



# FIDELITY LIFE

ASSURANCE OF ZIMBABWE

## Audited Financial Results for the year ended 31 December 2017

FIDELITY LIFE ASSURANCE OF ZIMBABWE LIMITED AND ITS SUBSIDIARIES

### Chairman's statement

It is my pleasure to present to you the audited financial statements of Fidelity Life Assurance of Zimbabwe Limited Group for the year ended 31 December 2017.

### Delayed Publishing of Audited Financial Results

Following the appointment of new leadership into the organization, there was a need to conduct a comprehensive and thorough cleanup of the Company's financial position.

I would like to reiterate that the Company is solid, intrinsically profitable and highly motivated to perform better. The new Management team is driving a fundamental transformation in how we work and deliver on the expectations of our key stakeholders. The results of the clean-up exercise will cement our solid foundations and position us for sustainable growth going forward. Shareholders can be assured that the future of the Company is very bright, the fruits of our transformation agenda will become evident during the course of the year.

### Operating landscape

The economic and political landscape remained challenging in 2017, on the backdrop of physical cash and foreign currency shortages. The last quarter of 2017 was characterized by a volatile economic environment, with rising inflation, speculative tiered pricing and the stock market breaching previous records following a bull run that extended to the end of the year. Political reforms towards the end of the year seemed to bring some self-correction to these phenomena as the markets slowed down and price increases restrained. Investment promotion initiatives by the new government administration have kindled some hope of positive economic trends going forward.

### Financial performance

The Group's performance for the year ended 31 December 2017 had a combination of wins and losses, which culminated in a 7% increase in the Group's total revenues, which increased to US\$55.9m, from US\$52.4m reported for 2016. Apart from a challenging operating environment, revenue was also subdued by a Management transition period for the Company that resulted in interruptions to the strategic focus. At US\$ 14.2m, gross insurance premiums came in 7% lower than the US\$15.4m in prior year. Sales of stands for the Southview Park project were 4% lower at US\$23.4m, against US\$24.2m in the prior year. The two lines of revenue combined contributed to 67% of the Group's revenue, compared to 75% in the prior year. These reductions in core income were however cushioned by significant increases in investment income during the year, the most significant being fair value gains of US\$4.5m recorded on listed equities, compared to US\$0.6m in 2016.

Claims reduced by 41% from US\$8.3m to US\$4.9m. Property development expenses increased to US\$15.9m against US\$13.3m in the prior year. Finance costs reduced by 16% to US\$1.7m following the partial redemption of the Southview Park bonds during the year.

The Group closed with a loss for the year after tax of US\$1.3m against the restated profit for 2016 of US\$6.4m. As part of the response to the results of the forensic audit highlighted in my report last year, the loss after tax for the year ended 31 December 2017 reflects various shareholder asset write offs to reflect historical lapses in internal controls both in Zimbabwe and Malawi. There was no prejudice to policyholder funds as the write offs were fully provided against shareholder funds.

Also emanating from the forensic audit are restatements to the financial statements for the year ended 31 December 2016, firstly to reflect appropriate revenue recognition principals in line with International Accounting Standard (IAS) 18 'Revenue', with regard to revenue from sale of residential stands under the Southview Park project. In addition, certain restatements recorded arose from Vanguard Life Assurance. The restatements to the 2016 financial statements also correct a number of errors noted in those numbers, for which background information is included in Note 8 to these abridged consolidated financial statements.

### Fidelity Life Assurance

The current economic hardships continue to affect the core business of the Group in Zimbabwe. Growth of the anchor Company was hampered by organic shrinkage of the business of its clients through downsizing, restricted uptake of assurance products and under-prioritization of payment of pension contributions and other assurance premiums. This resulted in a 17% decrease in premiums, from US\$12.9m in 2016 to US\$10.8m in the current year. The sales of residential stands in Southview Park, mentioned earlier in my report, also came from this business unit. The unit continues to earn interest income on the outstanding amounts for stands sold on credit, which income, at US\$5.3m for 2017 was 44% higher than that recorded in the prior year.

The flagship Company closed with a 101% reduction in profit for the year, at a loss of US\$0.06m, compared to restated profit of US\$5.6m in 2016. This reduction was mostly due to the asset write offs and impairments mentioned in the Group commentary.

### Vanguard Life Assurance (VLA)

This Malawi based subsidiary recorded an increase in premium arising from growth due to new business. Premium income increased 40% to US\$3.5m, from US\$2.5m in 2016. Despite this increase in premium income, VLA reported a loss for the year of US\$0.6m, compared to a restated profit of US\$ nil in 2016. The loss is predominantly attributable to an increased estimate of insurance contract liabilities.

### Non-insurance subsidiaries

These entities remain strategic to the Group's drive to leverage off an integrated financial services business model. The brand repositioning strategies being implemented by the Group should open new markets for these businesses. The micro-finance unit recorded a 29% increase in profit for the year to end the year at US\$1.3m for 2017, while the actuarial consulting business and the Asset Management Company posted modest profits.

### Strategic re-focus in 2017

For the Group, the 2017 financial year was characterized by corrective measures being taken to refocus and reposition the Group, with the objective of forming a strong anchor for sustainable growth.

Mr. Rueben Java was appointed Chief Executive Officer of the Group late in the year. He brings with him a wealth of business leadership experience that will be invaluable in redirecting the Group towards growth and increased market presence. Ms. Patricia Zvandasara's appointment as Chief Finance Officer also strengthens the executive leadership team as she brings her experience in corporate and financial strategy. Several other placements within the Group at varying levels have been made to increase Management bandwidth and ensure the Group is future fit, with focus on business growth underpinned by corporate governance and internal control best practices. The results of these developments should start materialising in 2018.

### Dividend

Due to the need to preserve internal resources to fund the Group's growth strategy, the Board resolved not to declare a dividend.

### Outlook

The current government administration is on an investment promotion drive that could usher in economic growth. However, given the imminent elections, the realization of significant changes in the economic landscape in 2018 remains uncertain. In the interim, the Group remains positive on the opportunities that are ahead and continues to focus on sharpening its distribution model, finding new markets and quality customer engagement. Re-emphasis of the core insurance business, maximising Group synergies, responsible cost management and debt restructuring will be key.

The Group has significant potential for growth and with the new executive and Management team, we are cautiously optimistic about the Group's prospects moving forward.

### Corporate governance

During 2017, we welcomed Messrs. Gari Dhombo and Francis Dzanya to the Board as Non-Executive Directors. Following Mr. Rueben Java and Ms. Patricia Zvandasara's appointments during the year as Chief Executive Officer and Chief Finance Officer respectively, they were also welcomed to the Board as executive Directors. Strategic focus by the new Board should see a repositioning of the Group in the market, enhancing the Group's ability to take full advantage of the positive changes expected in the economic landscape. Dr. G. C. Mataka, Ms. R. Mazula and Mr. H. Mapara retired from the Board during the year.

### Appreciation

The continued support of our shareholders and policyholders underpins the success of the Group and is highly appreciated. I commend my fellow Directors, Management and staff for all the efforts to refocus and reemphasize your brand. Special thanks is also extended to our other stakeholders for their assistance and cooperation.

F. Ruwende  
Chairman  
04 May 2018

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Audited 2017 US\$	Audited Restated 2016 US\$
Gross premiums	14,244,245	15,385,282
Premiums ceded to reinsurers	(494,334)	(548,177)
<b>Net premiums</b>	<b>13,749,911</b>	<b>14,837,105</b>
Fees and commission income	1,098,614	907,352
Investment income	830,859	366,171
Interest income from residential stands receivables	5,324,537	3,697,926
Fair value gains and losses from equities and investment property	7,458,175	3,730,085
Interest from microlending	2,787,012	2,552,928
Other operating income	1,338,005	2,031,234
Income from sale of residential stands	23,359,890	24,245,857
<b>Total revenue</b>	<b>55,947,003</b>	<b>52,368,658</b>
Gross benefits and claims paid	(4,929,868)	(8,349,832)
Claims ceded to reinsurers	826,669	60,304
<b>Net benefits and claims</b>	<b>(4,103,199)</b>	<b>(8,289,528)</b>
Gross change in contract liabilities	(15,403,537)	(5,087,278)
Fee and commission expenses, and other acquisition costs	(864,179)	(862,340)
Operating and administration expenses	(17,324,246)	(13,354,287)
Cost of sales of residential stands	(15,882,554)	(13,271,909)
Finance costs	(1,675,697)	(2,001,233)
<b>Total benefits, claims and other expenses</b>	<b>(55,253,412)</b>	<b>(42,866,575)</b>
<b>Profit before tax</b>	<b>693,591</b>	<b>9,502,083</b>
Income tax expense	(1,984,434)	(3,071,696)
<b>Profit for the year</b>	<b>(1,290,843)</b>	<b>6,430,387</b>
<b>Other comprehensive income:</b>		
<b>Items that will not be reclassified to profit or loss:</b>		
Gross gains/(losses) on property revaluation	12,471	223,039
Tax	(1,871)	(1,261)
<b>Gains/(losses) on property revaluation, net of tax</b>	<b>10,600</b>	<b>221,778</b>
Items that will or may be reclassified to profit or loss:		
Exchange differences arising on translation of foreign operations	(13,978)	(97,957)
<b>Other comprehensive income for the year, net of tax</b>	<b>(3,378)</b>	<b>123,821</b>
<b>Total comprehensive income for the year</b>	<b>(1,294,221)</b>	<b>6,554,208</b>
<b>Profit for the year attributable to:</b>		
Owners of the parent	(1,007,896)	6,330,085
Non-controlling interests	(282,947)	100,302
<b>Total profit for the year</b>	<b>(1,290,843)</b>	<b>6,430,387</b>
<b>Total comprehensive income attributable to:</b>		
Owners of the parent	(1,009,822)	6,493,003
Non-controlling interests	(284,399)	61,205
<b>Total comprehensive income for the year</b>	<b>(1,294,221)</b>	<b>6,554,208</b>

### Earnings per share attributable to the ordinary equity holders of the parent

Basic earnings per share (cents)	(0.93)	5.87
Diluted earnings per share (cents)	(0.93)	5.87

\* Further information on the restatement is included in Note 8 to the abridged consolidated financial statements.

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Audited Dec 2017 US\$	Audited Restated Dec 2016 US\$	Audited Restated 1 Jan 2016 US\$
<b>ASSETS</b>			
Property and equipment	6,557,084	7,241,473	7,659,653
Investment property	19,117,149	16,728,216	14,349,389
Intangible assets	265,412	329,245	412,952
Inventories	35,628,497	41,752,115	50,734,315
Trade and other receivables	36,522,202	30,167,439	18,572,822
Corporate tax asset	30,511	-	-
Deferred tax assets	966	758,396	2,593,678
Deferred acquisition costs	177,089	229,448	295,549
Financial assets at fair value through profit or loss	12,738,977	5,847,752	5,448,039
Held to maturity financial assets	830,100	781,954	781,954
Cash and short term deposits	7,801,682	6,358,665	4,783,446
<b>Total assets</b>	<b>119,669,669</b>	<b>110,194,703</b>	<b>105,631,797</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the parent</b>			
Issued share capital	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	3,647,721	4,655,617	(1,427,304)
Revaluation reserve	1,039,240	1,033,198	814,443
Foreign currency translation reserve	(1,209,617)	(1,201,649)	(1,145,812)
<b>Total ordinary shareholder's equity</b>	<b>5,227,949</b>	<b>6,237,771</b>	<b>(8,068)</b>
Non-controlling interests	4,738,189	5,022,588	4,976,685
<b>Total equity</b>	<b>9,966,138</b>	<b>11,260,359</b>	<b>4,968,617</b>
<b>Liabilities</b>			
Insurance contract liabilities and investment contract liabilities with discretionary participation features	59,950,625	48,110,233	43,668,363
Investment contracts without discretionary participation features	5,076,181	-	-
Non current borrowings	13,320,000	13,970,000	26,725,813
Deferred tax liabilities	532,120	345,554	194,316
Current borrowings	10,927,160	15,352,758	2,635,673
Non current finance lease obligations	-	-	18,736
Current finance lease obligations	-	16,126	15,284
Trade and other payables	19,398,096	20,047,122	25,705,282
Corporate tax liability	499,349	1,092,551	1,699,713
<b>Total liabilities</b>	<b>109,703,531</b>	<b>98,934,344</b>	<b>100,663,180</b>
<b>Total equity and liabilities</b>	<b>119,669,669</b>	<b>110,194,703</b>	<b>105,631,797</b>

\* Further information on the restatement is included in Note 8 to the abridged consolidated financial statements.

# SEE YOUR FUTURE TODAY

We believe in you and the future you see in your mind's eye. That is why we have designed our unique products and services to make sure you realise your dreams and achieve your goals.

Take the first step towards your future today and let us get you there.

SEE YOUR FUTURE TODAY



**FIDELITY LIFE**

ASSURANCE OF ZIMBABWE

# Audited Financial Results

for the year ended 31 December 2017

FIDELITY LIFE ASSURANCE OF ZIMBABWE LIMITED AND ITS SUBSIDIARIES

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Share capital	Treasury shares	Share premium	Retained earnings	Revaluation reserve	Foreign currency translation reserve	Attributable to shareholders of parent	Non-controlling interest	Total equity
<b>Balance at 31 December 2015 - previously stated</b>	<b>1,089,233</b>	<b>(10,037)</b>	<b>671,409</b>	<b>17,784,427</b>	<b>814,443</b>	<b>(1,124,180)</b>	<b>19,225,295</b>	<b>4,138,727</b>	<b>23,364,022</b>
Prior period error	-	-	-	(18,395,405)	-	-	(18,395,405)	-	(18,395,405)
Transfer of NCI cumulative catchup	-	-	-	(816,326)	-	(21,632)	(837,958)	837,958	-
<b>Balance at 31 December 2015 - restated</b>	<b>1,089,233</b>	<b>(10,037)</b>	<b>671,409</b>	<b>(1,427,304)</b>	<b>814,443</b>	<b>(1,145,812)</b>	<b>(8,068)</b>	<b>4,976,685</b>	<b>4,968,617</b>
Profit for the year - restated	-	-	-	6,330,085	-	-	6,330,085	100,302	6,430,387
Other comprehensive income for the year - restated	-	-	-	-	218,755	(55,837)	162,918	(39,097)	123,821
Total comprehensive income for the year - restated	-	-	-	6,330,085	218,755	(55,837)	6,493,003	61,205	6,554,208
Effect of foreign regulatory adjustments	-	-	-	295,318	-	-	295,318	-	295,318
Dividend paid	-	-	-	(542,482)	-	-	(542,482)	(15,302)	(557,784)
<b>Balance at 31 December 2016 - restated</b>	<b>1,089,233</b>	<b>(10,037)</b>	<b>671,409</b>	<b>4,655,617</b>	<b>1,033,198</b>	<b>(1,201,649)</b>	<b>6,237,771</b>	<b>5,022,588</b>	<b>11,260,359</b>
Profit for the year	-	-	-	(1,007,896)	-	-	(1,007,896)	(282,947)	(1,290,843)
Other comprehensive income for the year	-	-	-	-	6,042	(7,968)	(1,926)	(1,452)	(3,378)
Total comprehensive income for the year	-	-	-	(1,007,896)	6,042	(7,968)	(1,009,822)	(284,399)	(1,294,221)
Dividend paid	-	-	-	-	-	-	-	-	-
<b>Balance at 31 December 2017</b>	<b>1,089,233</b>	<b>(10,037)</b>	<b>671,409</b>	<b>3,647,721</b>	<b>1,039,240</b>	<b>(1,209,617)</b>	<b>5,227,949</b>	<b>4,738,189</b>	<b>9,966,138</b>

\* Further information on the restatement is included in Note 8 to the abridged consolidated financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

### CASH FLOWS FROM OPERATING ACTIVITIES

#### Profit before tax

**Adjustments:**  
 Fair value adjustment on financial assets at fair value  
 Fair value adjustment on investment property  
 Amortisation of intangible assets  
 Amortisation of deferred acquisition costs  
 Increase in deferred acquisition costs  
 Finance costs  
 Depreciation of property and equipment  
 Increase in life assurance policyholder liabilities  
 Profit on sale of investment property  
 Investment income  
 Loss on sale of property and equipment

#### Changes in working capital

Decrease in inventories  
 Increase in trade and other receivables  
 Decrease in trade and other payables

#### Cash generated from operations

Income taxes paid  
**NET CASH GENERATED FROM OPERATING ACTIVITIES**

### CASH FLOWS FROM INVESTING ACTIVITIES

Additions and replacement to property and equipment  
 Additions and improvements to investment property  
 Additions to intangible assets  
 Investment income  
 Additions to financial assets at fair value through profit or loss  
 Disposals of financial assets at fair value through profit or loss  
 Proceeds from sale of investment property  
 Proceeds from sale of property and equipment  
 Additions to held to maturity financial assets  
**NET CASH GENERATED FROM INVESTING ACTIVITIES**

### CASH FLOWS FROM FINANCING ACTIVITIES

Finance costs  
 Dividends paid  
 Repayments of finance lease obligations  
 Repayments of borrowings  
**NET CASH UTILISED IN FINANCING ACTIVITIES**

#### NET INCREASE IN CASH AND CASH EQUIVALENTS

#### CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR

Cash outflow on investment contracts without DPF

Exchange differences on translation of a foreign operation

#### CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR

\* Further information on the restatement is included in Note 8 to the abridged consolidated financial statements.

## Notes to the abridged consolidated financial statements

For the year ended 31 December 2017

### 1. DIRECTORS' RESPONSIBILITY STATEMENT

The directors are required by the Companies Act (Chapter 24:03) to maintain adequate accounting records and are responsible for the content and integrity of the abridged consolidated financial statements and related financial information included in this report. It is their responsibility to ensure that the abridged consolidated financial statements fairly present the state of affairs of the Group as at the end of the period and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The audited financial statements were approved for issue by the Board of directors on 3 May 2018.

### Extension of publication date

Following the appointment of new leadership into the organisation, there was a need to conduct a comprehensive and thorough cleanup of the Company's financial position to ensure compliance with requirements of both International Financial Reporting

Standards and of the Insurance and Pensions Commission of Zimbabwe. This resulted in the Group seeking an extension for the publication of the abridged audited consolidated financial statements for the year ended 31 December 2017, from 31 March 2018 to 30 April 2018. The Group considered this a vital step in ensuring the Group's financial statements present a true and fair view of the Group's operations and financial position.

### 2. AUDITOR'S STATEMENT

These financial results should be read in conjunction with the complete set of financial statements for the year ended 31 December 2017, which have been audited by Ernst & Young Chartered Accountants (Zimbabwe) who have issued an unmodified audit opinion with an emphasis of matter paragraph drawing attention to Note 8 of the financial results which details an error that was made in the financial statements for the year ended 31 December 2016 which has been corrected in the current year. In addition the audit

## Notes to the abridged consolidated financial statements (Cont'd)

For the year ended 31 December 2017

report includes a section of key audit matters relating to valuation of policyholder liabilities, valuation of investment properties and valuation and existence of receivables. The auditor's report on these financial results is available for inspection at the Company's registered office.

### 3. ACCOUNTING POLICIES

#### Basis of preparation

The same accounting policies, use of estimates, judgements and methods of computation that were followed in preparing the Group's audited financial statements for the year ended 31 December 2017 were followed in preparing these abridged consolidated financial statements. The abridged consolidated financial statements are based on statutory records maintained under the historical cost convention as modified by the

revaluation of property and equipment, financial assets at fair value through profit or loss and investment property.

#### Statement of compliance

The abridged consolidated financial statements for the year ended 31 December 2017 have been prepared in accordance with the Zimbabwe Stock Exchange Listing Rules, based on information extracted from annual financial statements prepared in accordance with International Financial Reporting Standards and in the manner required by the Companies Act (Chapter 24:03) and the Insurance Act (Chapter 24:07).

The abridged consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as at 31 December 2017.

### 4. SIGNIFICANT TRANSACTIONS

Additions to property and equipment

Repayment of borrowings

Increase in trade and other receivables

Decrease in trade and other payables

Decrease in inventories

Capitalised finance costs

Capital expenditure commitments  
 Authorised and contracted for  
 Authorised but not contracted for

Gross premiums  
 Fair value gains and losses from equities and investment property

Income from sale of residential stands

Other operating income

### 5. EARNINGS PER SHARE

#### Basic earnings per share

##### Numerator

(Loss) / profit for the year and earnings used in calculating basic EPS and diluted EPS

##### Denominator

Weighted number of ordinary shares in issue  
 Less: Shares purchased for the Employee Share Ownership Plan  
 Add shares allocated to employees under the Share Ownership Plan

##### Weighted average number of shares used in basic EPS

Less: Dilutive adjusting effects

##### Weighted average number of shares used in diluted EPS

Basic earnings per share (cents)

Diluted earnings per share (cents)

	Audited 2017 US\$	Audited Restated 2016 US\$
Additions to property and equipment	363,273	461,033
Repayment of borrowings	5,075,598	38,728
Increase in trade and other receivables	6,354,763	11,594,617
Decrease in trade and other payables	649,025	5,658,160
Decrease in inventories	6,123,618	8,982,200
Capitalised finance costs	215,334	1,793,882
Capital expenditure commitments	1,063,135	1,318,214
Authorised and contracted for	-	461,033
Authorised but not contracted for	1,063,135	857,181
Gross premiums	14,244,245	15,385,282
Fair value gains and losses from equities and investment property	7,458,175	3,730,085
Income from sale of residential stands	23,359,890	24,245,857
Other operating income	1,338,005	2,031,234
<b>Basic earnings per share (cents)</b>	<b>0.93</b>	<b>5.87</b>
<b>Diluted earnings per share (cents)</b>	<b>(0.93)</b>	<b>5.87</b>

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TODAY**





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# Audited Financial Results

for the year ended 31 December 2017



**FIDELITY LIFE ASSURANCE OF ZIMBABWE LIMITED AND ITS SUBSIDIARIES**

## Notes to the abridged consolidated financial statements (Cont'd)

For the year ended 31 December 2017

### 6. SEGMENT INFORMATION

#### 2017

	Insurance	Microlending	Other	Group
<b>Total revenue</b>	<b>54,205,844</b>	<b>3,259,413</b>	<b>849,374</b>	<b>58,314,630</b>
Inter-segment revenue	(1,806,680)	(171,359)	(389,588)	(2,367,627)
<b>Total revenue from external customers</b>	<b>52,399,163</b>	<b>3,088,054</b>	<b>459,786</b>	<b>55,947,003</b>
Total benefits, claims and other expenses	(52,854,718)	(1,667,454)	(731,242)	(55,253,413)
<b>Profit before tax</b>	<b>(455,554)</b>	<b>1,420,600</b>	<b>(271,456)</b>	<b>693,590</b>
Depreciation of property and equipment	932,906	16,503	101,212	1,050,621
Amortisation of intangible assets	27,973	40,662	6,920	75,554
Amortisation of deferred acquisition costs	580,211	-	-	580,211
Finance costs	1,590,164	85,533	-	1,675,697
Fair value adjustments on investment property and equities	7,303,907	79,185	75,083	7,458,175
Tax expense / (credit)	1,443,930	522,476	17,924	1,984,434
Additions to non-current assets	293,367	60,514	24,928	378,809
Reportable segment non-current assets	44,144,597	450,128	922,021	45,516,746
Reportable segment current assets	44,423,112	6,145,655	23,584,156	74,152,923
Reportable segment liabilities	107,571,960	1,105,932	1,025,642	109,703,533

#### 2016 Restated

	Insurance	Microlending	Other	Group
<b>Total revenue</b>	<b>49,250,192</b>	<b>2,887,896</b>	<b>723,858</b>	<b>52,861,946</b>
Inter-segment revenue	(86,182)	(103,386)	(303,720)	(493,288)
<b>Total revenue from external customers</b>	<b>49,164,010</b>	<b>2,784,510</b>	<b>420,138</b>	<b>52,368,658</b>
Total benefits, claims and other expenses	(40,419,835)	(1,481,577)	(965,164)	(42,866,576)
<b>Profit before tax</b>	<b>8,744,176</b>	<b>1,302,933</b>	<b>(545,026)</b>	<b>9,502,083</b>
Depreciation of property and equipment	947,362	9,633	3,685	960,680
Amortisation of intangible assets	40,721	40,663	6,888	88,272
Amortisation of deferred acquisition costs	140,568	-	-	140,568
Finance costs	1,959,529	41,704	-	2,001,233
Fair value adjustments on investment property and equities	3,698,765	6,950	24,370	3,730,085
Tax expense / (credit)	2,728,887	368,629	(25,820)	3,071,696
Additions to non-current assets	2,887,805	5,428	63,652	2,956,885
Reportable segment non-current assets	42,938,042	406,778	1,091,186	44,436,006
Reportable segment current assets	57,961,359	6,722,093	1,075,245	65,758,697
Reportable segment liabilities	95,803,569	955,125	2,175,651	98,934,344

### GEOGRAPHICAL INFORMATION

#### The Group's key reportable segments information is as follows:-

##### Period ended 31 December 2017

Revenue	Zimbabwe US\$	Malawi US\$	Total US\$
<b>Total revenue</b>	<b>51,374,312</b>	<b>4,606,464</b>	<b>55,980,776</b>
Inter-segment revenue	(33,773)	-	(33,773)
<b>Total revenue from external customers</b>	<b>51,340,539</b>	<b>4,606,464</b>	<b>55,947,003</b>

#### Group's revenue per statement of profit or loss and other comprehensive income

	Zimbabwe US\$	Malawi US\$	Total US\$
<b>Total revenue</b>	<b>51,340,539</b>	<b>4,606,464</b>	<b>55,947,003</b>
Depreciation of property and equipment	999,562	51,059	1,050,621
Amortisation of intangible assets	56,910	18,644	75,554
Amortisation of deferred acquisition costs	-	580,211	580,211
Finance costs	1,658,336	17,362	1,675,697
Fair value adjustments on investment property and equities	7,072,955	385,220	7,458,175
Tax expense	1,614,121	370,313	1,984,434
<b>Segment profit before tax</b>	<b>954,681</b>	<b>(261,090)</b>	<b>693,590</b>

##### Period ended 31 December 2016 Restated

Revenue	Zimbabwe US\$	Malawi US\$	Total US\$
<b>Total revenue</b>	<b>48,846,605</b>	<b>3,522,053</b>	<b>52,368,658</b>
Inter-segment revenue	-	-	-
<b>Total revenue from external customers</b>	<b>48,846,605</b>	<b>3,522,053</b>	<b>52,368,658</b>

#### Group's revenue per statement of profit or loss and other comprehensive income

	Zimbabwe US\$	Malawi US\$	Total US\$
<b>Total revenue</b>	<b>48,846,605</b>	<b>3,522,053</b>	<b>52,368,658</b>
Depreciation of property and equipment	913,009	47,671	960,680
Amortisation of intangible assets	61,120	27,152	88,272
Amortisation of deferred acquisition costs	-	140,568	140,568
Finance costs	1,980,888	20,345	2,001,233
Fair value adjustments on investment property and equities	3,333,850	396,235	3,730,085
Tax expense	2,869,375	202,321	3,071,696
<b>Segment profit before tax</b>	<b>9,003,412</b>	<b>498,671</b>	<b>9,502,083</b>

##### Period ended 31 December 2017

	Zimbabwe US\$	Malawi US\$	Total US\$
Additions to non-current assets	303,210	75,599	378,809
Reportable segment non-current assets	43,094,077	2,422,669	45,516,746
Reportable segment current assets	69,111,729	5,041,194	74,152,923
Reportable segment liabilities	103,020,600	6,682,933	109,703,533

##### Period ended 31 December 2016 Restated

	Zimbabwe US\$	Malawi US\$	Total US\$
Additions to non-current assets	2,795,716	161,169	2,956,885
Reportable segment non-current assets	41,976,378	2,459,628	44,436,006
Reportable segment current assets	62,471,520	3,287,177	65,758,697
Reportable segment liabilities	94,346,438	4,587,907	98,934,345

## Notes to the abridged consolidated financial statements (Cont'd)

For the year ended 31 December 2017

### 7. CYCLICALITY OF OPERATIONS

A significant part of the Group's revenue is derived from life insurance premiums, land sales and pension administration and fund Management fees. Due to the nature of the Group's income, there is no defined pattern of cyclical or seasonality of operations and profitability.

### 8. PRIOR PERIOD ERROR

The Group's accounting policy in dealing with the recognition of revenue from the sale of residential stands was inconsistent with the conditions as set out in International Accounting Standard (IAS) 18 'Revenue'. This resulted in premature recognition of revenue during the years 2014 - 2016, as revenue was recognised prior to risks and rewards having passed to the customer. Management has restated the prior year financial statements to reflect the appropriate revenue recognition principles in line with IFRS.

In addition, an error was noted in the adjustments effected during consolidation, to align the treatment of withdrawals and transfers of benefits payable under pension fund and annuity contracts in Vanguard Life Assurance Company Limited ('Vanguard') with the Group accounting policy. The withdrawals and transfers were adjusted against the exchange differences arising on translation

of foreign operations, in other comprehensive income, rather than against the gross benefits and claims paid in profit or loss. The estimate of insurance liabilities for Vanguard Life Assurance Company Limited included in the prior year consolidated financial statements also exceeded the final estimate determined through actuarial processes, resulting in an overstatement of the insurance liabilities in the prior year. Management has restated the prior year financial statements to correct these errors.

In addition, there were some errors in the elimination of some interCompany transactions in the prior year consolidation. The restatement of the prior year financial statements also includes the correction of these errors.

The effect of the restatements is included in the summary in Note 8.2 below. There is no effect on the 2017 financial statements.

### 8.1 NON-CONTROLLING INTEREST CUMULATIVE CATCHUP

Prior to 2015, there was an underallocation of total comprehensive income to non-controlling interests, resulting in an understatement of the same. As part of the restatement of the financial position as at 1 January 2016, a transfer was effected from funds attributable to owners of the parent, to non-controlling interests.

### 8.2 IMPACT OF RESTATEMENTS

#### Impact on statement of profit or loss and other comprehensive income - year ended 31 December 2016

##### Sale of stands - premature revenue recognition

	As previously stated 2016 US\$	Effect of restatement 2016 US\$	Restated 2016 US\$
Interest income from residential stands receivables	3,076,088	621,838	3,697,926
Income from sale of residential stands	9,055,561	15,190,296	24,245,857
Cost of sales of residential stands	(4,457,951)	(8,813,958)	(13,271,909)
Income tax expense	(1,276,851)	(1,794,845)	(3,071,696)

##### Impairment of subsidiary not reversed in consolidation

	As previously stated 2016 US\$	Effect of restatement 2016 US\$	Restated 2016 US\$
Operating and administration expenses	(13,572,885)	218,598	(13,354,287)

##### Vanguard restatement

	As previously stated 2016 US\$	Effect of restatement 2016 US\$	Restated 2016 US\$
Gross benefits and claims paid	(7,189,132)	(1,160,700)	(8,349,832)
Gross changes in contract liabilities	(4,933,298)	(153,980)	(5,087,278)
Fee and commission expenses, and other acquisition costs	(858,180)	(4,160)	(862,340)
Other operating income	2,029,602	1,632	2,031,234

##### Exchange differences arising on translation of foreign operations

	As previously stated 2016 US\$	Effect of restatement 2016 US\$	Restated 2016 US\$
	(1,256,482)	1,158,525	(97,957)

##### Profit for the year

	As previously stated 2016 US\$	Effect of restatement 2016 US\$	Restated 2016 US\$
<b>Total comprehensive income</b>	<b>2,325,666</b>	<b>4,104,720</b>	<b>6,430,386</b>
	1,290,963	5,263,245	6,554,208

##### Impact on earnings per share

	As previously stated 2016 US\$	Effect of restatement 2016 US\$	Restated 2016 US\$
Basic earnings per share (cents)	1.64	4.23	5.87
Diluted earnings per share (cents)	1.65	4.22	5.87

##### Impact on statement of cash flows

	As previously stated 2016 US\$	Effect of restatement 2016 US\$	Restated 2016 US\$
Profit before tax	3,602,517	5,899,566	9,502,083
Decrease in inventories	168,242	8,813,958	8,982,200
Increase in trade and other receivables	(3,136,626)	(8,457,991)	(11,594,617)
Increase/(decrease) in trade and other payables	1,911,196	(7,569,356)	(5,658,160)
Increase in life assurance policyholder liabilities	4,933,298	153,980	5,087,278
Exchange differences on translation of a foreign operation	(859,920)	808,434	(51,486)

### Impact on statement of financial position

#### Group

	As previously stated 2016 US\$	Effect of restatement 2016 US\$	Restated 2016 US\$	As previously stated 2015 US\$	Effect of restatement 2015 US\$	Restated 2015 US\$
Inventories	24,930,061	16,822,054	41,752,115	25,098,303	25,636,012	50,734,315
Trade and other receivables	49,967,497	(19,800,059)	30,167,438	46,830,871	(28,258,049)	18,572,822
Deferred income tax asset	139,588	618,808	758,396	139,232	2,454,446	2,593,678
Insurance contract liabilities	(48,249,395)	139,163	(48,110,232)	(43,668,363)	-	(43,668,363)
Deferred income tax liability	(1,438,541)	1,092,987	(345,554)	(1,245,653)	1,051,337	(194,316)
Trade and other payables	(8,337,327)	(11,709,795)	(20,047,122)	(6,426,131)	(19,279,151)	(25,705,282)
Corporate tax liability	(1,092,552)	-	(1,092,552)	(1,699,713)	-	(1,699,713)
Foreign currency translation reserve	1,840,376	(638,727)	1,201,649	1,124,180	21,632	1,145,812
Retained earnings	(19,027,571)	14,371,954	(4,655,617)	(17,784,427)	19,211,731	1,427,304
Revaluation reserve	(940,857)	(92,341)	(1,033,198)	814,443	-	814,443
Non-controlling interest	(4,218,543)	(804,045)	(5,022,588)	(4,138,727)	(837,958)	(4,976,685)

### 9. BORROWINGS

#### 9.1 NON-CURRENT BORROWINGS

	Audited 2017 US\$	Audited 2016 US\$
FBC Bank Limited	8,440,000	8,440,000
Infrastructure Development Bank of Zimbabwe	2,600,000	2,600,000
Standard Chartered Bank of Zimbabwe Limited	1,600,000	1,600,000
CBZ Bank Limited	-	650,000
Agribank Limited	680,000	680,000
<b>Total</b>	<b>13,320,000</b>	<b>13,970,000</b>

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

The Group assumed CFI Holdings Limited's bank loans amounting to US\$16 million when it acquired Langford Estates (1962) (Private)

Limited through a land-for-debt swap arrangement in 2015. The borrowings accrue interest at 10% per annum, have a tenor of 7 years with a 2-year principal repayment grace period. They are secured through a mortgage bond over land inventory.

#### 9.2 CURRENT BORROWINGS

	Audited 2017 US\$	Audited 2016 US\$
Redeemable bond	8,213,478	12,696,954
African Banking Corporation of Zimbabwe Limited	2,178,210	2,373,128
CBZ Bank Limited	535,472	-
People's Own Savings Bank (POSB)	-	282,676
<b>Total</b>	<b>10,927,160</b>	<b>15,352,758</b>

**IF YOU CAN  
ENVISION IT,  
WE CAN MAKE IT HAPPEN**



# FIDELITY LIFE

ASSURANCE OF ZIMBABWE

## Audited Financial Results

for the year ended 31 December 2017

FIDELITY LIFE ASSURANCE OF ZIMBABWE LIMITED AND ITS SUBSIDIARIES

### Notes to the abridged consolidated financial statements (Cont'd)

For the year ended 31 December 2017

#### African Banking Corporation of Zimbabwe Limited (BancABC) facility

The bankers' acceptance with BancABC accrues interest at 15% per annum and expires on 31 March 2018. The bankers' acceptance was rolled over on 29 August 2017. The bankers' acceptance is secured by land and buildings with a carrying amount of US\$3,885,254 as at 31 December 2017.

#### Redeemable bond

The bond which has a prescribed asset status was issued to fund offsite infrastructure and bulky water pipelines for the Fidelity Life Southview Park residential stands development. The bond accrues interest at 11% per annum and is secured by sinking

fund cash flows and a limited guarantee by the Company to the extent of the outstanding bond amount and accrued interest. The bond was redeemable at par on 30 June 2017 i.e. 3 years from the date of issue together with any accrued interest. On 30 June, the Company redeemed US\$4,483,476 of the due amount. The remaining balance of US\$8,213,478 was rolled over to 31 March 2018. The 2017 coupon payments were made to bondholders on time.

#### People's Own Savings Bank (POSB) facility

The facility with POSB which accrued interest at 16.5% per annum was fully redeemed on 20 March 2017.

### 10. TRADE AND OTHER RECEIVABLES

Trade receivables  
Less: provision for impairment of trade receivables  
**Trade receivables - net**  
Receivables from related parties  
Loans to employees  
**Total financial assets other than cash and cash equivalents classified as loans and receivables**

Prepayments  
Other receivables  
**Total trade and other receivables**

Non-current portion  
Current portion

	2017 US\$	Restated 2016 US\$
Trade receivables	38,756,112	27,877,384
Less: provision for impairment of trade receivables	(4,172,666)	(5,292,360)
<b>Trade receivables - net</b>	<b>34,583,446</b>	<b>22,585,024</b>
Receivables from related parties	624,330	359,821
Loans to employees	270,869	1,353,865
<b>Total financial assets other than cash and cash equivalents classified as loans and receivables</b>	<b>35,478,644</b>	<b>24,298,710</b>
Prepayments	159,216	4,134,408
Other receivables	884,341	1,734,321
<b>Total trade and other receivables</b>	<b>36,522,202</b>	<b>30,167,439</b>
Non-current portion	19,577,101	18,367,274
Current portion	16,945,101	11,800,165
<b>Total</b>	<b>36,522,202</b>	<b>30,167,439</b>

Trade receivables comprise mainly of residential stands receivables that are payable over 5 to 10 years and attract interest of 10% per annum. The residential stands receivables are secured by the respective residential stands. Loans to employees are mainly housing loans advanced to employees which are payable over 5 - 10 years, attract interest at 6% per annum and are secured against the properties that were acquired or constructed by the employees. Loans to employees also include amounts recoverable from previous executives following various asset write offs amounting to US\$2,335,248 as a result of breakdown in internal controls. However, an impairment allowance has been

raised for the full US\$2,335,248, though without prejudice to policyholder funds as the allowance was raised against amounts attributable to shareholders. The carrying value of trade and other receivables classified as loans and receivables approximates their fair value.

As at 31 December 2017, Group trade and other receivables with a value of US\$786,790 (2016: US\$4,728,089) were past due but not impaired. They relate to clients with a good payment history. No impairment allowance has been raised for these receivables. The ageing analysis of these receivables is as follows:-

### Notes to the abridged consolidated financial statements (Cont'd)

For the year ended 31 December 2017

up to 3 months  
3 to 6 months  
9 to 12 months

As at 31 December 2017, Group trade receivables with a value of US\$4,436,395 (2016: US\$5,292,360) were past due and impaired. An impairment allowance of US\$4,172,666 (2016: US\$5,292,360)

was recognised relating to these trade receivables. The ageing analysis of these receivables is as follows:-

	2017 US\$	2016 US\$
up to 3 months	113,935	1,933,819
3 to 6 months	326,305	777,928
9 to 12 months	346,550	2,016,342
<b>Total</b>	<b>786,790</b>	<b>4,728,089</b>

up to 3 months  
3 to 6 months  
9 to 12 months

Loans to employees are shown net of impairment allowances of US\$3,807,266 relating to amounts due from former employees that may not be recoverable. The allowance pertains to loans that have been outstanding for more than a year and have been fully provided for.

provided for and the prepayments disclosed are net of the related impairment allowance.

Other classes of financial assets included within trade and other receivables do not contain impaired assets.

Prepayments of US\$3,835,085 to a contractor for the Southview Park project are currently under dispute. These have been fully

The total impairment allowance is made up of the following:

Impairment allowance on trade receivables  
Impairment allowance on loans to employees  
Impairment allowance on prepayments  
Impairment allowance on related party receivables

Movements on allowance for credit losses are as follows:

**Balance at the beginning of the year**  
Utilised during the year  
Increase during the year  
Recovered during the year  
**Balance at the end of the year**

	2017 US\$	2016 US\$
up to 3 months	675,029	2,214,699
3 to 6 months	207,863	611,272
9 to 12 months	3,553,503	2,466,389
<b>Total</b>	<b>4,436,395</b>	<b>5,292,360</b>

	2017 US\$	2016 US\$
Impairment allowance on trade receivables	4,172,666	5,292,360
Impairment allowance on loans to employees	3,807,266	773,845
Impairment allowance on prepayments	3,835,085	-
Impairment allowance on related party receivables	133,922	-
<b>Total</b>	<b>11,948,939</b>	<b>6,066,205</b>
<b>Balance at the beginning of the year</b>	<b>6,066,205</b>	<b>3,011,236</b>
Utilised during the year	(1,119,694)	-
Increase during the year	7,002,428	3,495,464
Recovered during the year	-	(440,495)
<b>Balance at the end of the year</b>	<b>11,948,939</b>	<b>6,066,205</b>

The movement in allowance for credit losses has been included in the operating and administration expenses line item in the consolidated and separate statements of profit or loss and other comprehensive income.

# SEEING IS BELIEVING.

We believe in you and the future you see in your mind's eye. That is why we have designed our unique products and services to make sure you realise your dreams and achieve your goals.

Take the first step towards your future today and let us get you there.

**SEE YOUR FUTURE TODAY!**



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ASSURANCE OF ZIMBABWE

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