95 minimum statutory capital requirement	75,000,000	75,000,000
Statutory capital surplus /(deficit)	40,418,980	57,715,492

The Company is fully compliant with the minimum capital requirements. Although this solvency position is healthy by international standards in a normal economy, the economic instability in Zimbabwe demands even higher solvency levels. In order to improve underwriting capacity and strengthen financial soundness of the Company management are currently pursuing balance sheet restructuring initiatives through equity and property portfolios diversification to unlock value.

40 IMPACT OF COVID 19

The Covid-19 pandemic had a major impact on the economy and the business with the resultant lockdowns and movement restrictions affecting trading activity. As for most businesses, Fidelity Life Group was not immune to the effects of the Covid-19 pandemic and the emergence of Covid-19 in early March 2020 diverted the Board and Management’s focus to navigating through the impact on our business and prepare for growth in a new normal. The Group implemented the appropriate regulatory measures and guidelines to ensure that the business operates in a safe environment for its customers, staff, and all stakeholders.

Covid-19 Response Measures

Fidelity Life Group introduced a wide-ranging set of measures to support global and national efforts to tackle the Covid-19 pandemic. Strict protocols for hygiene and physical distancing were put in place at Fidelity Life Group offices including maintaining skeletal staff during lockdown and post lockdowns, whilst the majority of employees were working from home. In addition, Fidelity Life Group implemented a robust Business Continuity Framework that allowed the company to

successfully continue all its operations, allowing clients and stakeholders to remotely access our services and systems online through various digital and electronic platforms. During the period, the Group continued to receive premiums and incoming client payments and was also able to settle claims and outbound payments.

Exposure monitoring, planning, and scenario modeling

The Covid-19 pandemic continues to cause disruption and its impact on the business in the short to medium term is uncertain. Nonetheless, there is hope in the long term with the introduction of vaccines. Management has implemented measures to ensure business continuity and viability in the uncertain environment and will continuously review these measures. Scenario and stress testing planning framework to support decision making over now, next, and beyond time horizon is being enhanced.

Financial Impact

The Group conducted a worse-case scenario financial impact analysis of COVID-19 on the business in 2020 and in the next 12 months. The impact on the current and future financial statements is shown below:

Area of negative impact	Estimated impact in 2020 financial statements	Estimated impact in the next 12 months	Management Actions
Insurance revenue	Low	Low	Uncontrollable
Claims experience	Low	Low	Uncontrollable
FLFS Loan disbursements	Medium	Low	Manageable
Non-insurance revenue	Low	Low	Manageable
Investment income	Medium	Medium	Uncontrollable
Operating expenses	Medium	Low	Controllable
Credit risk	Low	Low	Controllable
Solvency Risk	Low	Low	Uncontrollable

41 EVENTS AFTER THE REPORTING DATE

41.1 Dividend

At a board meeting held on 02 June 2021, the directors recommended not to declare a dividend for the year ended 31 December 2020. This decision was reached due to a need to preserve internal resources to fund the Group’s growth strategy. No dividend was declared for the year ended 31 December 2020.

41.2 Approval of the consolidated financial Statements

The consolidated financial statements were approved by the Board of Directors for issue on 02 June 2021 and the directors have power to amend and/or reissue the financial statements should circumstances requiring that arise.

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Tel: 024 2 750 927 - 37



FIDELITY LIFE

ASSURANCE OF ZIMBABWE

ANNUAL GENERAL MEETING

PROXY FORM

I/ We,

being a member of

holding shares, hereby appoint

..... of

Or failing him/ her of

As my / our proxy to vote for me / us and on my / our behalf at the Annual General Meeting of the Company to be held on 16th of July 2021 at 10:00 hours electronically via Zoom, and at any adjournment thereof.

Signed thisday of 2021

Signature of member:

NOTE:

In terms of Section 129 of the Companies Act (chapter 24.03), a member entitled to vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote and speak in his instead. A proxy need not be a member of the company. To be valid, Proxy Forms should be completed and returned to the Registered Office of the Company not less than 48(forty eight) hours before the time stated for holding of the meeting.



FIDELITY LIFE

ASSURANCE OF ZIMBABWE

Notice of Annual General Meeting 2021

Notice is hereby given that the **42nd Annual General Meeting** of the Members of Fidelity Life Assurance Company Limited will be held virtually on **Friday 16 July 2021 at 10:00 hours** for the purpose of transacting the following business:

Ordinary Business

1. To receive and adopt the financial statements and report of the Directors and Auditors for the financial year ended 31 December 2020.
2. To elect Directors in terms of Sections 77 and 78 of the Articles of Association of the company:
 - a. Mr. Ignatius Mvere retires by rotation in terms of the Company's Articles of Association, and being eligible, offers himself for re-election.
 - b. Mr. Henry Nemaire retires by rotation in terms of the Company's Articles of Association, and being eligible, offers himself for re-election.
3. To approve the remuneration of the Auditors for the past audit for the year ended 31 December 2020.
4. To approve the remuneration of the Directors for the year ended 31 December 2020.
5. To appoint PricewaterhouseCoopers (PwC) Zimbabwe as auditors for the ensuing year. Ernst and Young Chartered Accountants (Zimbabwe) have been auditors of the company for more than 5 years and rotate out in compliance with the Insurance and Pension Commission (IPEC) mandatory 5 year tenure for an External Audit Firm to serve an Insurer as well as the requirements of the Companies and Other Business Entities Act (Chapter 24:31).
6. To transact any other business that may be transacted at an Annual General Meeting.

Proxies

A member entitled to attend and vote at the meeting may appoint any person or persons to attend and vote on his or her behalf. A proxy need not be a member of the Company. Proxy forms together with a copy of the notice can be obtained at the registered office of the Company or on the Fidelity Life Assurance of Zimbabwe website on the following link www.fidelitylife.co.zw/downloads and must be lodged with the Company Secretary not less than 48 hours before the meeting.

Audited Financial Statements

The audited financial statements are available for inspection at the Registered Office of the Company.

Meeting Details

Shareholders are advised to contact ZB Transfer Secretaries for meeting ID details. Robert Mutakwa (rmutakwa@zb.co.zw) and (schatitima@zb.co.zw) or phone on 08677002001 or 0242 2934 585

BY ORDER OF THE BOARD

C. MATONGO

Company Secretary
24 June 2020

REGISTERED OFFICE
66 Julius Nyerere Way, Harare

TOP 20 FIDELITY LIFE ASSURANCE OF ZIMBABWE LIMITED
SHAREHOLDERS AS AT 31-12-2020

12/1/2021

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HOLDER NUMBER	HOLDER NAME	TOTAL HOLDING	PERCENTAGE OF TOTAL ISSUED SHARES
3857	ZIMRE HOLDINGS LIMITED	72,925,578	66.95
957824	TURISMO INVESTMENTS (PVT) LTD	24,980,900	22.93
950176	SUMMERTON (NNR) RHYS DRENNAN	1,493,377	1.37
959514	MEGA MARKET (PVT) LTD	1,433,566	1.32
940747	FLAM MANAGEMENT SPECIAL FUND	886,653	0.81
957339	FARID EL-KHOURY PHILLPPE ELIAS	360,000	0.33
957723	LHG MALTA HOLDINGS LIMITED	300,155	0.28
692948	FIDELITY FINANCIAL SERVICES FUND	235,484	0.22
956762	STANBIC NOMINEES (PVT)LTD-A/C 140043470003	234,800	0.22
957423	OLD MUTUAL LIFE ASSURANCE OF ZIMBABWE LIMIT	204,658	0.19
618208	FIDELITY LIFE ASSURANCE NOMINEES (PRIVATE) L	113,811	0.10
559812	ENG ASSET MANAGEMENT	112,836	0.10
456757	NATIONAL INVESTMENT TRUST	101,152	0.09
851838	REMO INVESTMENT BROKERS (PVT) LTD	88,317	0.08
667163	MACHIWENYIKA LODY	85,456	0.08
957371	STANBIC NOMINEES (PVT) LTD AC 110008040007	83,829	0.08
957915	KUNYONGANA LOICE	81,673	0.07
402284	ZIMBABWE INSURANCE BROKERS LIMITED	79,438	0.07
958041	STANBIC NOMINEES 110008300011	69,900	0.06
941385	MATARANYIKA PHILLIP	69,760	0.06
	TOTAL HOLDING OF TOP SHAREHOLDERS	103,941,343	95.43
	REMAINING HOLDING	4,981,948	4.57
	TOTAL ISSUED SHARES	108,923,291	100

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