



FIDELITY LIFE

ASSURANCE OF ZIMBABWE

Annual Report 2016

“In life, as in chess,
forthought wins”

-Charles Buxton



FIDELITY LIFE

ASSURANCE OF ZIMBABWE

The symbol of our unwavering promise to support you yesterday, today and always.



The Fidelity Scales are the Sign of our

renewed dedication to providing unique and innovative products and services that respond to our customers' present and future needs. It is a promise to our stakeholders to pursue excellence in everything we do and an assurance of compassion to all clients, that we will do all in our power to deliver On our promises.

Our values of Fidelity, Innovation, Team work, Empathy and Recognition are now stronger than ever and our scales continue to represent fairness, integrity and transparency; all principles we hold dear at Fidelity Life Assurance of Zimbabwe.



FIDELITY LIFE
ASSET MANAGEMENT



FIDELITY
FUNERAL ASSURANCE



FIDELITY LIFE
FINANCIAL SERVICES



FIDELITY LIFE
MEDICAL AID SOCIETY



ZIMBABWE ACTUARIAL
CONSULTANTS



Contents

Company Profile	4
Board of Directors	6
Executive Management	7
A Brief History	8
Corporate Governance	9
Director's Report	10
Chairman's Statement	12
Certificate of Solvency	15
Managing Directors Report	16
Director's Responsibility Statement	17
Independent Auditors' Report	18
Consolidated Statement of Financial Position	24
Consolidated Statement of Profit or Loss and other comprehensive income	25
Consolidated Statement of Changes in equity	26
Consolidated Statement of Cashflows	27
Notes to the Consolidated Financial Statements	29-69



Company Profile

FIDELITY LIFE ASSURANCE OF ZIMBABWE LIMITED AND ITS SUBSIDIARIES

Registration No. 419/77

NATURE OF BUSINESS

The Group is engaged in life assurance, funeral assurance and services, asset management, actuarial consultancy, property development and micro-financing services.

DIRECTORS

F. Ruwende	Chairman (Appointed 8 July 2016)
Dr. G. C. Mataka	Vice Chairman
H. Mapara	Non-Executive Director
R. Mazula	Non-Executive Director
R. G. Maramba	Non-Executive Director
S. Kudenga	Non-Executive Director (Appointed 1 June 2016)
I. Mvere	Non-Executive Director (Appointed 8 July 2016)
T. Nyika	Non-Executive Director (Resigned 1 June 2016)
S. B. Chapereka	Managing Director (Passed on 9 October 2016)
G. Mushoma	Finance and Projects Director (Resigned 18 November 2016)
N. Matindike	Acting Managing Director
B. Bare	Acting Finance Director

REGISTERED OFFICE

Fidelity House
66 Julius Nyerere Way
HARARE

AUDITORS

Ernst & Young Chartered Accountants (Zimbabwe)
Cnr Julius Nyerere/Kwame Nkrumah Avenue
HARARE

MAIN BANKERS

African Banking Corporation of Zimbabwe Limited
1 Endeavour Crescent, Mt Pleasant
HARARE

FBC Bank Limited
Nelson Mandela Branch
HARARE

Barclays Bank of Zimbabwe Limited

Kurima House
Branch
HARARE

COMPANY SECRETARY

S. Nhende
66 Julius Nyerere Way
HARARE

TRANSFER SECRETARIES

ZB Transfer Secretaries (Private) Limited
1 Natal Road, Belgravia
HARARE

LAWYERS

Dube, Manikai and Hwacha Legal Practitioners
Commercial Law Chambers
6th Floor, Goldbridge, Eastgate Complex
HARARE

Mawere and Sibanda Legal Practitioners

10th Floor Chiedza House,
Corner 1st Street/K. Nkrumah Avenue
HARARE

**We are true to our
clients; we do not
break their trust**





Board of Directors



F. Ruwende
Chairman



Dr. G. C. Mataka
Vice Chairman



H. Mapara
Non Executive



R. Mazula
Non Executive



R. G. Maramba
Non Executive



S. Kudenga
Non Executive



I. Mvere
Non Executive



N. Matindike
Acting Managing Director



B. Bare
Acting Finance Director



Executive Management



N. Matindike
Acting Managing Director



B. Bare
Acting Finance Director



N. Mupfurutsa
Managing Director:
Vangaurd Life Assurance



R. Chihota
General Manager:
Employee Benefits



M. Gumbo
General Manager:
Marketing



S. Nhende
Company Secretary



B. Wesley
Head: Fidelity Life Financial
Services



S. Mudzengi
Actuarial Resources Manager:
Zimbabwe Actuarial
Consultants



R. Chakweya
Acting General Manager:
Fidelity Funeral Assurance



A Brief History

- | | |
|-------------|--|
| 1836 | Legal and General (Private) Limited is incorporated in the United Kingdom. |
| 1936 | Legal and General opens a branch in Bulawayo, in the then Southern Rhodesia. |
| 1977 | Legal & General is incorporated in Rhodesia. |
| 1988 | A local consortium buys the long term assurance division of Legal and General and it changes its name to Fidelity Life Assurance of Zimbabwe (Private) Limited |
| 1996 | Fidelity Life Assurance forms Zimbabwe Actuarial Consultancy (Private) Limited. |
| 1998 | Fidelity Life Assurance forms Fidelity Life Asset Management (Private) Limited to spearhead third party fund mobilization for investment management. |
| 2004 | Fidelity Life Assurance forms KU Financial Services (Private) Limited – a microfinance company to develop consumer financing business. |
| 2005 | Fidelity Life Assurance acquires Fidelity Life Medical Services Company (FLIMESCO) to spearhead the health insurance business. |
| 2006 | Fidelity Funeral Assurance is formed to spearhead funeral services provision. |
| 2010 | Fidelity Life Assurance attains ISO 9001:2008 certification becoming the first Life Assurance Company with ISO certification. |
| 2014 | The Fidelity Life Southview Park project is commissioned. |
| 2015 | The Company acquires 81% of Langford Estates (1962) (Private) Limited. |



Corporate Governance

Fidelity Life Assurance of Zimbabwe is committed to principles of transparency, accountability, and integrity in its dealings with stakeholders. The Board of Directors is responsible for managing and controlling the affairs of the Group in the interest of these stakeholders. This is achieved through the establishment of appropriate reporting and control structures.

Statement of commitment

The Board of Directors promotes and supports high standards of corporate governance. Fidelity Life Assurance of Zimbabwe subscribes to a governance system whereby ethics and integrity set the standards for compliance. It adapts its structures and processes to facilitate effective leadership, sustainability and corporate citizenship to reflect national and international corporate governance standards, developments and best practice.

Board of Directors

The Directors are appointed on the basis of their skills, experience and the value of the input that they bring to the Company. In line with good corporate governance, the Board of Directors meets at least once every quarter to monitor the performance of the Company. The Board remains accountable to the Shareholders and retains full accountability for the Company's performance. In terms of the Articles of Association, one third of the Directors retire at each Annual General Meeting (AGM). Retiring Directors are eligible for re-election. All remuneration paid to non-executive directors is approved by special resolution of the shareholders, at the AGM. Executive directors are full-time employees and as such are subject to Fidelity Life Assurance of Zimbabwe Limited's conditions of service.

Board responsibilities and functioning

The agenda of the Fidelity Life Assurance of Zimbabwe Limited Board focuses more on Group strategy, capital management, accounting policies, financial results, dividend policy, human resources development, ZSE requirements as well as corporate governance throughout the Group. It is also responsible for the relationship with policyholders, shareholders and other stakeholders in the Group. The Fidelity Life Assurance of Zimbabwe Board has the following committees that operate according to specific terms of reference and are chaired by non executive Directors:

- Human Resources Committee and Corporate Governance Committee
- Audit, Risk and Compliance Committee
- Investments Committee

Board charter

The current Board charter mandates the Board to:

- Determine overall objectives for the Group;
- Formulate a clear and concise policy which is adhered to;
- Overview the division of the Board's responsibilities and accountability;
- Evaluate performance of the Group Board, its committee structures and individual directors; and
- Develop strategies to meet those objectives in conjunction with management.

An annual evaluation process to review the effectiveness of

the Board, its committees and individual directors has been entrenched.

Committee charters

The Board committee charters, which describe the terms of reference of the committees as delegated and approved by the Board, are reviewed at least annually.

Appointment and re-election of directors

The Board charter contains a policy detailing the formal and transparent procedures for appointment to the Board. The Human Resources and Corporate Governance committee reviews the composition of the Board on a continuous basis to ensure the appropriate level of skills and experience in key areas such as strategy, industry knowledge, finance, human resources, corporate governance and risk management. Consideration of diversity in business, geographic and academic backgrounds are also taken into account, in accordance with Fidelity Life Assurance of Zimbabwe Limited's commitment to transformation.

Fidelity Life Assurance of Zimbabwe Limited's Articles of Association empower the Board to appoint a director until the next AGM if a casual vacancy arises. In terms of the Memorandum of the Articles of Association, one third of the directors are subject to retirement by rotation at each AGM and, if put forward for re-election, are considered for reappointment. Shareholders may also nominate directors for election at the AGM, in accordance with formal, prescribed procedures. All directors are consequently appointed on an individual basis at an AGM by a shareholders' resolution.

Human Resources and Corporate Governance Committee

The Committee is composed of four non executive Directors. The Committee is mandated to determine, review and approve the Company's strategy as well as the remuneration and benefits policies of the Group.

Audit, Risk and Compliance Committee

The Committee deals with financial reporting, compliance, actuarial issues, internal controls and risk management issues through the internal audit department. The Committee meets with the Group's external auditors to discuss accounting, auditing, internal controls and financial reporting matters. The external auditors have unrestricted access to the Committee and where necessary, the external auditors are invited to attend the meetings of the Committee.

Investments Committee

The Company has an Investments Committee comprising of four non executive Directors and two executive Directors. The Committee is responsible for determining and approving the Group's investments strategy, reviewing the Group's investment portfolio performance and approval of major investment decisions.

Board Performance Evaluation

The overall rating for 2016 was that the performance was good. In line with good corporate governance, the Board's performance is regularly evaluated by individual Board members.



Directors Report

Your Directors are pleased to present their Report and the financial statements for the Company and the Group for the year ended 31 December 2016.

1. PRINCIPAL ACTIVITIES

Fidelity Life Assurance of Zimbabwe Limited, incorporated in Zimbabwe in 1977, is a holding company of a group of companies primarily involved in life assurance, employee benefits, asset management, medical insurance, funeral assurance provision of actuarial services and residential stands development.

2. LISTING ON THE ZIMBABWE STOCK EXCHANGE

The group was listed on the Zimbabwe Stock Exchange on the 30th of June 2003. The Company has continued to observe and comply with the Listing Requirements of the Zimbabwe Stock Exchange since then.

3. SHARE CAPITAL

3.1 Authorised

The Company's authorized share capital as at 31 December 2016 was 200,000,000 ordinary shares of US\$0,01 each.

3.2 Issued and fully paid

The issued and fully paid share capital of the Company as at 31 December 2016 was 108,923,292 ordinary shares of US\$0,01 each.

4. HIGHLIGHTS OF RESULTS

	GROUP 2016	GROUP 2015	COMPANY 2016	COMPANY 2015
Profit before tax	3,602,517	8,580,310	1,105,116	7,117,540
Tax expense	(1,276,851)	(3,427,633)	(732,801)	(3,047,334)
Profit from discontinued operations	-	277,968	-	-
Other comprehensive income	(1,034,705)	(2,584,312)	214,746	(243,949)
Total comprehensive income for the year	1,290,961	2,846,333	587,061	3,826,257
Total comprehensive income attributable to:				
Equity holders of the company	1,288,185	3,530,752	587,061	3,826,257
Non-controlling interest	2,777	(962,387)	-	-
Total	1,290,961	2,568,365	587,061	3,826,257

Ratio/ statistic	2016	2015	% Change
NAVps (cents)	22.12	21.45	3%
Share Price (cents)	11	9	22%
Current Ratio	2.56	4.37	-41%
Earnings per share (cents)	1.64	4.75	-65%
Market Capitalization (US\$'million)	-	9.8	22%
P/E Ratio	6.7	1.9	253%

5. DIRECTORS' SHAREHOLDING

	Number of shares	
	2016	2015
F. Ruwende	348	348
G.C. Mataka	1,831	1,831
	2,179	2,179



6. MOVEMENT IN RESERVES

Details of these are included in the consolidated statement of changes in equity.

7. PENDING LITIGATION

The Directors are not aware of any material outstanding litigation or any claims of material importance pending or threatened against the Group and the Company, which have not been disclosed in this report.

8. CONTINGENT LIABILITY

There were no contingent liabilities.

9. DIRECTORATE

During the period under review, one Non Executive Director- Mr Timothy Nyika retired from the Board.

10. DIVIDEND

The directors recommended not to declare a dividend for the financial year ended 31 December 2016. This decision was reached as a result of the need to conserve cash to be utilised on other pressing commitments.

11. AUDITORS

The external auditors Ernst & Young Zimbabwe hold office until the conclusion of the Annual General Meeting, at which members will be asked to appoint auditors for the ensuing year.

12. DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements for the year ended 31 December 2016 which appear on pages 24 to 69 were approved by the Board of Directors on the 27th of May 2017. The Board retains full responsibility for the financial statements which are signed on its behalf by Mr F.Ruwende and Mrs N.Matindike.

BY ORDER OF THE BOARD
S. Nhende
Company Secretary



Chairman's Statement

It gives me great pleasure to present the audited financial performance of the Fidelity Life Assurance Group for the year ended 31 December 2016.

Operating environment

The operating environment remained difficult during the year under review. The Gross Domestic Product (GDP) growth that was originally forecast at 2.7% was revised downwards to 0.6%. The El Nino induced weather phenomenon resulted in the country experiencing drought and recording lower agricultural output than desired. Liquidity problems continued to be experienced with chronic shortages of cash across the entire economy. The country remains a net importer with the 2016 trade deficit being \$2 billion as imports continued to outstrip exports. The insurance sector continues to be affected by high claims, low uptake of products, cancellations, policy surrenders and failure by employers to remit contributions deducted from employees.

Financial performance

The Group recorded net insurance premiums of \$14.8 million against \$16.6 million in the prior year. The difficult operating environment impacted on the Group's premium income generation and collection ability. With the Southview Park project now in its final stages, income from sale of stands was lower than 2015. Total revenue generated by the Group closed the year at \$36.6 million. Insurance claims were \$7.2 million against \$6.7 million in the prior year. Property development expenses were significantly lower at \$4.5 million compared to \$20 million in the prior year reflecting the near completion of the Fidelity Life Southview Park project. The acquisition of the Langford Estates land bank resulted in the Group assuming debts of \$14 million in a land for debt swap transaction that increased the finance costs incurred to \$2 million against \$0.5 million in prior year. Profit for the year amounted to \$2.3 million.

Insurance subsidiaries

Fidelity Life Assurance

The anchor company recorded a decline of 8% in premium income to \$12.4 million compared to \$13.5 million in 2015. Total revenues were 33% lower at \$29.9 million as the remaining stands at Fidelity Life Southview Park were sold out.

Vanguard Life Assurance

The Malawi based unit recorded premium income of \$2.5 million down 24% from the \$3.1 million recorded in the prior year. Profit for the period amounted to \$1.5 million.

Non insurance subsidiaries





The micro finance unit posted profits of \$1 million, a significant increase from \$0.38 million in the prior year. The actuarial consultancy business contributed \$26,000 while the asset management posted a loss of \$190,000 due to fair value adjustments on its property portfolio.

Dividend

Due to the need to preserve internal resources to fund Group operations the Board resolved to pass the dividend.

Forensic audit issues

The Company's Board, at the request of the Insurance and Pensions Commission (IPEC), authorized a forensic audit of the Company on the 6th of April 2016, to investigate allegations of corporate governance malpractices. The audit was carried out by KPMG Chartered Accountants. The Board also instituted additional investigations in areas not covered by the forensic audit.

The report came out with unfavourable findings on:

- Corporate Governance Deficiencies
- Compliance with Prescribed asset thresholds
- Merging of Funeral and Life Businesses
- Recognition of income from sale of stands
- Profit allocation between Policyholders and Shareholders
- Systems of internal control on the administration of the Fidelity Life Southview Park project.

In consultation with IPEC and the new auditors, the Board has taken action to correct the issues which were raised and significant strides have been made to strengthen the Group's policies, systems of internal control, various operating procedures, and taken appropriate provisions. The Board has also made changes to management and is in the process of recruiting a substantive Chief Executive Officer and a Financial Director. The daily operations of the Company have continued as normal. I would like to thank all our stakeholders for their patience and continued support during the forensic audit.

Outlook

The economy is anticipated to fare better in 2017 on the back of an improved agricultural season. GDP growth for 2017 is forecast at 3.7%. The Group will be completing the Fidelity Life Southview Park project in the new financial year. The next project the Group will embark on is the Langford Estates project that is expected to yield over 12,000 residential stands. Focus for 2017 will be customer satisfaction, retention, new business acquisition, cost containment and adoption of agile responses to the operating environment so as to ensure not only survival but sustained value creation for stakeholders.

Board changes

Messrs Fungai Ruwende, Stanley Kudenga, and Ignatius Mvere joined the Board in 2016. Mr Timothy Nyika resigned from the Board. We are sincerely grateful for the invaluable contribution he made to the Group as a Director. The Group was immensely saddened by the passing on of Mr. Simon Blaimu Chapereka, the Group's long serving Managing Director in 2016. Mr Chapereka was instrumental in growing the Fidelity Group over a period of more than 16 years. Mr. German Mushoma The Finance and Projects Director resigned from the Company during the course of the year.

Appreciation

I would like to convey special thanks to our customers, my fellow directors and boards of subsidiary companies, management, staff and other stakeholders for all the support. We look forward to continuously delivering value for our policyholders and shareholders.

F. Ruwende
CHAIRMAN
27 May 2017



**We help your family
prepare for a happy and
prosperous future**





INDEPENDENT ACTUARIES & CONSULTANTS



and



Prepared by:

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, **FIDELITY LIFE ASSURANCE Limited** is solvent, and the value of its assets, including shareholders' funds, in respect of all classes of insurance business carried on at **31 December 2016** exceed the amount of the liabilities in respect of those classes of insurance business by **US\$ 15,607,000** 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.

Marcus Pillay

FASSA

For and on behalf of
Independent Actuaries &
Consultants

31 May 2017

assisted by

Sonwell Mudzengi

Actuarial Manager

For and on behalf of Zimbabwe
Actuarial Consultants

www.iac.co.za



Managing Director's report

2016 was generally a tough year for the Group. We pay tribute to our policy holders, our clients who have remained loyal to us and have put their belief in us, our shareholders who believed in us and agreed to capitalize the business and some at the expense of their level of shareholding, the board for its support and guidance and the staff for the dedication, resilience and hard work. We are looking forward to a successful year in 2017.

Income and expenditure analysis

For the financial year ended 31 December 2016, Insurance premium income receded by 11 % to \$15 million from \$16.6 million in 2015. Performance of the core business of Life and Pensions business was affected by the general harsh economic environment.

Of the gross premium written during the year, the holding company contributed US\$12.4 million down from US\$13.5 million recorded in 2016 mainly as a result of some schemes which retrenched or downsized during the year. In addition, some schemes continued facing challenges in settling pension arrear contributions while individual life customers were affected by scarcity of cash.

The Group recorded fair value gains from equities and investment property of \$3.7 million up from a loss of \$1.9 million in 2015. This was mainly due to the value of development works carried out during the year, which resulted in enhancement of the Southview Park project.

Income from sale of residential stands closed the period at US\$9 million down from US\$ 27 million in year 2015. The reduction was due to fewer stands having been sold during the year as the project was sold out.

The Group recorded a 7% increase in claims and benefits to \$7.2 million. Of this amount, The holding company contributed 94 % (\$6,8million).

Changes in insurance contract liabilities increased by 12% from US\$4,4 million to US\$ 4,9 million. The movement is determined by prudent reserving as guided by our independent actuaries.

Cost of sales for residential stands went down by 78% to close the period at US\$4.4 million. The reduction is in tandem with the number of stands sold and realized during the year.

The resultant profit for the period attributable to shareholders and minority interest was \$ 2.3 million against a figure of \$5.1 million achieved last year.

Total comprehensive income for the year registered a 49% decline from US\$2.6 million to US\$1.3 million. The decline is attributable to exchange differences arising from translation of foreign operations. During the year the translations resulted in a loss of US\$1.3 million.

Statement of Financial position (Balance sheet) analysis

The Group registered a 6% growth on its statement of financial position from total assets of US\$106 million in 2015 to US\$113 million in 2016. The growth is in part explained by fair value gains in investment property and growth in cash and cash equivalents.

Housing projects

The Group continues to focus on unlocking value for the benefit of its policyholders and shareholders. Following the successful implementation of Fidelity Southview Park, The Group now prepares for another housing project at Langford Estates. It is my considered view that all stakeholders are guaranteed of a good return going forward.

N. Matindike:
Acting Managing Director
27 May 2017





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 consolidated financial statements and related financial information included in this report. It is their responsibility to ensure that the consolidated financial statements fairly present the state of affairs of the Group as at the end of the financial year and the results of its operations and cash flows for the year then ended, in conformity with International Financial Reporting Standards and the Companies Act (Chapter 24:03). The external auditors are engaged to express an independent opinion on the consolidated financial statements.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, 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. These controls are monitored throughout the Group and all employees are required to maintain the highest ethical standards in ensuring the Group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Group is on identifying, assessing, managing and monitoring all known forms of risk across the Group. While operating risk cannot be fully eliminated, the Group endeavours to minimize it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, but not absolute, assurance against material misstatement or loss.

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 is still appropriate.

The external auditors are responsible for independently auditing and reporting on the Group's consolidated financial statements. The consolidated financial statements and related notes have been audited by the Group's external auditors and their report is presented on pages 18 to 23.

These audited consolidated and separate financial statements were prepared by Fidelity Life Assurance of Zimbabwe Limited finance department under the direction and supervision of the Acting Finance Director Bernard Bare BACC (HONS) UZ.

The consolidated financial statements and the related notes set out on pages 24 to 69, which have been prepared on the going concern basis, were approved by the Board and were signed on its behalf by:

Chairman

Acting Managing Director

27 May 2017

Independent Auditor's Report

To the Shareholders of Fidelity Life Assurance of Zimbabwe Limited

Report on the Audit of the Consolidated Financial Statements

Qualified opinion

We have audited the consolidated financial statements of Fidelity Life Assurance of Zimbabwe Limited and its subsidiaries (the group) set out on pages 24 to 69, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the group as at 31 December 2016, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Qualified Opinion

The Group's accounting policy dealing with the recognition of revenue from sale of residential stands is inconsistent with the conditions set out in International Accounting Standard (IAS) 18 'Revenue'. This has resulted in the premature recognition of revenue from the sale of residential stands as revenue was recognised prior to risks and rewards having passed to the customer. Management has not agreed to correct current year and restate prior financial statements to reflect the appropriate revenue recognition principles, which constitutes a departure from IFRSs. Had this misstatement been corrected the effect on the specific financial statement line items as indicated below would be as follows:

Impact on statement of financial position	As at 31 December 2016	As at 1 January 2016	As at 31 December 2014
	\$	\$	\$
Increase/(decrease) in receivables	5,254,894	15,001,120	13,745,335
(Increase)/decrease in deferred tax liability	122,726	1,096,408	-
Increase/(decrease) in inventory	15,552,774	11,654,105	8,356,620
(Increase)/decrease in retained earnings	4,597,610	7,049,360	9,012,945
Impact on statement of comprehensive income	Year ended 31 December 2016	Year ended 31 December 2015	Year ended 31 December 2014
(Increase)/decrease in revenue	(18,004,524)	9,690,520	17,369,565
Increase/(decrease) in cost of sales	15,552,774	(11,654,105)	(8,356,620)
Increase/(decrease) in income tax expense	2,301,145	(2,434,620)	(444,087)

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements** section of our report. We are independent of the group in accordance with the International Ethics Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and other independence requirements applicable to performing audits of financial statements in Zimbabwe. 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 qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Qualified Opinion section, we have determined the matters described to be the key audit matters to be communicated in our report.

For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor’s responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key Audit Matter	How our Audit addressed the matter
Issue 1: Valuation of Investment Property	
<p>The Group measures investment properties at fair value at each reporting date which is determined using valuation techniques such as the discounted cash flow model or the market comparison approach.</p> <p>This has been identified as a key audit matter as:</p> <ul style="list-style-type: none"> • The valuation is of a subjective nature due to the required judgements to be made in respect of future cash flows, the timing of those cash flows and the determination of appropriate discount rates. These judgments have a higher estimation uncertainty as a result of there being minimal market data arising from a subdued and depressed property market which is largely due to the prevailing liquidity and other economic constraints in Zimbabwe. • Management and Directors engaged an external valuation expert to guide them to determine the fair value of its investment property portfolio. • The yield rates used have differing degrees of predictability and can vary depending on economic circumstances which increases the complexity of forecasting. Scrutiny is therefore required on forecast financial and non-financial assumptions focussing on more recent trends and relying less on historical trends. • Significant increases/decreases in estimated rental value and rent growth per annum in isolation would result in a significantly higher or lower fair value of the properties. <p>As disclosed in note 7 to the financial statements, the Group uses the rental yield approach to determine the fair value of its developed commercial and industrial properties from which the following key inputs and assumptions are required:</p>	<p>Our audit procedures, in which we involved our own valuation specialists , included:</p> <ul style="list-style-type: none"> • Evaluation of whether the fair value models used to develop the estimates were appropriate and consistent with prior years. • Reviewing reasonableness of the assumptions used by management using guidance from the measurement principles in International Financial Reporting Standards (IFRS). • Performing recalculations of data on which estimates were based and inspecting source documents in order to verify accuracy and completeness. • Comparison of the values derived by making reference to other comparable properties within the market and economic information, as well as testing the underlying calculations. • Performing sensitivity analyses on the key assumptions i.e. rental rate per square meter, annual rental and annual yield used in the model. • Detailed interviews/discussions with management and the external valuers to obtain insights on the valuation inputs/ assumptions and appreciate the basis for conclusions. • Reviewing events occurring after reporting date for significant matters affecting the accounting estimate.

Key Audit Matter	How our Audit addressed the matter
Issue 1: Valuation of Investment Property	
<ul style="list-style-type: none"> • Rental rate per square meter • Annual rental • Annual yield <p>On residential and undeveloped properties, the Group adopts the market comparison approach which largely depends on observable prices of compared properties in the respective geographies.</p>	
Key Audit Matter	How our Audit addressed the matter
Issue 2: Valuation of Insurance Contract Liabilities	
<p>Contracts under which the Group underwrites significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured) adversely affects the policyholder are determined on the basis derived by the Group's actuary.</p> <p>The valuation of these liabilities has been identified as a key audit matter due to the following:</p> <ul style="list-style-type: none"> • Significant uncertainty pertains to the determination of these liabilities and management's best estimate of the ultimate cost of claims is guided by past trends using acceptable actuarial modelling techniques. • Management engaged independent actuaries to determine the value of policy holder liabilities as required by the Insurance and Pensions Commission (IPEC). • A number of valuation methods are applied, including discounted cash flows. The interest rate applied in discounting is management's best estimate of current market interest rates. <p>As disclosed in note 2.6 (accounting policies) of the financial statements the major assumptions were as follows per class of business:</p> <ul style="list-style-type: none"> - 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. - For annuity business, the discounted value of future payments is used as the actuarial liability. - 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. - Single premium group credit life business is valued by setting up Unearned Premium Reserve (UPR) for the unexpired risk portion. 	<p>Our audit procedures, in which we involved our own valuation specialists, included:</p> <ul style="list-style-type: none"> • Evaluation of whether the fair value models used to develop the estimates were appropriate and consistent with prior years. • Reviewing reasonableness of the assumptions used by management using guidance from the measurement principles in International Financial Reporting Standards (IFRS). • Performing recalculations of data on which estimates were based and inspecting source documents in order to verify accuracy and completeness. • Comparison of the values derived by making reference to other comparable properties within the market and economic information, as well as testing the underlying calculations. • Performing sensitivity analyses on the key assumptions i.e. rental rate per square meter, annual rental and annual yield used in the model. • Detailed interviews/discussions with management and the external valuers to obtain insights on the valuation inputs/ assumptions and appreciate the basis for conclusions. • Reviewing events occurring after reporting date for significant matters affecting the accounting estimate.

<p>- Deposit administration business is valued at the accrued premiums (after deducting specified charges) plus accumulated bonuses.</p> <p>At the reporting date an assessment is made of whether the recognised life insurance liabilities, net of the Present Value of In Force business (PVIF) and Deferred Acquisition Costs (DAC), are adequate by using an existing liability adequacy test. 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.</p>	
<p>Key Audit Matter</p>	<p>How our Audit addressed the matter</p>
<p>Issue 3 : Adequacy of allowance for credit losses</p>	
<p>The major risk relating to receivables is credit risk which is largely influenced by the current macro-economic environment which is characterised by: low liquidity and business performance constraints.</p> <p>Significant judgement is exercised by Management in assessing the adequacy of allowance for credit losses. The allowance for credit losses is determined by reference to the repayment capacity of the obligor which is driven by their payment history and financial position, condition and value of collateral offered. Due to the size of the Group's receivables book we identified the adequacy of allowance of credit losses as representing a significant risk of material misstatement.</p> <p>Management are responsible for evaluation and assessment of the credit extension processes and whether adequate allowances have been made for uncollectible receivables.</p> <p>This has been identified as a key audit matter as:</p> <ul style="list-style-type: none"> • There is subjectivity involved in the determination of the amounts of advances deemed uncollectible and requiring impairment. The determination of uncollectible amounts is based on a client by client basis and involves judgment. • The matter required significant interactions between the auditor and Management. <p>We refer to note 2.12.3 (accounting policies) and note 9 of the financial statements for disclosures relating to receivables.</p>	<p>In evaluating the adequacy of allowance for credit losses we performed the following procedures:</p> <ol style="list-style-type: none"> (a) Tested internal controls over the credit granting and monitoring and assessed whether these were in accordance with laid down Group policies and procedures. (b) We analyzed customer payment trends during the year and period after year end but before the issuance of the financial statements. (c) Reviewed security for selected past due receivables and assessed whether it adequately covered the outstanding balance. (d) Where trade receivable balances are past due and management have not impaired these balances on the basis of customer commitments to payment plans we reviewed the plans and post year end movements in balances as well as adherence to payment plans. (e) Re-computed the allowance for credit losses based on the group wide model and taking account of specific circumstances unique to some of the customers. (f) Obtained and reviewed lawyers' confirmations for matters handled during the year in relation to customer accounts.

Key Audit Matter	How our Audit addressed the matter
Issue 4 : Accounting treatment of South view Park	
<p>The accounting treatment of South view Park was an area of audit significance due to the following:</p> <ul style="list-style-type: none"> - Disagreement between Management and the Regulator on the appropriateness of the accounting treatment - The nature of the disagreement constitutes a departure from International Financial Reporting Standards (IFRS) - The matter required significant interactions between the auditor, Management and Those Charged with Governance. - The audit team spent a significant amount of time at a more senior level in the current year due to the complexities as noted. 	<p>We performed the following audit procedures:</p> <ul style="list-style-type: none"> (a) Inspection of correspondence between Management and the Regulator in order to satisfy ourselves as to the nature of the disagreement and progress made towards resolution of the matter (b) Performed an assessment of the appropriateness of the accounting treatment applied by Management as per IFRS requirements (c) Inspection of underlying documentation such as purchase agreements for purchase of land bank, loan and or funding arrangements, (d) Review of minutes of those Charged With Governance and Board committees to establish who has power to govern the operations of the entity (e) Involvement of our financial reporting specialists in the evaluation of whether the accounting treatment applied is consistent with IFRS.

Responsibilities of the Directors for the Consolidated Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act (Chapter 24:03), and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the 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 group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated 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 to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated 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.

Report on Other Legal and Regulatory Requirements

In our opinion, the consolidated and company financial statements, have in all material respects, been properly prepared in compliance with the disclosure requirements of and in the manner required by the Companies Act (Chapter 24:03).

The engagement partner on the audit resulting in this independent auditor's report is Fungai Kuipa (PAAB Practising Certificate Number 335).



Ernst & Young
Chartered Accountants (Zimbabwe)
Registered Public Auditors
29 May 2017



Consolidated statement of financial position

for the year ended 31 December 2016

	Note	GROUP		COMPANY	
		2016 US\$	2015 US\$	2016 US\$	2015 US\$
ASSETS					
Intangible assets	4	329,245	412,952	9,612	23,181
Property and equipment	6	7,241,473	7,659,653	5,891,395	6,241,388
Investment property	7	16,728,216	14,349,389	14,723,568	12,717,667
Deferred tax		139,588	139,232	-	-
Inventories	10	24,930,061	25,098,303	2,618,447	2,785,621
Investment in subsidiaries	8	-	-	22,315,719	22,315,809
Deferred acquisition costs	5	229,448	295,549	-	-
Non current trade and other receivables	9	24,299,292	35,798,897	24,229,888	32,398,079
Current trade and other receivables	9	25,668,205	11,031,974	20,704,326	7,775,781
Financial assets at fair value through profit or loss	11	5,847,752	5,448,039	5,171,830	4,791,429
Cash and short term deposits	12	7,140,619	5,565,400	4,104,773	3,008,171
Total assets		112,553,899	105,799,388	99,769,558	92,057,126
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the parent					
Issued share capital	13	1,089,233	1,089,233	1,089,233	1,089,233
Share premium		671,409	671,409	671,409	671,409
Treasury shares		(10,037)	(10,037)	(10,037)	(10,037)
Retained earnings		19,027,571	17,784,427	13,013,040	13,183,207
Revaluation reserve		940,857	814,443	841,796	627,050
Foreign currency translation reserve		(1,840,376)	(1,124,180)	-	-
Total ordinary shareholder's equity		19,878,657	19,225,295	15,605,441	15,560,862
Non-controlling interests		4,218,543	4,138,727	-	-
Total equity		24,097,200	23,364,022	15,605,441	15,560,862
Liabilities					
Deferred tax liability	17	1,438,541	1,245,653	1,219,134	1,096,408
Insurance contract liabilities	14	48,249,395	43,668,363	44,182,834	39,503,773
Non current borrowings	15.1	13,970,000	26,725,813	13,970,000	26,725,813
Current borrowings	15.2	15,352,758	2,635,673	15,352,758	2,635,673
Non current finance lease obligations	16	-	18,736	-	-
Current finance lease obligations	16	16,126	15,284	-	-
Trade and other payables	18	8,337,327	6,426,131	8,756,479	5,156,456
Corporate tax liability		1,092,552	1,699,713	682,913	1,378,141
Total liabilities		88,456,699	82,435,366	84,164,118	76,496,264
Total equity and liabilities		112,553,899	105,799,388	99,769,559	92,057,126

CHAIRMAN

ACTING MANAGING DIRECTOR

27 May 2017



Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016

	Note	GROUP		COMPANY	
		2016 US\$	2015 US\$	2016 US\$	2015 US\$
Gross premiums	19	15,385,282	17,203,335	12,886,467	13,990,590
Premiums ceded to reinsurers		(548,177)	(580,300)	(446,028)	(480,487)
Net premiums		14,837,105	16,623,035	12,440,439	13,510,103
Fees and commission income	20	907,352	1,410,717	829,276	1,284,303
Investment income		366,171	1,729,016	310,889	1,139,548
Interest income from residential stands receivables		3,076,088	2,296,785	3,076,088	2,296,785
Fair value gains and losses from equities and investment property		3,730,085	(1,860,246)	3,302,530	(2,424,436)
Interest from microlending		2,552,928	2,096,376	-	-
Other operating income	21	2,029,602	2,287,681	899,590	1,310,247
Income from sale of residential stands		9,055,561	27,528,014	9,055,561	27,528,014
Total revenue		36,554,892	52,111,378	29,914,373	44,644,564
Gross benefits and claims paid		(7,189,132)	(6,746,090)	(6,835,337)	(4,912,145)
Claims ceded to reinsurers		60,304	176,347	21,920	77,426
Gross change in contract liabilities		(4,933,298)	(4,405,526)	(4,679,061)	(3,733,705)
Net benefits and claims		(12,062,126)	(10,975,269)	(11,492,478)	(8,568,424)
Fee and commission expenses, and other acquisition costs	22	(858,180)	(534,340)	(543,403)	(534,340)
Operating and administration expenses	23	(13,572,885)	(11,180,058)	(10,376,241)	(7,673,448)
Cost of sales of residential stands		(4,457,951)	(20,348,614)	(4,457,951)	(20,348,614)
Finance costs	24	(2,001,233)	(492,787)	(1,939,184)	(402,198)
Total benefits claims and other expenses		(32,952,375)	(43,531,068)	(28,809,257)	(37,527,024)
Profit before tax		3,602,517	8,580,310	1,105,116	7,117,540
Income tax expense	25	(1,276,851)	(3,427,633)	(732,801)	(3,047,334)
Profit for the year		2,325,666	5,152,677	372,315	4,070,206
Other comprehensive income:					
<i>Items that will not be reclassified to profit or loss:</i>					
Gross gains /(losses) on property revaluation		223,039	(230,077)	214,746	(243,949)
Tax		(1,261)	(2,081)	-	-
Gains /(losses) on property revaluation, net of tax		221,778	(232,158)	214,746	(243,949)
<i>Items that will or may be reclassified to profit or loss:</i>					
Exchange differences arising on translation of foreign operations		(1,256,484)	(2,352,154)	-	-
Other comprehensive income for the year, net of tax		(1,034,706)	(2,584,312)	214,746	(243,949)
Total comprehensive income for the year		1,290,960	2,568,365	587,061	3,826,257
Profit for the year attributable to:					
Owners of the parent		1,785,626	5,108,708	372,315	4,070,206
Non-controlling interests		540,040	43,969	-	-
Total profit for the year		2,325,667	5,152,677	372,315	4,070,206
Total comprehensive income attributable to:					
Owners of the parent		1,288,185	3,530,752	587,061	3,826,257
Non-controlling interests		2,777	(962,387)	-	-
Total comprehensive income for the year		1,290,962	2,568,365	587,061	3,826,257
Earnings per share attributable to the ordinary equity holders of the parent					
Basic earnings per share (cents)	26.1	1.64	4.74	0.33	3.78
Diluted earnings per share (cents)	26.2	1.65	4.73	0.34	3.77
Headline earnings per share (cents)	26.3	1.64	4.74	0.33	3.78

Consolidated statement of changes in equity

for the year ended 31 December 2016



FIDELITY LIFE

FIDELITY LIFE ASSURANCE OF ZIMBABWE LIMITED AND ITS SUBSIDIARIES

Note	Share capital US\$	Treasury shares US\$	Share premium US\$	Retained earnings US\$	Revaluation reserve US\$	Non-distributable reserves US\$	Foreign currency translation reserve US\$	Attributable to shareholders of parent US\$	Non-controlling interest US\$	Total Equity US\$
GROUP										
Balance at 31 December 2014	1,089,233	(47,756)	445,096	12,976,258	1,041,531	174,461	226,688	15,905,511	832,165	16,737,676
Profit for the year	-	-	-	5,108,708	-	-	-	5,108,708	43,969	5,152,677
Other comprehensive income for the year	-	-	-	-	(227,088)	-	(1,350,868)	(1,577,956)	(1,006,356)	(2,584,312)
Total comprehensive income for the year	-	-	-	5,108,708	(227,088)	-	(1,350,868)	3,530,752	(962,387)	2,568,365
Reclassification of non distributable reserve	-	-	-	174,461	-	(174,461)	-	-	-	-
Acquisition of a subsidiary during the year	-	-	-	-	-	-	-	-	4,288,600	4,288,600
Dividend paid	-	-	-	(475,000)	-	-	-	(475,000)	(19,651)	(494,651)
Allocation of shares held by employee share ownership plan to employees	-	37,719	226,313	-	-	-	-	264,032	-	264,032
Balance at 31 December 2015	1,089,233	(10,037)	671,409	17,784,427	814,443	-	(1,124,180)	19,225,295	4,138,727	23,364,022
Profit for the year	-	-	-	1,785,626	-	-	-	1,785,626	540,041	2,325,666
Other comprehensive income for the year	-	-	-	-	126,414	-	(716,196)	(589,782)	(444,923)	(1,034,705)
Total comprehensive income for the year	-	-	-	1,785,626	126,414	-	(716,196)	1,195,844	95,118	1,290,961
Dividend paid	-	-	-	(542,482)	-	-	-	(542,482)	(15,302)	(557,784)
Balance at 31 December 2016	1,089,233	(10,037)	671,409	19,027,571	940,857	-	(1,840,376)	19,878,657	4,218,543	24,097,200

	Share Capital US\$	Treasury shares US\$	Share premium US\$	Retained earnings US\$	Revaluation reserve US\$	Total equity US\$
COMPANY						
Balance at 31 December 2014	1,089,233	(47,756)	445,096	9,588,001	870,999	11,945,573
Dividend paid	-	-	-	(475,000)	-	(475,000)
Total comprehensive income for the year	-	-	-	4,070,206	(243,949)	3,826,257
Shares purchased for the employee share ownership plan	-	37,719	226,313	-	-	264,032
Balance at 31 December 2015	1,089,233	(10,037)	671,409	13,183,207	627,050	15,560,862
Dividend paid	-	-	-	(542,482)	-	(542,482)
Other comprehensive income for the year	-	-	-	-	214,746	214,746
Profit for the year	-	-	-	372,315	-	372,315
Balance at 31 December 2016	1,089,233	(10,037)	671,409	13,013,040	841,796	15,605,441

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

Reserve

Share premium
Treasury shares
Revaluation reserve
Foreign exchange 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 the Group's property (other than investment property)
Gains/losses arising on retranslating the net assets of foreign operations into United States Dollars.
All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.



Consolidated statement of cash flows for the year ended 31 December 2016

	Note	2016 US\$	GROUP 2015 US\$	2016 US\$	COMPANY 2015 US\$
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		3,602,517	8,580,310	1,105,116	7,117,540
Adjustments:		3,805,832	9,803,982	4,091,057	9,207,943
Fair value adjustment on financial assets at fair value		(595,515)	(311,375)	(576,203)	(315,105)
Fair value adjustment on investment property	7	(3,134,570)	2,171,620	(2,726,327)	2,739,540
Amortisation of intangible assets	4	88,272	94,894	13,569	13,569
Amortisation of deferred acquisition costs	5	140,568	256,722	-	-
Increase in deferred acquisition costs		(98,026)	(221,069)	-	-
Finance costs		2,001,233	492,787	1,939,184	402,198
Endowment payment	7	-	1,731,333	-	1,731,333
Impairment loss on investment in subsidiaries and joint ventures		-	-	-	41,829
Depreciation of property and equipment	6	960,680	1,171,646	899,691	855,148
Increase in life assurance policyholder liabilities		4,933,298	4,405,526	4,679,061	3,733,705
Profit on sale of investment property		(122,637)	-	(122,637)	-
Other non cash items		(352,266)	-	-	-
(Profit) / loss on sale of property and equipment		(15,205)	11,898	(15,281)	5,726
Changes in working capital		(1,057,188)	(40,001,906)	(870,431)	(15,875,543)
Decrease / (increase) in inventories		168,242	(15,697,771)	167,174	6,602,371
(Increase) /decrease in non current trade and other receivables		(14,636,231)	3,529,634	(12,928,545)	310,456
Decrease /(Increase) in current trade and other receivables		11,499,605	(23,633,842)	8,168,191	(20,233,024)
Increase /(decrease) in trade and other payables		1,911,196	(4,199,927)	3,722,749	(2,555,346)
Cash generated from / (utilised in) operations		6,351,161	(21,617,614)	4,325,742	449,940
Income taxes paid		(1,887,354)	(1,393,259)	(1,427,940)	(1,093,425)
NET CASH GENERATED FROM / (UTILISED IN) OPERATING ACTIVITIES		4,463,807	23,010,873	2,897,802	(643,485)
CASH FLOWS FROM INVESTING ACTIVITIES					
Additions and replacement to property and equipment	6	(461,033)	(996,039)	(368,168)	(667,914)
Additions and improvements to investment property	7	(2,482,806)	(125,215)	(2,456,494)	(112,239)
Additions to intangible assets	4	(13,046)	(72,641)	-	-
Increase in investments in subsidiaries		-	-	-	(21,103,260)
Net disposal of /(additions to) financial assets at fair value through profit or loss		195,802	(214,481)	195,802	(368,823)
Proceeds from sale of investment property		3,299,557	-	3,299,557	-
Proceeds from sale of property and equipment		48,497	25,575	48,497	31,455
NET CASH GENERATED /(UTILISED) IN INVESTING ACTIVITIES		586,971	(1,382,801)	719,194	(22,220,781)
CASH FLOWS FROM FINANCING ACTIVITIES					
Finance costs		(2,001,233)	(492,787)	(1,939,184)	(402,198)
Dividends paid		(557,784)	(475,000)	(542,482)	(475,000)
Sale of treasury and employee share option plan		-	264,032	-	264,032
Repayments of finance lease obligations		(17,894)	(27,772)	-	-
(Repayments) /Increase in borrowings		(38,728)	13,710,270	(38,728)	13,710,270
NET CASH (UTILISED)/ GENERATED FROM FINANCING ACTIVITIES		(2,615,639)	12,978,743	(2,520,394)	13,097,104
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS		2,435,139	(11,414,931)	1,096,602	(9,767,162)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		5,565,400	14,656,098	3,008,171	12,775,334
EXCHANGE DIFFERENCES ON TRANSLATION OF A FOREIGN OPERATION		(859,920)	2,324,233	-	-
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	12	7,140,619	5,565,400	4,104,773	3,008,172

**We appreciate
financial risk**





Notes to the consolidated financial statements

for the year ended 31 December 2016

1. GENERAL INFORMATION

1.1. Nature of business

The consolidated financial statements of Fidelity Life Assurance of Zimbabwe Limited and its subsidiaries for the year ended 31 December 2016 were authorised for issue in accordance with a resolution of the directors on 27 May 2017. 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. Currency

The Group's functional and presentation currency is the United States dollar ("US\$"). All amounts presented are rounded off to the nearest United States dollar.

2. ACCOUNTING POLICIES

2.1. Basis of preparation

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

The consolidated financial statements are based on statutory records that are maintained under the historical cost convention as modified by the revaluation of land and buildings, investment property and financial assets at fair value through profit or loss.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (Collectively IFRS) issued by the International Accounting Standards Board (IASB).

The preparation of the consolidated financial statements in compliance with IFRS requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies. The areas where significant judgement and estimates have been made in preparing the consolidated financial statements and their effect are disclosed in note 3.

2.2. Changes in accounting policy and disclosures

New and amended standards and interpretations

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2016. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Although these new standards and amendments applied for the first time in 2016, they did not have a material impact on the annual consolidated financial statements of the Group.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively and do not have any impact on the Group, given that it has not used a revenue-based method to depreciate its non-current assets.



Notes to the consolidated financial statements (continued)

for the year ended 31 December 2016

Amendments to IAS 27: Equity Method in Separate Financial Statements

The amendment allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in their separate financial statements must apply that change retrospectively. These amendments do not have any impact on the Group's consolidated financial statements.

IAS 34 Interim Financial Reporting

The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report).

The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment must be applied retrospectively.

This amendment does not have any impact on the Group's consolidated financial statements.

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

The materiality requirements in IAS 1

That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated

That entities have flexibility as to the order in which they present the notes to financial statements

That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments do not have any impact on the Group.

Standards issued but not yet effective

The standards, amendments to standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The listing below is of those standards, amendments to standards and improvements that are reasonably expected to impact the Group's financial statements. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. The Group is still assessing the impact of the standard on its contracts with customers.

IFRS 15 - Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date using the full retrospective method. The Group is still assessing the impact of the standard on its contracts with customers.



Notes to the consolidated financial statements (continued)

for the year ended 31 December 2016

IFRS 16 Leases

IFRS 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17. The standard includes two recognition exemptions for lessees - leases of "low-value" assets (e.g. personal computers) and short term leases (i.e. leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use-asset). Effective for annual periods beginning on or after 1 January 2019. In 2017, the Group plans to assess the potential effect of IFRS 16 on its financial statements.

New and amended standards and interpretations

IAS 7 Disclosure Initiative - Amendments to IAS 7

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. Application of amendments will result in additional disclosure provided by the Group.

IFRS 2 Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted. The Group is assessing the potential effect of the amendments on its financial statements.

IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - Amendments to IFRS 4

The amendments address concerns arising from implementing the new financial instruments Standard, IFRS 9, before implementing the new insurance contracts standard that the Board is developing to replace IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach. The amendments are effective for annual periods beginning on or after 1 January 2018.

The overlay approach is an option for entities that adopt IFRS 9 and issue insurance contracts, to adjust profit or loss for eligible financial assets; effectively resulting in IAS 39 accounting for those designated financial assets. The adjustment eliminates accounting volatility that may arise from applying IFRS 9 without the new insurance contracts standard. Under this approach, an entity is permitted to reclassify amounts between profit or loss and other comprehensive income (OCI) for designated financial assets. An entity must present a separate line item for the amount of the overlay adjustment in profit or loss, as well as a separate line item for the corresponding adjustment in OCI.

The optional temporary exemption from IFRS 9 is available to entities whose activities are predominantly connected with insurance. The temporary exemption permits such entities to continue to apply IAS 39 Financial Instruments: Recognition and Measurement while they defer the application of IFRS 9 until 1 January 2021 at the latest. Predominance must be initially assessed at the annual reporting date that immediately precedes 1 April 2016 and before IFRS 9 is implemented. Also the evaluation of predominance can only be reassessed in rare cases. Entities applying the temporary exemption will be required to make additional disclosures.

The temporary exemption is first applied for reporting periods beginning on or after 1 January 2018.

An entity may elect the overlay approach when it first applies IFRS 9 and apply that approach retrospectively to financial



Notes to the consolidated financial statements (continued)

for the year ended 31 December 2016

assets designated on transition to IFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying IFRS 9.

Amendments to IAS 40 Transfers of Investment Property

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. Effective for annual periods beginning on or after 1 January 2018. The adoption of the amendment will not have an impact on the current classification of investment property but the Group will consider the amendment in future where applicable.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. Effective for annual periods beginning on or after 1 January 2018. The adoption of the interpretation will not have an impact on the Group but the Group will consider the amendment when accounting for future foreign currency transactions where applicable.

2.3. 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.



Notes to the consolidated financial statements (continued)

for the year ended 31 December 2016

- 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.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less accumulated allowance for impairment.

2.4. 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.

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 prior to 1 January 2010, cost comprised the fair value of assets given, liabilities assumed and equity instruments issued, plus any direct costs of acquisition. Changes in the estimated value of contingent consideration arising on business combinations completed by this date were treated as an adjustment to cost and, in consequence, resulted in a change in the carrying value of goodwill.

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.



Notes to the consolidated financial statements (continued)

for the year ended 31 December 2016

2.5. Claims and benefits

Claims and benefits represent the ultimate cost (net of salvage 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.

2.6. 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 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.

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



Notes to the consolidated financial statements (continued)

for the year ended 31 December 2016

attributable to the issue of the contract. Subsequent to initial recognition, the investment contract liabilities are measured at fair value through profit or loss.

Fair values are determined at each reporting date and fair value adjustments are recognised in the statement of profit or loss in "Gross change in contract liabilities". Non-unitised contracts are subsequently also 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.

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 90/10 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 or investment contract liabilities, as appropriate.

2.7. 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.

2.8. 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.

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	3 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



Notes to the consolidated financial statements (continued)

for the year ended 31 December 2016

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.

2.9. Investment property

Investment property comprises residential and commercial buildings and 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 if the Group's intention changes 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.

2.10. 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
Mortuary permit	Infinite

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



Notes to the consolidated financial statements (continued)

for the year ended 31 December 2016

and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

2.11. 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).

Subsequently inventories are measured at the lower of cost and net realisable value. Net realisable value represents the estimated selling price less all estimated cost of completion to make the necessary sale.

2.12. Financial instruments

2.12.1. Financial assets

The Group classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. The Group has not classified any of its financial assets as held to maturity.

2.12.2. Fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and those designated upon initial recognition as at fair value through profit or loss. Investments typically bought with the intention to sell in the near future are classified as held for trading. For investments to be designated as at FVPL, the following criteria must be met:

- (i) The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis Or
- (ii) The assets and liabilities are part of a group of financial assets, financial liabilities, or both, which are managed and their performance is evaluated on a fair value basis.

Changes in fair value are recorded in 'Fair value gains and losses'. Interest is accrued and presented in 'Investment income', using the effective interest rate. Dividend income is recorded in 'Investment income' when the right to the payment has been established.

2.12.3. Loans and receivables

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

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.

The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the consolidated



Notes to the consolidated financial statements (continued)

for the year ended 31 December 2016

statement of financial position.

Cash and cash equivalents includes 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.

2.12.4. Financial liabilities

The Group's financial liabilities include borrowings, trade and other payables and bank overdrafts. 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 over the period to repayment is at a constant rate on the balance of the liability carried in the consolidated statement of financial position. 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.

2.12.5. 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 consolidated 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.



Notes to the consolidated financial statements (continued)

for the year ended 31 December 2016

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.

At each reporting date, The Audit, Risk and Compliance Committee analyses the movements in the values of assets and liabilities which are required to be remeasured or reassessed as per the Group's accounting policies.

Executive Management, in conjunction with the Group's external valuers, also compares the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

On an interim basis, Executive Management and the Group's external valuers present the valuation results to the Group's independent auditors. This includes a discussion of the major assumptions used in the valuations.

2.13. Impairment of non-financial assets (excluding inventories, 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.

2.14. Income tax

2.14.1. 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.

2.15.2 Value added taxed (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.

2.15.3. 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



Notes to the consolidated financial statements (continued)

for the year ended 31 December 2016

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).

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.

2.15. 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. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in profit or loss, except for foreign currency borrowings qualifying as a hedge of a net investment in a foreign operation, in which case exchange differences are recognised in other comprehensive income and accumulated in the foreign exchange reserve along with the exchange differences arising on the retranslation of the foreign operation.

Exchange gains and losses arising on the retranslation of monetary available for sale financial assets are treated as a separate component of the change in fair value and recognised in other comprehensive income. Exchange gains and losses on non-monetary available for sale financial assets form part of the overall gain or loss recognised in respect of that financial instrument.

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.

2.16. Retirement benefits: Defined contribution schemes

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

2.17. Revenue

2.17.1. 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.

2.17.2. 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.

2.17.3. 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



Notes to the consolidated financial statements (continued)

for the year ended 31 December 2016

principal outstanding and effective interest rate applicable.

2.17.4. 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 and the Group has allocated the stand to the buyer. The risks and rewards for a stand are transferred from the Group to the purchaser when the relevant local authority or City Municipality has advised the Group that there are no material additional works required to be performed on the residential stands. This allows the Group to allocate stands to buyers who would have paid deposit in full and who would be up to date with instalments

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.

2.18. 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 company is recognised in profit or loss as an expense when incurred.

2.19. 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.

2.20. Leases

The Group has few leasing contracts as the lessor of investment property. The leases are operating leases, which are those leases where the Group retains a significant portion of risks and rewards of ownership. Contractual rental income which is insignificant to the Group is recognised on a straight-line basis over the period of the lease term.

2.21. Finance lease

Where substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred to the Group (a "finance lease"), the asset is treated as if it had been purchased outright. The amount initially recognised as an asset is the lower of the fair value of the leased property and the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

2.22. 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.

2.23. Non Distributable reserve

Non-distributable reserve represents a translation reserve arising from the change in functional currency of the Group from Zimbabwe dollars to United States dollars on 1 February 2009. The reserve is the resultant balance after restatement of assets and liabilities previously denominated in Zimbabwe dollars to United States dollars. The balance was realized through transfer to retained earnings.

2.24. 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.



Notes to the consolidated financial statements (continued)

for the year ended 31 December 2016

2.25. Employee share ownership plan (ESOP)

As the company 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 company'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 company's shares is deducted from equity in the consolidated statement of financial position as if they were treasury shares.

2.26. 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.

2.27. 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 Group obtains valuations performed by external valuers in order to determine the fair value of its investment property, land and buildings. These valuations are based upon assumptions including future rental income, anticipated maintenance costs, future development costs and the appropriate discount rate. Where the market information is available, the valuers also make use of market information from transactions of similar properties.

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:-



Notes to the consolidated financial statements (continued)

for the year ended 31 December 2016

- 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 financial statements (continued)
for the year ended 31 December 2016

4. INTANGIBLE ASSETS

	GROUP		COMPANY	
	2016 US\$	2015 US\$	2016 US\$	2015 US\$
Net carrying amount at the beginning of the year	410,140	718,893	23,181	36,750
Gross carrying amount -Cost	669,411	938,372	54,276	54,276
Accumulated amortisation	(259,271)	(219,479)	(31,095)	(17,526)
Additions	13,046	72,641	-	-
Exchange rate movement on foreign operations	(5,669)	(283,688)	-	-
Amortisation charge for the year	(88,272)	(94,894)	(13,569)	(13,569)
Net carrying amount at the end of the year	329,245	412,952	9,612	23,181
Gross carrying amount -Cost	676,788	727,325	54,276	54,276
Accumulated amortisation	(347,543)	(314,373)	(44,664)	(31,095)

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.

Balance at the beginning of the year	295,549	1,084,877	-	-
New business	98,026	221,069	-	-
Amortisation	(140,568)	(256,722)	-	-
Foreign exchange movements	(23,559)	(753,675)	-	-
Balance at the end of the year	229,448	295,549	-	-



Notes to the consolidated financial statements (continued)

for the year ended 31 December 2016

6. PROPERTY AND EQUIPMENT

GROUP	Land and buildings US\$	Motor vehicles US\$	Equipment and computers US\$	Furniture and fittings US\$	Total US\$
Net carrying amount at 31 December 2014	5,578,064	912,451	1,553,046	195,846	8,239,407
Gross carrying amount - cost/valuation	5,887,960	2,018,452	2,228,830	296,987	10,432,229
Accumulated depreciation	(309,896)	(1,106,001)	(675,784)	(101,141)	(2,192,822)
Additions	9,394	848,944	115,999	21,702	996,039
Reclassification from investment property	800,000	-	-	-	800,000
Exchange rate movement on foreign operations	(681,566)	(209,093)	(20,186)	(25,752)	(936,597)
Disposals	-	(37,473)	-	-	(37,473)
Gross carrying amount - cost/valuation	-	(133,856)	-	-	(133,856)
Accumulated depreciation	-	96,383	-	-	96,383
Depreciation charge for the year	(308,241)	(417,985)	(430,459)	(14,961)	(1,171,646)
Revaluation surplus	(230,077)	-	-	-	(230,077)
Gross carrying amount - cost/valuation	(606,905)	-	-	-	(606,905)
Accumulated depreciation	376,828	-	-	-	376,828
Net carrying amount at 31 December 2015	5,167,574	1,096,844	1,218,400	176,835	7,659,653
Gross carrying amount - cost/valuation	5,408,883	2,524,447	2,324,643	292,937	10,550,910
Accumulated depreciation	(241,309)	(1,427,603)	(1,106,243)	(116,102)	(2,891,257)
Additions	11,632	369,944	55,164	24,293	461,033
Reclassification to investment property	(90,000)	-	-	-	(90,000)
Exchange rate movement on foreign operations	(6,468)	(8,328)	(1,839)	(1,645)	(18,280)
Disposals	-	(33,216)	(76)	-	(33,292)
Gross carrying amount - cost/valuation	-	(290,089)	(3,503)	-	(293,592)
Accumulated depreciation	-	256,873	3,427	-	260,300
Depreciation charge for the year	(103,463)	(418,092)	(420,971)	(18,154)	(960,680)
Revaluation surplus	223,039	-	-	-	223,039
Gross carrying amount - cost/valuation	223,039	-	-	-	223,039
Accumulated depreciation	-	-	-	-	-
Net carrying amount at 31 December 2016	5,202,314	1,007,152	850,678	181,329	7,241,473
Gross carrying amount - cost/valuation	5,547,086	2,595,974	2,374,465	315,585	10,833,110
Accumulated depreciation	(344,772)	(1,588,822)	(1,523,787)	(134,256)	(3,591,637)

Land and buildings are carried at fair value determined on an open market value basis determined by independent professional valuers. The latest fair value was determined as at 31 December 2016. Land and buildings with a carrying amount of U\$4,100,000 (2015:U\$4,100,000) were pledged as collateral in respect of a borrowing facility with African Banking Corporation of Zimbabwe Limited which is disclosed in **Note 15.2**. The value of land and buildings is categorised as level 3 recurring fair value measurement. For fair value disclosures refer to **Note 30**.

Motor vehicles with a net carrying amount of \$55,533 (2015: US\$ 65,489) were acquired through a finance lease as disclosed in **Note 16**.



Notes to the consolidated financial statements (continued)

for the year ended 31 December 2016

PROPERTY AND EQUIPMENT

COMPANY	Land and buildings US\$	Motor vehicles US\$	Equipment and computers US\$	Furniture and fittings US\$	Total US\$
Net carrying amount at 31 December 2014	4,517,612	516,968	1,608,480	66,692	6,709,752
Gross carrying amount - cost/valuation	4,700,000	1,099,855	1,978,622	75,538	7,854,015
Accumulated depreciation	(182,388)	(582,887)	(370,142)	(8,846)	(1,144,263)
Additions	8,986	577,927	75,167	5,834	667,914
Disposals	-	(37,181)	-	-	(37,181)
Gross carrying amount - cost/valuation	-	(117,209)	-	-	(117,209)
Accumulated depreciation	-	80,028	-	-	80,028
Depreciation charge for the year	(182,649)	(264,913)	(402,204)	(5,382)	(855,148)
Revaluation surplus	(243,949)	-	-	-	(243,949)
Gross carrying amount - cost/valuation	(608,986)	-	-	-	(608,986)
Accumulated depreciation	365,037	-	-	-	365,037
Net carrying amount at 31 December 2015	4,100,000	792,801	1,281,443	67,144	6,241,388
Gross carrying amount - cost/valuation	4,100,000	1,560,573	2,053,789	81,372	7,795,734
Accumulated depreciation	-	(767,772)	(772,346)	(14,228)	(1,554,346)
Additions	-	327,715	35,925	4,528	368,168
Disposals	-	(33,216)	-	-	(33,216)
Gross carrying amount - cost/valuation	-	(290,089)	-	-	(290,089)
Accumulated depreciation	-	256,873	-	-	256,873
Depreciation charge for the year	(214,746)	(278,456)	(400,637)	(5,852)	(899,691)
Revaluation surplus	214,746	-	-	-	214,746
Gross carrying amount - cost/valuation	214,746	-	-	-	214,746
Accumulated depreciation	-	-	-	-	-
Net carrying amount at 31 December 2016	4,100,000	808,844	916,731	65,820	5,891,395
Gross carrying amount - cost/valuation	4,314,746	1,598,199	2,089,714	85,900	8,088,559
Accumulated depreciation	(214,746)	(789,355)	(1,172,983)	(20,080)	(2,197,164)

Land and buildings are carried at fair value determined on an open market value basis determined by independent professional valuers. The latest fair value was determined as at 31 December 2016. Land and buildings with a carrying amount of US\$4,100,000 (2015:US\$4,100,000) were pledged as collateral in respect of a borrowing facility with African Banking Corporation of Zimbabwe Limited which is disclosed in **Note 15.2**. The value of land and buildings is categorised as level 3 recurring fair value measurement. For fair value disclosures refer to **Note 30**.



Notes to the consolidated financial statements (continued)

for the year ended 31 December 2016

7. INVESTMENT PROPERTY

	GROUP		COMPANY	
	2016 US\$	2015 US\$	2016 US\$	2015 US\$
Opening balance	14,349,389	9,065,721	2,717,667	17,076,301
Additions	2,462,163	-	2,456,494	-
Improvements	20,643	125,215	-	112,239
Disposals	(3,176,920)	-	(3,176,920)	-
Reclassification (to)/from property and equipment	90,000	(800,000)	-	-
Edowment payment	-	(1,731,333)	-	(1,731,333)
Exchange rate movement on foreign operations	(151,629)	(138,594)	-	-
Fair value gain/(loss)	3,134,570	(2,171,620)	2,726,327	(2,739,540)
Closing Balance	16,728,216	4,349,389	4,723,568	12,717,667

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

As at 31 December 2016 and 2015, the fair values of the properties are based on valuations performed by Knight Frank an accredited independent valuer. Knight Frank 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. A valuation model in accordance with that recommended by the International Valuation Standards Committee has 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 30 for relevant fair value disclosures.

Investment property with a carrying amount of US\$830,000 (2015:US\$900,000) was pledged as collateral in respect of a borrowing facility with People's Own Saving Bank (POSB) which is disclosed in **Note 15.2**.

During the year US\$406,295 (2015: US\$175,386) was recognised in the consolidated statement of profit or loss and other comprehensive income in relation to rental income from the investment properties. Direct operating expenses, including repairs and maintenance, arising from investment property that generated rental income amounted to US\$ 83,746 (2015: US\$63,609). Direct operating expenses, including repairs and maintenance, arising from investment property that did not generate rental income during the year amounted to US\$11,746 (2015: US\$14,566).

Edowment payment relates to land ceded to City of Harare as per the permit conditions on Southview Park development.

8. INVESTMENT IN SUBSIDIARIES

	GROUP		COMPANY	
	2016 US\$	2015 US\$	2016 US\$	2015 US\$
Fidelity Life Asset Management Company (Private) Limited	-	-	489,257	489,257
Fidelity Funeral Assurance Company (Private) Limited	-	-	56,081	56,081
Fidelity Life Financial Services (Private) Limited	-	-	3,570,000	3,570,000
Zimbabwe Actuarial Consultants (Private) Limited	-	-	97,687	97,777
Langford Estates 1962 (Private) Limited	-	-	17,576,118	17,576,118
Vanguard Life Assurance Company Limited	-	-	526,576	526,576
	-	-	22,315,719	22,315,809

Investments in subsidiaries are shown at cost.



Notes to the consolidated financial statements (continued)

for the year ended 31 December 2016

9. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2016 US\$	2015 US\$	2016 US\$	2015 US\$
Trade receivables	48,371,026	42,470,796	43,000,510	34,623,172
Less: provision for impairment of trade receivables	(6,773,108)	(3,499,643)	(6,324,232)	(2,686,193)
Trade receivables - net	41,597,918	38,971,153	36,676,278	31,936,979
Receivables from related parties	359,821	172,784	1,445,093	1,084,565
Loans to employees	2,127,710	2,129,353	1,919,145	2,129,353
Total financial assets other than cash and cash equivalents classified as loans and receivables	44,085,449	41,273,290	40,040,516	35,150,897
Prepayments	4,134,408	4,035,085	4,105,976	4,035,085
Other receivables	1,747,640	1,522,496	787,722	987,878
Total trade and other receivables	49,967,497	46,830,871	44,934,214	40,173,860
Less non current portion	(24,299,292)	(35,798,897)	(24,229,888)	(32,398,079)
Trade receivables	(23,800,944)	(33,925,403)	(23,800,944)	(30,469,712)
Loans to employees	(498,348)	(1,873,494)	(428,944)	(1,928,367)
Current portion	25,668,205	11,031,974	20,704,326	7,775,781

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. Trade receivables also include premium debtors and loans advanced to micro lending business customers. 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.

The carrying value of trade and other receivables classified as loans and receivables approximates their fair value. As at 31 December 2016, Group trade and other receivables with a value of US\$ 4,728,089 (2015:US\$ 919,331) were past due but not impaired. For the Company such receivables were \$ 4,306,412 for 2016 and \$647,982 as at 31 December 2015. They relate to clients with a good payment history. The ageing analysis of these receivables is as follows:-

	GROUP		COMPANY	
	2016 US\$	2015 US\$	2016 US\$	2015 US\$
up to 3 months	1,933,819	137,900	1,933,819	97,197
3 to 6 months	777,928	183,866	356,251	129,596
9 to 12 months	2,016,342	597,565	2,016,342	421,188
	4,728,089	919,331	4,306,412	647,981

As at 31 December 2016, trade and other receivables of US\$5,142,759 (2015:US\$3,499,643) were past due and impaired and their ageing analysis is as follows:-

Up to 3 months	2,214,699	524,946	1,890,186	402,929
3 to 6 months	611,272	699,929	524,735	537,239
9 to 12 months	2,316,788	2,274,768	2,278,962	1,746,025
	5,142,759	3,499,643	4,693,883	2,686,193

Movements on allowance for credit losses are as follows:

Balance at the beginning of the year	3,499,643	3,459,402	2,686,193	2,709,829
Increase during the year	3,713,960	965,494	3,700,559	436,420
Receivables written off during the year as uncollectable	-	(718,299)	-	(305,640)
Recovered during the year	(440,495)	(206,954)	(62,520)	(154,416)
Balance at the end of the year	6,773,108	3,499,643	6,324,232	2,686,193

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

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



Notes to the consolidated financial statements (continued)

for the year ended 31 December 2016

10. INVENTORIES

	GROUP		COMPANY	
	2016 US\$	2015 US\$	2016 US\$	2015 US\$
Projects under development	1,369,973	1,383,147	1,369,973	1,383,147
Land inventory	22,302,394	22,300,000	-	-
Residential stands	1,248,474	1,402,474	1,248,474	1,402,474
Consumables	9,220	12,682	-	-
	24,930,061	25,098,303	2,618,447	2,785,621

Land inventory with a value of \$22,300,000 was pledged as security for borrowings of \$13,970,000 with FBC Bank, CBZ Bank, Standard Chartered Bank, IDBZ Bank and Agribank this is also disclosed on **Note 15.1**.

Borrowing costs capitalised during the year were US\$ 1,793,882 (2015:US\$ 1,796,421). The capitalisation rate used to determine borrowing costs eligible for capitalisation was 10.74 % per annum (2015 10.74 %).

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Opening balance	5,448,039	4,922,183	4,791,429	4,107,501
Additions	-	381,525	-	381,525
Fair value adjustments	595,515	311,375	576,203	315,105
Disposals	(195,802)	(167,044)	(195,802)	(12,702)
Closing balance	5,847,752	5,448,039	5,171,830	4,791,429

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.

12. CASH AND SHORT TERM DEPOSITS

Money market investments	6,168,319	4,709,760	3,657,669	2,421,434
Bank and cash	972,300	855,640	447,104	586,737
	7,140,619	5,565,400	4,104,773	3,008,171

13. SHARE CAPITAL

	GROUP		COMPANY	
	2016 US\$	2015 US\$	2016 US\$	2015 US\$
Authorised share capital 200,000,000 ordinary shares of US\$0.01 each	2,000,000	2,000,000	2,000,000	2,000,000
Issued and fully paid share capital 108,923,291 ordinary shares of US\$0.01 each	1,089,233	1,089,233	1,089,233	1,089,233



Notes to the consolidated financial statements (continued)

for the year ended 31 December 2016

14. INSURANCE CONTRACT LIABILITIES

	GROUP		COMPANY	
	2016 US\$	2015 US\$	2016 US\$	2015 US\$
Opening balance	43,668,363	40,923,914	39,503,773	35,770,068
Change in life assurance policyholder liabilities for the year	4,581,032	2,744,449	4,679,061	3,733,705
Movement through profit or loss	4,933,298	4,405,526	4,679,061	3,733,705
Exchange rate movement on foreign operations	(352,266)	(1,661,077)	-	-
Closing balance	48,249,395	43,668,363	44,182,834	39,503,773

15. BORROWINGS

15.1 NON-CURRENT BORROWINGS

Redeemable bond	-	12,696,954	-	12,696,954
FBC Bank Limited	8,440,000	8,440,000	8,440,000	8,440,000
Infrastructure Development Bank of Zimbabwe	2,600,000	2,600,000	2,600,000	2,600,000
Standard Chartered Bank of Zimbabwe Limited	1,600,000	1,600,000	1,600,000	1,600,000
CBZ Bank Limited	650,000	650,000	650,000	650,000
Agribank Limited	680,000	680,000	680,000	680,000
People's Own Savings Bank (POSB)	-	58,859	-	58,859
	13,970,000	26,725,813	13,970,000	26,725,813

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. This is also disclosed on **Note 10**.

15.2 CURRENT BORROWINGS

Redeemable bond	12,696,954	-	2,696,954	-
African Banking Corporation of Zimbabwe Limited (BancABC)	2,373,128	2,034,187	2,373,128	2,034,187
People's Own Savings Bank (POSB)	282,676	601,486	282,676	601,486
	15,352,758	2,635,673	5,352,758	2,635,673

African Banking Corporation of Zimbabwe Limited (BancABC) facility

The bankers' acceptance with BancABC accrues interest at 13% per annum and expire on 31 March 2017. The bankers' acceptance is secured by land and buildings with a carrying amount of US\$ 4,100,000 as at 31 December 2016 and disclosed in **Note 6**.

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 is redeemable at par on 30 June 2017 i.e. 3 years from the date of issue together with any accrued interest. Bondholders however have an option for early redemption if an election is made after the second anniversary of the bond and subject to observing the notice period. The early redemption amount is any outstanding principal less a discount of 10% applied to par value. The 2016 coupon payments were made to bondholders on time.

People's Own Savings Bank (POSB) facility

The facility with POSB accrues interest at 16.5% per annum and expires on 20 March 2017. It is secured by a mortgage bond over an investment property with a carrying amount of US\$ 830,000 as disclosed in **Note 7**.



Notes to the consolidated financial statements (continued) for the year ended 31 December 2016

Total borrowings capitalised to project development costs during the year amounted to US\$ 1,793,882 (2015: US\$1,751,813)

According to the Articles of Association, the directors are authorised to borrow up to a maximum of US\$ 59,843,146 (2015: US\$ 38,450,590).

16. FINANCE LEASE OBLIGATIONS

The Group leases motor vehicles with a net carrying value of US\$55,533 (2015: US\$65,489). The transaction is generally classified as a finance lease since the lease instalments approximate 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.

	Minimum lease payments US\$	Interest payments US\$	Present value US\$
2016			
Not later than one year	18,664	2,538	16,126
Between one year and five years	-	-	-
Later than five years	-	-	-
	18,664	2,538	16,126
Current liabilities			16,126
Non-current liabilities			-
2015			
Not later than one year	26,066	15,284	15,284
Between one year and five years	65,069	18,736	18,736
Later than five years	-	-	-
	91,135	34,020	34,020
Current liabilities			(15,284)
Non-current liabilities			18,736

	GROUP		COMPANY	
	2016 US\$	2015 US\$	2016 US\$	2015 US\$
17. DEFERRED TAX LIABILITY				
Stand sales debtors	1,092,987	1,096,408	1,092,987	1,051,337
Property and equipment	345,554	151,326	126,147	45,071
Total	1,438,541	1,247,734	1,219,134	1,096,408
Reconciliation				
Balance at the beginning of the year	1,247,734	213,226	1,096,408	-
Movement through profit or loss	189,546	1,030,346	122,726	1,096,408
Movement through other comprehensive income	1,261	2,081	-	-
Balance at the end of the year	1,438,541	1,245,653	1,219,134	1,096,408

Life assurance companies are exempt from capital gains tax as per the Capital Gains Tax Act (Chapter 23:01) section 10(d) and as such, no provision for deferred capital gains tax has been made on the fair value adjustments to the Company's investment property, property and equipment based on the recovery of the carrying amount of the assets through sale.



Notes to the consolidated financial statements (continued)
for the year ended 31 December 2016

	GROUP		COMPANY	
	2016 US\$	2015 US\$	2016 US\$	2015 US\$
18. TRADE AND OTHER PAYABLES				
Trade	4,578,128	951,293	4,327,986	206,385
Related party	162,419	2,305,692	958,473	35,865
Deferred income from sale of residential stands	565,649	654,093	565,649	648,658
	5,306,196	3,911,078	5,852,108	890,908
Total financial liabilities, excluding loans and borrowings, classified as financial liabilities measured at amortised cost				
Other	3,031,131	2,515,053	2,904,371	4,265,547
	8,337,327	6,426,131	8,756,479	5,156,455

Other trade payables mainly relate to accrued Corporate tax, Accrued Value Added Tax, accrued staff expenses and accrued audit fees.

	GROUP		COMPANY	
	2016 US\$	2015 US\$	2016 US\$	2015 US\$
19. GROSS PREMIUMS WRITTEN				
Employee benefits income				
Annuity consideration	1,444,527	1,400,294	1,306,256	1,335,522
Recurring premiums	6,100,996	6,908,208	5,099,220	5,613,187
New business premiums	1,646,914	527,184	1,599,082	509,346
Single premiums	486,139	1,625,365	364,753	1,625,365
	9,678,576	10,461,051	8,369,311	9,083,420
Individual life income				
Life premiums	2,600,152	1,272,553	2,400,831	925,414
Funeral premiums	3,068,554	4,825,759	2,078,325	3,337,784
Single premiums	38,000	535,500	38,000	535,500
	5,706,706	6,633,812	4,517,156	4,798,698
Life assurance - investment contracts with discretionary participation features	-	108,472	-	108,472
Gross premiums	15,385,282	17,203,335	12,886,467	13,990,590

20. FEES AND COMMISSION INCOME

Fee and commission income	907,352	1,284,303	829,276	1,284,303
Transaction and performance fees	-	126,414	-	-
	907,352	1,410,717	829,276	1,284,303

21. OTHER OPERATING INCOME

Actuarial fees	216,848	36,250	-	-
Management fees	29,801	640,055	29,801	640,055
Dividend income	38,448	82,360	26,249	88,234
Other investment income	605,015	27,338	6,332	12,701
Rental and other property income	406,295	199,936	266,428	258,632
Profit on disposal of motor vehicles	15,281	-	15,281	-



Notes to the consolidated financial statements (continued)

for the year ended 31 December 2016

Gain on disposal of investment property	122,637	-	122,637	-
Gain on bargain purchase	-	435,282	-	-
Sundry	595,277	866,460	432,862	310,625
	2,029,602	2,287,681	899,590	1,310,247

Sundry income relates to miscellaneous income.

22. FEE AND COMMISSION EXPENSES AND OTHER ACQUISITION COSTS

	GROUP		COMPANY	
	2016 US\$	2016 US\$	2015 US\$	2015 US\$
Fee and commission expenses	857,089	534,218	542,312	534,218
Other acquisition costs	1,091	122	1,091	122
	858,180	534,340	543,403	534,340

23. OPERATING AND ADMINISTRATIVE EXPENSES

Staff costs	3,739,490	4,005,574	2,487,812	2,572,296
Auditors' remuneration	192,527	175,738	151,988	124,147
Directors' remuneration -fees	202,009	171,652	171,762	135,140
-other services	423,930	1,010,666	409,547	949,946
Depreciation of property and equipment	960,680	1,171,646	899,690	855,148
Computer and data expenses	161,943	105,792	55,127	64,259
Marketing expenses	258,685	170,446	139,270	69,627
Actuarial, legal and other professional fees	297,328	809,594	216,150	697,874
Motor vehicle maintenance costs	290,062	297,052	205,313	243,210
Amortisation of intangible assets	88,272	94,894	13,569	13,569
Loss on disposal of property and equipment	-	5,726	-	5,726
Allowance for credit losses	3,713,960	965,494	3,700,559	436,420
Bad debts written off	676,121	718,299	-	305,640
Other	2,567,878	1,477,486	1,925,454	1,200,446
	13,572,885	11,180,058	10,376,241	7,673,448

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

24. FINANCE COSTS

	GROUP		COMPANY	
	2016 US\$	2015 US\$	2016 US\$	2015 US\$
Interest expense	2,001,233	492,787	1,939,184	402,198

25. INCOME TAX EXPENSE

Current	1,087,305	2,397,287	610,075	1,950,926
Deferred	189,546	1,030,346	122,726	1,096,408
	1,276,851	3,427,633	732,801	3,047,334
Tax charge reconciliation				-
Accounting profit	3,602,517	8,580,310	1,105,116	7,117,540
Tax at Zimbabwe statutory rate of 25.75%	535,909	2,046,457	284,567	1,832,766
Tax at Malawi statutory rate of 21%	292,709	162,973	-	-
Add reconciling items:	448,233	1,218,203	448,233	1,214,568



Notes to the consolidated financial statements (continued)

for the year ended 31 December 2016

Entertainment expenses	-	28,974	-	-
Donations	39,655	8,769	39,655	-
Differences arising from 8th schedule tax for life assurance	408,578	1,180,460	408,578	1,214,569
	1,276,851	3,427,633	732,801	3,047,334

26. EARNINGS PER SHARE (EPS)

	GROUP		COMPANY	
	2016 US\$	2015 US\$	2016 US\$	2015 US\$
Basic earnings per share				
Numerator				
Profit for the year and earnings used in basic EPS and diluted EPS (Profit)/Loss on disposal of property and equipment	1,785,626 (15,205)	5,108,708 11,898	372,315 (15,281)	4,070,206 5,726
Headline earnings	1,770,421	5,120,606	357,034	4,075,932
Denominator				
Weighted number of ordinary shares in issue	08,923,291	108,923,291	108,923,291	108,923,291
Less: Shares purchased for the Employee Share Ownership Plan	(4,775,618)	(4,775,618)	(4,775,618)	(4,775,618)
Add: shares allocated to employees under the Share Ownership Plan	3,771,875	3,771,875	3,771,875	3,771,875
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
Less: Headline adjusting effects	-	-	-	-
Weighted average number of shares used in headline EPS	107,919,548	107,919,548	107,919,548	107,919,548

26.1 Basic earnings per share (cents)	1.64	4.74	0.33	3.78
26.2 Diluted earnings per share (cents)	1.65	4.73	0.34	3.77
26.3 Headline earnings per share (cents)	1.64	4.74	0.33	3.78

27. CAPITAL EXPENDITURE COMMITMENTS

Authorised and contracted for	461,033	996,039	368,168	667,914
Authorised but not contracted for	857,181	428,744	125,724	245,801
	1,318,214	1,424,783	493,892	913,715

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

28. 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 companies complied with the capital requirements as set out by the regulatory authorities as follows:-

31 December 2016

	Capital	Minimum capital requirement	Surplus
Fidelity Life Assurance of Zimbabwe Limited	15,605,441	3,000,000	12,605,441
Vanguard Life Assurance Company Limited	1,163,320	159,574	1,003,745
Fidelity Life Asset Management Company (Private) Limited	1,179,756	500,000	679,756
Fidelity Life Financial Services (Private) Limited	6,173,746	20,000	6,153,746
	24,122,263	3,679,574	20,442,688



Notes to the consolidated financial statements (continued)

for the year ended 31 December 2016

31 December 2015	Capital	Minimum capital requirement	Surplus
Fidelity Life Assurance of Zimbabwe Limited	15,560,862	3,000,000	12,560,862
Vanguard Life Assurance Company Limited	3,139,558	159,574	2,979,984
Fidelity Life Asset Management Company (Private) Limited	1,368,901	500,000	868,901
Fidelity Life Financial Services (Private) Limited	5,031,398	20,000	5,011,398
	<u>25,100,719</u>	<u>3,679,574</u>	<u>21,421,145</u>

The Group endeavours to preserve a strong cash base and achieve a debt to capital ratio of approximately 100% (2015: 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 2015 were as follows:-

	GROUP		COMPANY	
	2016	2015	2016	2015
Debt				
Borrowings	<u>29,322,758</u>	<u>29,361,486</u>	<u>29,322,758</u>	<u>29,361,486</u>
Equity				
Capital	<u>24,097,200</u>	<u>23,364,022</u>	<u>15,605,441</u>	<u>15,560,862</u>
Debt to capital ratio (%)	122%	126%	188%	189%

29. FINANCIAL INSTRUMENTS - RISK MANAGEMENT

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

1. Credit risk
2. Fair value or cash flow interest rate risk
3. Liquidity risk
4. Foreign exchange risk
5. 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 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 used by the Group, from which financial instrument risk arises, are as follows:-

- a) Trade and other receivables
- b) Bank and cash
- c) Money market investments
- d) Financial assets at fair value through profit or loss
- e) Trade and other payables
- f) Borrowings
- g) Bank overdraft



Notes to the consolidated financial statements (continued)

for the year ended 31 December 2016

(i) Financial instruments by category

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

Financial assets	Group		Company	
	At fair value through profit or loss	Loans and receivables at amortised cost	At fair value through profit or loss	Loans and receivables at amortised cost
	US\$	US\$	US\$	US\$
2016				
Non current trade and other receivables	-	24,299,292	-	24,229,888
Current trade and other receivables	-	25,668,205	-	20,704,326
Financial assets at fair value through profit or loss	5,847,752	-	5,171,830	-
Cash and cash equivalents	-	7,140,619	-	4,104,773
	5,847,752	57,108,116	5,171,830	49,038,987

2015

Non current trade and other receivables	-	35,798,897	-	32,398,079
Current trade and other receivables	-	11,031,974	-	7,775,781
Financial assets at fair value through profit or loss	5,448,039	-	4,791,429	-
Cash and cash equivalents	-	5,565,400	-	3,008,171
	5,448,039	52,396,271	4,791,429	43,182,031

Financial liabilities	2016		2015	
	Group	Company US\$	Group US\$	Company US\$
US\$				
Trade and other payables	8,337,327	8,756,479	6,426,131	5,156,456
Borrowings	29,322,758	29,322,758	29,361,486	29,361,486
	37,660,085	38,079,237	35,787,617	34,517,942

30. FAIR VALUE DISCLOSURES

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

Valuation process

The Group obtains valuations performed by external valuers in order to determine the fair value of its investment property, land and buildings. These valuations are based upon assumptions including future rental income, anticipated maintenance costs, future development costs and the appropriate discount rate. Where the market information is available, the valuers also make use of market information from transactions of similar properties. Investment property is stated at fair value, which is determined based on valuations performed by Knight Frank Zimbabwe, an accredited independent property valuer, at 31 December 2016. The fair values of some properties have not been determined with reference to transactions observable on the market because of the nature of the properties and the limited amount of comparable data. Instead, valuation models in accordance with those recommended by the International Valuation Standards Committee have been applied.



Notes to the consolidated financial statements (continued)

for the year ended 31 December 2016

Fair value hierarchy

31 December 2016

	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$	Total gain(loss) in the period in the statement of comprehensive income US\$
Commercial	-	-	4,592,306	4,592,306	381,743
Residential	-	-	1,410,000	1,410,000	(35,534)
Industrial	-	-	830,000	830,000	(70,000)
Land	-	-	9,773,273	9,773,273	2,858,360
Total Investment properties	-	-	16,605,579	16,605,579	3,134,569
Financial assets at fair value through profit or loss (equities)	5,847,752	-	-	5,847,752	595,515
Total	5,847,752	-	16,605,579	22,453,331	3,730,085
Land and buildings	-	-	5,202,314	5,202,314	221,779

31 December 2015

Commercial	-	-	2,620,000	2,620,000	(40,000)
Residential	-	-	1,090,000	1,090,000	17,316
Industrial	-	-	900,000	900,000	(200,000)
Land	-	-	5,821,567	5,821,567	(1,948,936)
Total Investment properties	-	-	10,431,567	10,431,567	(2,171,620)
Financial assets at fair value through profit or loss (equities)	5,448,039	-	-	5,448,039	311,375
Total	5,448,039	-	10,431,567	15,879,606	(1,860,245)
Land and buildings	-	-	5,167,574	5,167,574	(232,158)

Gains recorded in statement of comprehensive income for recurring fair value measurements categorised within level 3 of the fair value hierarchy amount to US\$ 3,134,570 (December 2015: loss of US\$ 2,171,620) and are presented in the consolidated statement of comprehensive income in line item; 'Fair value gains and losses from equities and investment property'.

All gains and losses recorded in statement of 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 property held at the end of the reporting period.

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, including the ranges of rent charged to different units within the same building; and
- Level 3 fair value measurements, quantitative information about the significant observable inputs used in the fair value



Notes to the consolidated financial statements (continued)

for the year ended 31 December 2016

Class of property	Fair value 31 December 2016	Fair value 31 December 2015	Valuation technique	Key unobservable inputs	2016 Range (weighted average)	2015 Range (weighted average)
Commercial	4,592,306	2,620,000	Income capitalisation	Rental per square metre Prime yield Void rate	\$10.00-\$15.00 (\$12.50) 7.00%-8.00% (7.50%) 0.00%-10.00% (5.00%)	\$10.00-\$15.00 (\$12.50) 7.00%-8.00% (7.50%) 0.00%-10.00% (5.00%)
Residential	1,410,000	1,090,000	Comparative method	Rental per square metre Prime yield	\$1.50-\$4.00 (\$2.75) 5.00%-6.00% (5.50%)	\$1.50-\$4.00 (\$2.75) 5.00%-6.00% (5.50%)
Industrial	830,000	900,000	Income capitalisation	Rental per square metre Prime yield Void rate	\$1.50-\$4.00 (\$2.75) 11.00%-13.00% (12.00%) 0.00%-50.00% (25.00%)	\$1.50-\$4.00 (\$2.75) 11.00%-13.00% (12.00%) 0.00%-50.00% (25.00%)
Land	9,773,273	5,821,567	Comparative method	Rate per square metre	\$2.80-\$60.00 (\$31.40)	\$2.80-\$60.00 (\$31.40)
Land and buildings (PPE)	5,202,314	5,167,574	Income capitalisation	Rental per square metre Prime yield Void rate	\$10.00-\$15.00 (\$12.50) 7.00%-8.00% (7.50%) 0.00%-10.00% (5.00%)	\$10.00-\$15.00 (\$12.50) 7.00%-8.00% (7.50%) 0.00%-10.00% (5.00%)

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 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 property are :

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

Increases/(decreases) in the comparable transacted 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.



Notes to the consolidated financial statements (continued)

for the year ended 31 December 2016

Analysis of property portfolio	Lettable space m2		% of portfolio	
	December 2016	December 2015	December 2016	December 2015
Sector				
Commercial	10,367	10,367	96.83%	96.83%
Industrial	339	339	3.17%	3.17%
Total	10,706	10,706	100.00%	100.00%

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 Managing Director 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 auditors 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:-

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. The credit risk with respect to trade and other receivables is limited to contractual obligations by debtors. It is Group policy to assess the credit risk of new customers before entering into contracts. A significant portion of the debtors are secured by the properties the company sold to the customers. Further disclosures regarding trade and other receivables, which are neither past due nor impaired, are provided in **Note 9**. Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. The Group's cash and cash equivalents are placed with high quality financial institutions.

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

	Group		Company	
	Carrying value US\$	Maximum exposure US\$	Carrying value US\$	Maximum exposure US\$
At 31 December 2016				
Non current trade and other receivables	24,299,292	24,299,292	24,229,888	24,229,888
Current trade and other receivables	25,668,205	25,668,205	20,704,326	20,704,326
Cash and cash equivalents	7,140,619	7,140,619	4,104,773	4,104,773
	<u>57,108,116</u>	<u>57,108,116</u>	<u>49,038,987</u>	<u>49,038,987</u>
At 31 December 2015				
Non current trade and other receivables	35,798,897	35,798,897	32,398,079	32,398,079
Current trade and other receivables	11,031,974	11,031,974	7,775,781	7,775,781
Cash and cash equivalents	5,565,400	5,565,400	2,421,434	2,421,434
	<u>52,396,271</u>	<u>52,396,271</u>	<u>42,595,294</u>	<u>42,595,294</u>

Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. 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 2016, 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 financial statements (continued)

for the year ended 31 December 2016

GROUP	12 months Up to 3 months US\$	Between 3 and 12 months US\$	Between 1 and 2 years US\$	Over 2 years US\$	Total US\$
At 31 December 2016					
Life Assurance policyholder liabilities	1,782,207	5,346,621	7,128,828	33,991,739	48,249,395
Trade and other payables	2,025,577	1,535,148	2,564,896	2,211,705	8,337,327
Corporate tax liability	530,835	1,061,669	-	-	1,592,504
Borrowings	<u>3,442,654</u>	<u>14,325,250</u>	<u>4,547,527</u>	<u>11,734,800</u>	<u>34,050,231</u>
	<u>7,781,273</u>	<u>22,268,688</u>	<u>14,241,251</u>	<u>47,938,244</u>	<u>92,229,457</u>

At 31 December 2015					
Life Assurance policyholder liabilities	-	2,620,102	6,550,254	34,498,007	43,668,363
Trade and other payables	3,256,451	1,905,291	1,264,389	-	6,426,131
Corporate tax liability	394,288	1,305,425	-	-	1,699,713
Borrowings	<u>2,475,962</u>	<u>1,926,811</u>	<u>14,991,013</u>	<u>15,227,300</u>	<u>29,361,486</u>
	<u>6,126,701</u>	<u>7,757,629</u>	<u>22,805,656</u>	<u>49,725,307</u>	<u>81,155,693</u>

COMPANY	12 months Up to 3 months US\$	Between 3 and 12 months US\$	Between 1 and 2 years US\$	Over 2 years US\$	Total US\$
At 31 December 2016					
Life Assurance policyholder liabilities	1,703,354	5,110,063	6,813,417	30,556,000	44,182,834
Trade and other payables	1,763,090	1,535,148	2,564,896	2,893,345	8,756,479
Corporate tax liability	394,288	788,577	-	-	1,182,865
Borrowings	<u>3,442,654</u>	<u>14,325,250</u>	<u>4,547,527</u>	<u>11,734,800</u>	<u>34,050,231</u>
	<u>7,303,386</u>	<u>21,759,038</u>	<u>13,925,840</u>	<u>45,184,145</u>	<u>88,172,409</u>

At 31 December 2015					
Life Assurance policyholder liabilities	-	2,370,226	5,925,566	31,207,981	39,503,773
Trade and other payables	1,633,649	2,426,398	1,096,408	-	5,156,456
Corporate tax liability	459,380	918,761	-	-	1,378,141
Borrowings	<u>2,034,187</u>	<u>601,486</u>	<u>12,755,813</u>	<u>13,970,000</u>	<u>29,361,486</u>
	<u>4,127,216</u>	<u>6,316,871</u>	<u>19,777,787</u>	<u>45,177,981</u>	<u>75,399,856</u>

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 (currency risk) or other market factors (other price risk). The Investments Committee also manages and controls market risk exposures to the equity market within acceptable parameters but ensuring optimum return on risk.

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 Investment Committee. The Group's borrowings are at fixed interest rates.

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.



Notes to the consolidated financial statements (continued)

for the year ended 31 December 2016

(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) Reassurance strategy

The Group reassures a portion of the risks it underwrites in order to control its exposures to losses and protect capital resources. It buys a combination of proportionate and non-proportionate reinsurance treaties to reduce the net exposure to the Group. In addition, underwriters are allowed to buy facultative reinsurance in certain specified circumstances. Under the terms of the reinsurance agreements, the reinsurer agrees to reimburse the ceded amount in the event the claim is paid. However, the Group remains liable to its policyholders with respect to ceded assurance if any reinsurer fails to meet the obligations it assumes.

(iii) 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.

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
- 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

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

	Change in assumptions	Impact on liabilities	Impact on profit before tax	Impact on profit after tax
Base				
Mortality	+10%	161,030	(161,030)	(93,179)
Mortality	-10%	(152,954)	152,954	88,505
Lapse	10%	(176,276)	176,276	102,000
Expense	+10%	357,121	(357,121)	(206,644)
Disc-0.5%	-0.5%	275,053	(275,053)	(159,156)
Investment return	+1%	517,656	(217,455)	(125,828)

Investment return scenario is applied to those products with discretionary participating features or that are market related, and illustrates the impact arising from changes to policyholder benefits.

The adjustment to the discount rate shows the impact for products that are valued prospectively.



Notes to the consolidated financial statements (continued)

for the year ended 31 December 2016

32. RETIREMENT BENEFITS

32.1 Fidelity Life Pension Fund

All eligible employees are members of the Fidelity Life Defined Contribution 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	
	2016 US\$	2015 US\$	2016 US\$	2015 US\$
Employer's contribution	413,103	422,872	252,388	256,946

32.2 National Social Security Scheme

The Group makes contributions to the National Social Security Scheme, a Defined Contribution Pension Scheme promulgated under the National Social Security Act of 1989. The Group's obligation under the scheme is limited to specific contributions legislated from time to time. These are presently 3.5% of basic salary per employee per month limited to US\$24,50.

Contributions were made as follows during the year:

	GROUP		COMPANY	
	2016 US\$	2015 US\$	2016 US\$	2015 US\$
Employer's contribution	51,162	54,004	39,940	43,061

33 RELATED PARTY INFORMATION

33.1 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
Fidelity Life Medical Aid Society	Society managed by the company
Zimre Holdings Limited	Shareholder
National Social Security Authority (NSSA)	Shareholder
Zimre Property Investments Limited	Common shareholder
Baobab Reinsurance (Private) Limited	Common shareholder
Zimbabwe Insurance Brokers Limited	Common shareholder
Nicoz Diamond Insurance Limited	Common shareholder
Gayzon Farm (Private) Limited	Owned by a former key management member
Patsol Pharmacy (Private) Limited	Owned by a former key management member
Greenleaf Farming (Private) Limited	Owned by a former key management member
F. Ruwende	Non Executive Chairman
G.C Mataka	Non Executive Vice Chairman
H. Mapara	Non Executive Director
R. Mazula	Non Executive Director
R.G Maramba	Non Executive Director



Notes to the consolidated financial statements (continued)

for the year ended 31 December 2016

S.Kudenga	Non Executive Director
I.Mvere	Non Executive Director
N.Matindike	Key management
B.Bare	Key management
J.Murape	Key management
N.Mupfurutsa	Key management
R. Chihota	Key management
M. Gumbo	Key management
S.Nhende	Key management

	GROUP		COMPANY	
	2016 US\$	2015 US\$	2016 US\$	2015 US\$
33.2 Related party transactions				
The following represent transactions with related parties during the year:-				
Related party				
Nature of transaction				
Fidelity Life Medical Aid Society	-	-	80,998	114,854
Fidelity Life Financial Services (Private) Limited	-	-	-	-
-	100,000	-	-	-
Zimbabwe Actuarial Consultants (Private) Limited	-	-	49,500	110,342
Patsol Pharmacy (Private) Limited	-	190,000	-	-
Zimbabwe Insurance Brokers Limited	64,552	82,275	64,552	82,275
Nicoz Diamond Insurance Limited	202,136	370,854	202,136	370,854
Zimre Property Investments Limited	140,460	164,924	140,460	164,924
Baobab Reinsurance (Private) Limited	429,824	516,329	429,824	516,329
Greenleaf Farming (Private) Limited	-	120,000	-	120,000

33.3 Related party balances

33.3.1 Related party receivables

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

Fidelity Life Asset Management Company (Private) Limited	-	-	28,807	9,858
Fidelity Life Financial Services (Private) Limited	-	-	200,060	-
Fidelity Funeral Assurance Company (Private) Limited	-	-	506,004	488,950
Fidelity Life Medical Aid Society	261,838	172,784	261,838	-
Zimre Money Market Fund	97,983	-	97,983	-
Zimbabwe Actuarial Consultants (Private) Limited	-	-	136,015	116,935
Vanguard Life Assurance Company Limited	-	-	214,386	158,131
	359,821	172,784	1,445,093	773,874

33.3.2 Related party payables

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

Fidelity Life Medical Aid Society	162,419	169,618	80,000	169,618
Fidelity Life Financial Services (Private) Limited	-	-	878,473	63,556
Baobab Reinsurance (Private) Limited	-	36,680	-	36,680
	162,419	206,298	958,473	269,854

The balances are interest free, unsecured and have no fixed repayment terms.



Notes to the consolidated financial statements (continued)

for the year ended 31 December 2016

33.4 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 is as follows:-

	GROUP		COMPANY	
	2016 US\$	2015 US\$	2016 US\$	2015 US\$
Short term benefits	1,253,920	1,069,403	1,090,316	905,799
Long term benefits	39,137	99,213	17,201	77,277
Total	1,293,057	1,168,616	1,107,517	983,076

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.

33.5 Loans to key management

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

1,384,763	2,111,251	1,384,763	2,111,251
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The loans are payable over 5 years, attract interest at 6% per annum and are secured against the properties that were acquired by the employees.

33.6 Directors' shareholding

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

	Number of shares	
	2016	2015
F. Ruwende	348	348
G.C. Mataka	1,831	1,831
	2,179	2,179

The following companies have shareholding indirectly linked to former directors of the company:-

Gayzon Farm (Private) Limited	2,492	2,492
Greenleaf Farming (Private) Limited	-	673,289
Patsol Pharmacy (Private) Limited	-	1,411,319
	2,492	2,087,100

34. SUBSIDIARIES

The principal business of each of the subsidiaries of Fidelity Life Assurance of Zimbabwe, all of which have been included in these 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	Financial services	Zimbabwe
Fidelity Funeral Assurance Company (Private) Limited	Funeral services	Zimbabwe
Langford Estates (Private) Limited	Property development	Zimbabwe

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

Description	Shareholding	
	2016	2015
Fidelity Life Asset Management Company (Private) Limited	96%	96%
Vanguard Life Assurance Company Limited	57%	57%
Zimbabwe Actuarial Consultants (Private) Limited	100%	100%



Notes to the consolidated financial statements (continued) for the year ended 31 December 2016

Fidelity Life Financial Services (Private) Limited	100%	100%
Fidelity Funeral Assurance Company (Private) Limited	67%	67%
Langford Estates (Private) Limited	81%	81%

35. 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, before intra-group eliminations, is presented below:

For the period ended 31 December	US\$	US\$
Revenue		
Gross premiums written	2,498,816	3,212,745
Outward reinsurance premiums	(102,149)	(99,813)
Net premiums earned	2,396,667	3,112,932
Interest income on money market investments	559,463	469,156
Fair value adjustment on financial assets at fair value through profit or loss	(15,808)	21,963
Fair value adjustment on investment property	412,043	368,792
Other income	169,688	47,872
Total income	3,522,053	4,020,715
	-	-
Expenses		
Claims and benefits	(528,072)	(818,954)
Reinsurance recoveries	38,384	98,921
Net claims and benefits incurred	(489,688)	(720,033)
Change in life assurance policyholder liabilities	(1,414,938)	(1,686,812)
Fee and commission expenses, and other acquisition costs	(280,940)	(283,912)
Other operating and administrative expenses	(956,605)	(950,486)
Total expenses	(3,142,171)	(3,641,243)
Profit from operations	379,882	379,472
Finance costs	(20,345)	29,076)
Profit before tax	359,537	350,396
Income tax expense	(202,321)	(162,973)
Profit after tax	157,215	187,423

2016 For the year ended 31 December	Vanguard Life		Langford Estates	
	2016 US\$	2015 US\$	2016 US\$	2015 US\$
Profit attributable to NCI	67,603	80,592	-	-
Other comprehensive income allocated to NCI	29,904	(1,006,356)	-	-
Total comprehensive income allocated to NCI	97,507	(925,764)	-	-
Cash flows from operating activities	(53,599)	1,150,531	-	-
Cash flows from investing activities	(69,137)	(244,910)	-	-
Cash flows from financing activities	94,263	(70,586)	-	-
Net cash inflows	(28,473)	835,035	-	-



Notes to the consolidated financial statements (continued)

for the year ended 31 December 2016

	Vanguard Life		Langford Estates	
	2016	2015	2016	2015
Assets:				
Property and equipment	201,503	223,210	-	-
Investment property	2,002,305	1,498,585	-	-
Intangible assets	26,371	-	-	-
Deferred acquisition costs	229,449	295,550	-	-
Inventories	2,394	3,548	22,300,000	22,300,000
Trade and other receivables	877,997	633,089	67,540	67,540
Financial assets at fair value through profit or loss	410,233	465,990	-	-
Cash and cash equivalents	1,996,553	2,452,964	-	-
	5,746,805	5,572,936	22,367,540	22,367,540
Liabilities:				
Life assurance policyholder liabilities	4,066,563	4,164,592	-	-
Deferred tax	25,210	68,875	-	-
Trade and other payables	392,793	216,618	77,244	77,244
Income tax liability	-	-	-	-
	4,584,564	4,450,085	77,244	77,244
Accumulated non-controlling interests	519,879	505,276	4,288,600z	4,288,600

36. BUSINESS COMBINATION IN THE PRIOR YEAR

In 2015 the Company acquired 81% shareholding in Langford Estates (Private) Limited through a land for debt swap arrangement. Langford Estates (Private) Limited's principal asset is a piece of undeveloped urban land measuring 834 hectares. The acquisition resulted in a bargain purchase gain of \$435,282.

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 91% (2015:94%) of the Group's external revenue.

Microlending

This segment is involved in consumer, business loans and loans to farmers. It accounts for 8% (2015: 5%) 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. The business units have been considered not to be reportable segments

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 management team including the Managing Director and the Finance Director.

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.



Notes to the consolidated financial statements (continued)

for the year ended 31 December 2016

2016	Insurance	Microlending	Other	Group
Total revenue	33,436,426	2,887,896	723,858	37,048,180
Inter-segment revenue	(86,182)	(103,386)	(303,720)	(493,288)
Total revenue from external customers	33,350,244	2,784,510	420,138	36,554,892
Total benefits claims and other expenses	(30,837,124)	(1,481,577)	(965,164)	(32,952,375)
Profit for the year	1,665,259	1,037,690	(404,629)	2,325,665
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)	934,041	368,629	(25,820)	1,276,850
Additions to non-current assets	2,985,831	5,428	63,652	3,054,911
Reportable segment non current assets	47,469,298	406,778	1,091,186	48,967,262
Reportable segment current assets	55,789,300	6,722,093	1,075,245	63,586,638
Reportable segment liabilities	85,325,923	955,125	2,175,651	88,456,699
2015	Insurance	Microlending	Other	Group
Total revenue	49,073,706	2,465,107	703,702	52,242,515
Inter-segment revenue	-	(33,179)	(97,958)	(131,138)
Total revenue from external customers	49,073,706	2,431,928	605,744	52,111,378
Total benefits claims and other expenses	(41,054,714)	(1,706,335)	(770,018)	(43,531,068)
Profit for the year	4,661,003	481,830	9,843	5,152,677
Depreciation of property and equipment	1,042,003	16,198	113,445	1,171,646
Amortisation of intangible assets	46,663	40,663	7,568	94,894
Amortisation of deferred acquisition costs	256,722	-	-	256,722
Finance costs	431,274	61,513	-	492,787
Fair value adjustments on investment property and equities	(1,943,680)	(26,601)	110,035	(1,860,246)
Tax expense	3,210,307	293,486	(76,160)	3,427,633
Additions to non-current assets	1,055,524	7,068	352,372	1,414,964
Reportable segment non current assets	57,047,661	455,446	1,152,565	58,655,672
Reportable segment current assets	39,857,592	6,286,001	1,000,123	47,143,716
Reportable segment liabilities	78,677,290	1,605,391	2,152,686	82,435,366

GEOGRAPHICAL INFORMATION

2016	Zimbabwe US\$	Malawi US\$	Total US\$
Revenue			
Total revenue	33,032,839	3,522,053	36,554,892
Inter-segment revenue	-	-	-
Total revenue from external customers	33,032,839	3,522,053	36,554,892
Group's revenue per statement of profit or loss and other comprehensive income	33,032,839	3,522,053	36,554,892



Notes to the consolidated financial statements (continued)

for the year ended 31 December 2016

	Zimbabwe US\$	Malawi US\$	Total US\$
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	1,074,529	202,321	1,276,850
Segment profit before tax	2,081,200	1,521,317	3,602,517

2015

Revenue

Total revenue	48,307,383	4,020,715	52,328,098
Inter-segment revenue	(216,720)	-	(216,720)
Total revenue from external customers	48,090,663	4,020,715	52,111,378

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

	48,090,663	4,020,715	52,111,378
Comprehensive income	48,090,663	4,020,715	52,111,378
Depreciation of property and equipment	1,109,391	62,255	1,171,646
Amortisation of intangible assets	61,800	33,094	94,894
Amortisation of deferred acquisition costs	-	256,722	256,722
Finance costs	463,711	29,076	492,787
Fair value adjustments on investment property and equities	(2,251,001)	390,755	(1,860,246)
Tax expense	3,264,660	162,973	3,427,633
Segment profit before tax	8,229,914	350,396	8,580,310

2016

Additions to non-current assets	2,893,742	161,169	3,054,911
Reportable segment non current assets	46,507,634	2,459,628	48,967,262
Reportable segment current assets	60,299,460	3,287,177	63,586,637
Reportable segment liabilities	83,868,792	4,587,907	88,456,699

2015

Additions to non-current assets	1,099,996	314,969	1,414,964
Reportable segment non current assets	56,592,180	2,063,492	58,655,672
Reportable segment current assets	43,588,126	3,555,590	47,143,716
Reportable segment liabilities	77,981,829	4,453,537	82,435,366

38. PRESCRIBED ASSETS

The Pension and Provident Funds Act (Chapter 24:09) as amended by the Government of Zimbabwe statutory Instrument 24 of 2016 requires companies in the life assurance industry to hold 7.5% of their assets as investments in prescribed stocks and bonds. The Group's investment in such assets is summarised below:-

Counterparty	Tenure	2016 US\$	2015 US\$
Insurance and Pensions Commission Housing Bond	12 years	130,000	130,000
Fidelity Life Southview Park	3 years	22,389,297	17,931,346
		22,519,297	18,061,346
Total assets		99,769,559	92,057,126
Percentage of total assets		23%	20%



Notes to the consolidated financial statements (continued)

for the year ended 31 December 2016

39. EVENTS AFTER THE REPORTING DATE

39.1 Dividend

At a board meeting held on 27 May 2017, the directors recommended not to declare a dividend for the financial year ended 31 December 2016. This decision was reached as a result of the need to conserve cash to be utilised on other pressing commitments. For the year ended 31 December 2015, a dividend of 0.5096 cents per share was declared and paid and the total dividend paid by the Group was \$542,482.

39.2 Approval of the consolidated financial Statements

The consolidated financial statements were approved by the Board of Directors for issue on 27 May 2017 and the directors have power to amend and/or reissue the financial statements should circumstances requiring that arise.



Shareholder Analysis as at 31 December 2016

SHAREHOLDERS GROUP	NO OF SHAREHOLDERS	% HOLDING	TOTAL HOLDING	% HOLDING
Companies	142	4.98	70,241,608	64.49
Individuals	2,595	91.05	5,414,925	4.97
Insurance Companies	12	0.42	463,262	0.42
Investment, Trust And Property Companies	4	0.14	247,277	0.23
Nominee Company	27	0.95	3,951,896	3.63
Non Resident Transferable	8	0.28	1,977,643	1.82
Pension Funds	62	2.18	26,626,680	24.44
TOTALS	2,850	100.00	108,923,291	100.00

SIZE OF SHAREHOLDING	NO OF SHAREHOLDERS	% HOLDING	TOTAL HOLDING	% HOLDING
1-500	1,642	57.62	329,511	0.30
501-1000	419	14.70	283,236	0.26
1001-5000	501	17.58	1,136,366	1.04
5001-10000	96	3.37	670,012	0.62
10001-20000	61	2.14	908,366	0.83
20001-50000	56	1.96	1,885,600	1.73
50001-100000	32	1.12	2,264,044	2.08
100001-500000	28	0.98	6,695,899	6.15
500001-1000000	5	0.18	3,396,877	3.12
1000001-99999999	10	0.35	91,353,380	83.87
TOTALS	2,850	100.00	108,923,291	100.00

TOP 20 SHAREHOLDERS		SHAREHOLDING	PERCENTAGE
HOLDER NUMBER	HOLDER NAME		
957824	TURISMO INVESTMENTS (PVT) LTD	22,616,340	20.76
3857	ZIMRE HOLDINGS LIMITED	22,408,641	20.57
2222	NATIONAL SOCIAL SECURITY AUTHORITY	20,487,734	18.81
409258	NATIONAL SOCIAL SECURITY AUTHORITY (W.C.I.F.)	9,644,221	8.85
957833	NSSA-WORKERS COMPENSATION IF	7,935,316	7.29
957573	STANDARD CHARTERED NOMINEES-056885900001	2,270,099	2.08
957351	SCB NOMINEES 033667800001	2,051,387	1.88
950176	SUMMERTON (NNR) RHYS DRENNAN	1,493,377	1.37
956281	TRIANGLE MONEY PLAN PENSION FUND-IMARA A/C 110008090006	1,419,420	1.30
956592	BARCLAYS BANK PENSION FUND-IMARA A/C 110008090011	1,026,845	0.94
940747	FLAM MANAGEMENT SPECIAL FUND	886,653	0.81
956642	ANGLO AMERICAN ASSOCIATED COMPANIES PENSION FUND-IMARA	732,164	0.67
956813	UNICEM ACTIVE MEMBERS PENSION FUND-IMARA-A/C 110008090015	662,901	0.61
957404	SCB NOMINEES 033667800003	600,579	0.55
957402	SCB NOMINEES ZW0000010703	514,580	0.47
383478	MUTAMUKO SAMSON	500,000	0.46
957274	CONSTRUCTION INDUSTRY PENSION FUND - ABC A/C 110007820018	445,096	0.41
957523	H.I.T PENSION FUND - IMARA	439,563	0.40
7632	BAR NOMINEES (PVT) LTD A/C 141223003520	389,305	0.36
957848	FBC HOLDINGS PENSION FUND-IMARA	351,272	0.32
	OTHERS	12,047,798	11.06
	TOTAL	108,923,291	100.00

**We will help insure
over 17 000 pensioners
lead richer and fuller
lives everyday**





FIDELITY LIFE

ASSURANCE OF ZIMBABWE

Notice of Annual General Meeting

Notice is hereby given that the 38th Annual General Meeting of the Shareholders will be held in the Fidelity Life Assurance Boardroom, 7th Floor Fidelity House, 66 Julius Nyerere Way, Harare on Friday the 23rd of June 2017, at 1200 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 2016.
2. To elect Directors in terms of Articles 77 and 78 of the Articles of Association of the Company:
 - a) Dr Gregory Mataka and Mrs. Rosemary Mazula retire by rotation and do not seek re-election.
3. To approve the remuneration of the Auditors for the past audit.
4. To approve the remuneration of the Directors for the year ended 31 December 2016.
5. To ratify the appointment of Ernst and Young as the company's auditors for the year ended 31 December 2016 and to appoint them as auditors for the year ending 31 December 2017.
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 to attend to vote on his or her behalf. A proxy need not be a member of the Company. Proxy forms can be obtained at the Registered Office of the Company and must be lodged with the Company Secretary not less than 48 hours before the meeting.

By Order of the Board

S. NHENDE

COMPANY SECRETARY

29 MAY 2017

Registered Office

7th Floor, Fidelity House

66 Julius Nyerere Way

Harare



FIDELITY LIFE

ASSURANCE OF ZIMBABWE

ANNUAL GERNERAL 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 23rd of June 2017, in the Fidelity Life Boardroom, 7th floor, 66 Julius Nyerere way, Harare at 1000 hours and at any adjournment thereof.

Signed this _____ day of _____ 2017

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.

