

ANNUAL REPORT 2018



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FIDELITY LIFE
ASSURANCE OF ZIMBABWE

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FIDELITY LIFE

ASSURANCE OF ZIMBABWE



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ISO 9001:2015

Fidelity House
66 Julius Nyerere Way, Harare, Zimbabwe
Tel: 024 2 750 927 - 37

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.

A BRIEF HISTORY

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



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THE
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FIDELITY LIFE ASSURANCE OF ZIMBABWE LIMITED

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	
R. Java	Chief Executive Officer	
P. Zvandasara	Chief Finance Officer	
I. Mvere	Non-Executive Director	
R. G. Maramba	Non-Executive Director	
S. Kudenga	Non-Executive Director	
F. Dzanya	Non-Executive Director	
G. Dhombo	Independent Non-Executive Director	
H. Nemaire	Independent Non-Executive Director	(Appointed 21 August 2018)

REGISTERED OFFICE

Fidelity House
66 Julius Nyerere Way
Harare

AUDITOR

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

MAIN BANKERS

CBZ Bank Limited
60 Kwame Nkrumah Avenue
Harare

Standard Chartered Bank Limited
Africa Unity Square, 68 Nelson Mandela Avenue
Harare

Stanbic Bank Limited
64 Nelson Mandela Avenue
Harare

First Capital Bank Limited
Kurima House, Nelson Mandela Avenue
Harare

COMPANY SECRETARY

S. Nhende (Resigned 31 January 2019)
Chipo Matongo (Appointed 16 April 2019)
66 Julius Nyerere Way
Harare

TRANSFER SECRETARIES

ZB Transfer Secretaries (Private) Limited
21 Natal Road, Belgravia
Harare

LAWYERS

Mawere and Sibanda Legal Practitioners
10th Floor Chiedza House,
Corner 1st Street/Kwame Nkrumah Avenue
Harare

BOARD OF DIRECTORS



Fungai Ruwende
Chairman



Rueben Java
Chief Executive Officer (CEO)



Patricia Zvandasara
Chief Finance Officer (CFO)



Gary Dhombo
Non - Executive Director



Ignatius Mvere
Non - Executive Director



Stanley Kudenga
Non - Executive Director



Francis Dzanya
Non - Executive Director



Ruwadzano Maramba
Non - Executive Director



Henry Nemaire
Non - Executive Director

CHAIRMAN'S STATEMENT

It is my pleasure to present to you the audited financial statements of Fidelity Life Assurance of Zimbabwe Limited Group for the year ended 31 December 2018.

Economic landscape

The first half of 2018 started off with passive economic trends as the market anticipated the outcome of the harmonized elections in June. These trends continued into the third quarter pending the announcement of the new government's fiscal and other economic policies and reforms. Announcement of the same at the beginning of the fourth quarter resulted in significant volatility surfacing on various economic fronts. Year-on-year inflation moved from 5.39% in September 2018 to 42.09% by December 2018. This was fuelled by panic responses to the markets' interpretation of the announced separation of Nostro Foreign Currency Accounts (FCA) from Real Time Gross Settlement balances (RTGS), as well as the introduction of the intermediated money transfer tax. An informal devaluation of bond notes by the market ensued, evidenced by increased prevalence of tiered and speculative pricing across a multitude of sectors.

These developments also created complexities in financial reporting as provisions in International Financial Reporting Standards (IFRS) that determine the functional currency of an entity could not be fully satisfied. In response to these complexities, Statutory Instrument 33 was gazetted by the Zimbabwe Government on 22 February 2019, prescribing guidelines for financial reporting that would be effective up to 22 February 2019. In complying with the requirements of SI33, the Group applied these guidelines in preparing its financial statements for the year ended 31 December 2018. This however resulted in a failure to achieve fair presentation under IFRS.

Amid fears of a re-emergence of hyperinflation, preservation of policyholder and shareholder funds remained a key area of focus for the Group. As at 31 December 2018, the Group's balance sheet remained significantly skewed towards property, which has proven to store value in high inflation environments. The Group's investment in near cash securities has been maintained at low levels due to prevailing low interest rates and the devaluation that would emerge from rising inflation.

Delayed publishing of audited financial results

The complexities that arose from the developments noted in the last quarter of 2018, and the publication of SI 33 in 2019 resulted in a delay in publication of the Group's audited results due to additional time required to complete our property valuation and actuarial peer review processes.

Financial performance

The Group's drive to refocus on its core life assurance business yielded positive results as gross premium income grew by 44% from \$14.2m in 2017 to \$20.5 in 2018. Group revenue growth was also boosted by increase in interest income from micro-lending which grew by 20% to \$3.3m. As expected, revenue from sale of stands and interest income on stands debtors decreased (by a combined 36%), an expected reflection that the Southview development project has reached its tail end. Gains on the equities portfolio also declined compared to 2017 as the ZSE market performance remained relatively flat for most of 2018, only starting to show significant gains towards the end of the year due to economic developments in the fourth quarter. As such, fair value gains on equities decreased by 30%, down to \$3.2m in 2018 from \$4.5m in 2017. Property values remained flat due to illiquidity

in the US\$ market, resulting in fair value gains on properties of \$0.5m, down from \$2.9m in 2017.

Total expenses closed 7% lower than prior year. Savings were realized on operating and administration expenses line and on cost of sales of residential stands, which decreased 12% and 32% respectively. Legacy costs incurred in aligning internal controls decreased significantly, largely contributing to these savings. Conversely, insurance claims grew by 51% to \$7.4m compared to \$4.9m in 2017. An increase of 16% in acquisition costs reflects the investment made to support the 44% growth observed in premium income. Additional project development costs of \$7m were also incurred on Southview development completion works. The Group restructured its debt obligations during the year to better match the projected future revenue stream. This resulted in a 53% increase in finance costs in 2018; these costs are not expected to recur at these high levels because the increase was largely due to once off facility arrangement fees.

The impact of savings in total expenses was however not felt in profit due to the tailing off of the Southview revenue, which decreased from \$23m in 2017 to \$15m in the current year. The Group closed the year with a profit before tax of \$2.3m, against a comparative of \$0.7m in 2017, reflecting a growth of 231%. This growth was however eroded by prudent tax provisions of \$1.2m which resulted from our tax health assessments conducted during the year on the Group's activities, resulting in a loss for the year of \$0.6m, a 52% improvement to the \$1.3m loss reported in 2017. The negative impact of the Group's legacy challenges is tailing off and the Group remains optimistic about shareholder and policyholder prospects in 2019 and ensuing years. Several costs that have impacted the Group's performance in 2018 are not expected to recur to the extent recorded in the current and prior year.

Fidelity Life Assurance - Zimbabwe (FLA, the Company)

Fidelity Life Assurance of Zimbabwe (the Company) is the flagship company of the Group, contributing 78% of the Group's total revenue. The Company is on a strong positive growth trajectory, having recorded a 38% growth in premium income in the year under review. At \$14.8m, premium income now constitutes 35% of the Company's total income, up from 22% last year. The contributions to the Company's premium income were as follows; Pensions business \$9.7m and Life Assurance business \$5.1m, reflecting growth rates of 49% and 21% respectively against prior year numbers. 37% of the Company's total revenue came from sale of residential stands, whilst interest income on the stands debtors contributed 7%. The Company recorded \$3.1m in fair value gains on its equity and property portfolios (contributing 7% to the Company's total revenue); largely reflective of the self-adjusting nature of these asset classes in response to rising inflation fears. Overall, total revenues decreased 16% (\$41.8m in 2018 against a 2017 comparative of \$49.6m), despite the 14% savings realized in total expenses, which decreased from \$48.6m in 2017 to \$41.8m in the current year. The Company therefore closed the year with a loss before tax of \$26,000 compared to profit before tax of \$1m in 2017, (a decrease of 103%). A key contributor to this loss position were additional project development costs of \$7.1m relating to completion of public works at Southview Park that were provided for during the current year.

FLA is expected to continue to anchor the Group as reflected in the growth of its core assurance business, which trend is expected

CHAIRMAN'S STATEMENT (continued)

to continue into 2019. Recovery from the impact of its legacy challenges is on track and any residual financial implications are not expected to be significant as clean-up efforts tail-off.

Vanguard Life Assurance Company (VLA) - Malawi

VLA recorded a 44% growth in total revenue. At US\$6.6m, VLA's total revenue contributed 12% to the Group's total revenue. The growth in revenue for the Malawian subsidiary was largely driven by a 63% increase in premium income, which increased to US\$5.7m, up from US\$3.5m in 2017. Despite total expenses being 34% above prior year, the subsidiary closed with a profit before tax of US\$128,722 compared to a loss before tax of US\$261,091 in 2017, reflecting a growth of 149%.

VLA called for a rights issue during 2018 to enable the subsidiary to meet minimum shareholders' equity requirements set by the Reserve Bank of Malawi. Following exchange control approval on 21 December 2018, the Group participated in the rights issue on 31 December 2018 at an amount of US\$541,590, resulting in an increase in the Group's shareholding to 61.77%, from the previous 57.92%. Non-controlling interests injected US\$229,456 in the rights issue, resulting in total rights issue proceeds of US\$771,046. The subsidiary remains a key strategic asset to the Group and the capital injection will protect the subsidiary's continued operation in Malawi. Its country diversification value will come to the fore in 2019 as Zimbabwe spirals into high inflation.

Fidelity Life Financial Services (FLFS)

FLFS continues to be a significant contributor of realized profit to the Group. This micro-lender contributed 8% to the Group's total revenue, making it the third largest revenue contributor behind FLA and VLA. FLFS recorded total revenue of \$4.3m, having grown 31% from the 2017 position of \$3.3m. The revenue growth was driven by a 20% growth in interest income on the subsidiary's loan book. Total operating expenses of the subsidiary increased by 55%. The largest driver of this increase was our need to comply with the provisioning requirements of International Financial Reporting Standard 9 (IFRS 9). FLFS closed with a 14% growth in profit before tax, closing at \$2.1m, up from \$1.9m in 2017.

Langford Estates

The Group holds a land bank through its subsidiary Langford Estates which is a key strategic asset for the Group. The land carries significant embedded value. The Group awaits resolution of the outstanding legal claims lodged against the asset.

Other non-insurance subsidiaries

The actuarial consulting and asset management companies continue to post modest profits. The entities remain important to the Group's strategic thrusts. There is growth potential still to be unlocked in these entities in servicing clients outside the Group. Tapping into new markets through product innovation remains an area of focus for the two subsidiaries. The funeral services business continues to support the funeral assurance portfolio underwritten by FLA.

Operations

In the course of 2018, the Group received a number of accolades which are a testament to our repositioning efforts. In the Medical Aid field, FLIMAS received the First Runner up for the Best Medical Aid Company at the IPMZ Excellence Awards. This award is voted for by Human Capital specialists in the country. Fidelity Funeral Services received Second Runner-Up for Customer Care Excellence at the Inaugural Insurance Awards. These are

based on customer experience research. Fidelity Life Assurance was recognized by ZimSelector and IPEC for the work done in Customer and Media education for life and funeral assurance products. The Group will continue to build on these successes to further reposition the brand in the market.

The Group's strategic focus of enhancing quality of client services saw it launching new information systems in its Medial Aid Society and Life Assurance segments both in Zimbabwe and Malawi. High Performance training workshops were conducted for all FLA Group staff, to align with and enhance our focus towards a customer servicing culture.

FLA continues to explore new ways of reaching out to our customers through innovative products and services. We launched the AFYA-PAP, the first ever glucometer connected to a mobile phone in Zimbabwe. This initiative will go a long way in providing active management of health care targeted at Zimbabweans suffering from diabetes. We also launched Med-xpress, which is a door to door delivery service of chronic drugs for members with various chronic conditions.

The Group shows potential for growth and with our disciplined execution of key initiatives, we are cautiously optimistic about the future.

Dividend

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

Economic Outlook

The Ministry of Finance, in its progress update of February 2019, projects modest economic growth of 3.1% in 2019, down from 4% in 2018. This growth is expected to be carried by the manufacturing and financial services sectors. However, the El Niño effect, compounded by the effects of Cyclone Idai, could dampen these projections, through the direct effect on agricultural output and increased government expenditure in response to the natural disaster. A decrease in activity is also likely to be observed in the real estate sector as property owners hold on to their properties as a store of value.

Economic recovery hinges on the level of production in the country. The emerging inflationary pressures mean that our top priorities are on value preservation, obsession with quality client service, entrenching our governance infrastructure, training our staff and exploiting any opportunities that may arise in the markets.

Corporate governance

Mr Henry Nemaire was appointed to the board during 2018 as an independent non-executive director. He brings invaluable insights particularly in the financial governance space.

Appreciation

The unwavering support of the Group's shareholders and policyholders forms the pillar on which the Group's success is anchored. I express gratitude to management, staff and my fellow directors for their continued dedication to re-establishing the brand as a top brand. Our other stakeholders continue to extend invaluable patience and assistance and this is greatly appreciated.



F. Ruwende
Chairman
9 May 2019

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

Directors' responsibility statement

The directors are responsible for maintaining adequate accounting records for the Group and the Company to enable compliance with the requirements of the Companies Act (Chapter 24:03). It is their responsibility to ensure that the consolidated and separate financial statements fairly present the financial position of the Group and Company respectively, as at the end of the financial year, and the results of the Group and Company's operations and cash flows for the year then ended, in conformity with International Financial Reporting Standards and with the requirements of the Companies Act (Chapter 24:03).

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

Directors' statement on going concern assumption

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

Directors' statement on audit results

The independent auditor is engaged to express an independent opinion on whether the consolidated and separate financial statements give a true and fair view of the financial position and financial performance of the Group and Company. The consolidated and separate financial statements and related notes have been audited by the Group's independent auditor and the auditor's report is presented on pages 13 to 16.

As disclosed in Note 40.1 to the financial statements for the year ended 31 December 2018, the Group and Company were unable to achieve full compliance with IFRS in preparing these financial statements, despite full compliance having been achieved in previous years. The requirement to comply with Statutory Instrument 33 (SI33) issued by the Government of Zimbabwe in February 2019 created inconsistencies with IFRS requirements, particularly requirements of International Accounting Standard 21, The Effects of Changes in Foreign Exchange rates. The inconsistency created was also expounded in the guidance issued by the Public Accountants and Auditors' Board on 21 March 2019. Note 40.1 demonstrates the sensitivity of the Group's results to adjustments that would potentially correct these inconsistencies. The auditors have issued an adverse opinion on these financial statements due to the failure to achieve fair presentation under IFRS, in complying with SI33.

These audited consolidated and separate financial statements were prepared under the direction and supervision of the Chief Finance Officer, Patricia Zvandasara, FCA (Z), (PAAB Number 3328). The Directors are ultimately responsible for the financial statements.

The consolidated and separate financial statements and the related notes set out on pages 18 to 79, were approved by the Board on 9 May 2019 and were signed on its behalf by:



Chairman
09 May 2019



Chief Executive Officer
09 May 2019



INDEPENDENT ACTUARIES & CONSULTANTS

Prepared by:



and



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

I hereby certify that, to the best of my knowledge and belief, the value of the assets, including shareholders' funds, in respect of all classes of insurance business carried on at **31 December 2018**, of **FIDELITY LIFE ASSURANCE Limited** does **not** exceed the amount of **\$5,000,000** in respect of those classes of insurance business, based on audited financial information and data and estimates supplied by management.

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In a letter dated 27 April 2018, IPEC approved a management plan to restore solvency in terms of SI 95, and requested quarterly progress reports in this regard.

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 Zimbabwe.



Marcus Pillay

FASSA

For and on behalf of
Independent Actuaries &
Consultants

30 April 2019

assisted by



Sonwell Mudzengi

Actuarial Manager

For and on behalf of Zimbabwe
Actuarial Consultants

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Fidelity Life Assurance of Zimbabwe Limited

Report on the Audit of the Consolidated and Separate Financial Statements

Adverse Opinion

We have audited the consolidated financial statements of Fidelity Life Assurance of Zimbabwe and its subsidiaries (the Group), and the separate financial statements of Fidelity Life Assurance of Zimbabwe (the Company), set out on pages 18 to 79, which comprise the consolidated and separate statements of financial position as at 31 December 2018, and the consolidated and separate statements of comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion section of our report, the accompanying consolidated and separate financial statements do not present fairly the consolidated and separate financial positions of the Group and the Company as at 31 December 2018, and their consolidated and separate financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Adverse Opinion

As explained in note 2.2 to the financial statements, the functional currency applied by management is the United States Dollar (US\$) and the financial statements are presented in US\$ on the basis that the official exchange rate as at 31 December 2018 between the RTGS Dollar (RTGS\$) and the United States Dollar (US\$) is 1:1.

Zimbabwe witnessed significant monetary and exchange control policy changes in 2016 and increasingly through to 2019. The Reserve Bank of Zimbabwe (RBZ) together with the Ministry of Finance and Economic Development promulgated a series of exchange control operational guidelines and compliance frameworks during this period. Specifically, there was a requirement for banks to separate out FCA RTGS Accounts from the FCA Nostro US\$ Accounts during October 2018. Although the rate was legally pegged at 1:1, multiple pricing practices and other transactions observed and reported publicly indicated exchange rates other than 1:1 between RTGS and the US\$ amounts. Finally, in February 2019 there was a Monetary Policy statement which introduced the RTGS Dollar (RTGS\$) and the interbank foreign exchange market.

These events triggered the need for reporting entities to assess whether there was a change in functional currency (from US\$ to RTGS\$) and the 1:1 RTGS\$: US\$ exchange rate as at and prior to the 31 December 2018 year end.

Based on International Financial Reporting Standards IAS 21-The Effects of Changes in Foreign Exchange Rates ("IAS 21") the functional currency of an entity is the currency of the primary economic environment in which the entity operates and reflects the underlying transactions, events and conditions that are relevant to it. In addition, paragraph 2.12 of the Conceptual Framework for Financial Reporting ("the Conceptual Framework") prescribes that for financial information to be useful, it "must not only represent relevant phenomena, but it must also faithfully represent the substance of the phenomena that it purports to represent. In many circumstances, the substance of an economic phenomenon and its legal form are the same. If they are not the same, providing information only about the legal form would not faithfully represent the economic phenomenon." In addition, International Financial Reporting Standards IAS 10 - Events after the Reporting Period ("IAS 10") also requires an entity to adjust the amounts recognised in its financial statements to reflect events after the reporting period that provide evidence of conditions that existed at the end of the reporting period.

We believe that events in the market and subsequent promulgation of the RTGS\$ as a formal currency supports that there was a change in functional currency from US\$ to RTGS\$ and that transactions in the market indicated a different rate between the two currencies despite the legal 1:1 RTGS\$: US\$ exchange rate and this occurred prior to the 31 December 2018 year end. This impacts the basis for measuring transactions that occurred between 01 October and 31 December 2018, the valuation of assets and liabilities at yearend as well as the accounting for foreign exchange differences. We believe that the consolidated and separate financial statements are required to be adjusted for these changes and that it is inappropriate to provide note disclosures as a proxy for adjusting the financial statements as this is not in conformity with IAS 10.

The financial statements of the Group and Company include balances and transactions denominated in RTGS\$ that were not converted to US\$ at an RTGS\$: US\$ exchange rate that reflects the economic substance of its value as required by International Financial Reporting Standards (“IFRS”). This is because management applied the legal rate of 1:1 as pronounced by Statutory Instrument 133 of 2016, Statutory Instrument 33 of 2019 and the Monetary Policy Statements of the 22nd of February 2018, 1st of October 2018 and 20th of February 2019. The directors have prioritised compliance with the requirements of SI33, despite the fact that the requirements of IAS21 would not be met. Further disclosure on this matter is included in Note 40 to the financial statements.

In terms of IAS 21, foreign currency monetary items shall be translated using the closing rate, non-monetary items that are measured in terms of historical cost in a foreign currency shall be translated using the exchange rate at the date of the transaction; and non-monetary items that are measured at fair value in a foreign currency shall be translated using the exchange rates at the date when the fair value was measured. Foreign currency transactions shall be recorded, on initial recognition in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

Therefore, had RTGS\$ been designated as the functional currency and a different RTGS\$:USD\$ currency rate been determined and applied by management, virtually every account in, and the information provided by way of notes to, the accompanying financial statements, would have been materially different. The effects of the departure from IFRS are pervasive to the financial statements and have not been quantified.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Zimbabwe, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

Key Audit Matters

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

Other information

The directors are responsible for the other information. The other information comprises the Chairman’s Statement and the Directors’ Report but does not include the financial statements and our auditors report thereon.

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

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Adverse Opinion section above, the Group did not comply with the requirements of IAS 21 – Effects of Changes in Foreign Exchange Rates. We have concluded that the other information is materially misstated for the same reason with respect to the amounts or other items in the Chairman’s Statement and the Directors’ Report affected by the failure to comply with the referred standard.

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate 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 and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the group'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 and Separate Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's 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 and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- 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 and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion section of our report, the accompanying consolidated and separate financial statements have not 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 Company is also not in compliance with the solvency and liquidity ratios of the provisions of the Insurance and Pensions Commission (IPEC) Insurance (Amendment) Regulations of 2017, promulgated as Statutory Instrument 95 of 2017 section (3A.1). This is as disclosed in note 39 to the financial statements.

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



Ernst & Young
Chartered Accountants (Zimbabwe)
Registered Public Audit
Harare

09 May 2019

Get a perfect send off.



With Fidelity Funeral Services, you can be rest assured that your loved one will get a deserving send off. We offer an array of services such as body removal, wash and dress, hearse, caskets, tent, chairs and bus provision for mourners as they say their final good-byes.

For more information, visit your nearest Fidelity Funeral Services today!



FIDELITY
FUNERAL SERVICES

Fidelity Funeral Services
147 Harare Street,
Harare, Zimbabwe
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CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION

As at 31 December 2018

	Notes	GROUP		COMPANY	
		31-Dec-18 \$	31-Dec-17 \$	31-Dec-18 \$	31-Dec-17 \$
ASSETS					
Property and equipment	6	6 347 619	6 557 084	4 856 027	5 227 316
Investment property	7	19 728 710	19 117 149	17 232 907	16 917 227
Intangible assets	4	347 202	265 412	-	283
Inventories	10	24 688 741	35 628 497	2 368 189	13 320 001
Investment in subsidiaries	8	-	-	22 816 008	22 164 379
Trade and other receivables	9	43 968 538	36 522 202	35 593 475	30 892 479
Corporate tax asset		431 876	30 511	286 303	30 511
Deferred tax assets	17.1	6 228	966	6 228	-
Deferred acquisition costs	5	159 278	177 089	-	-
Equities at fair value through profit or loss	11.1	15 203 896	12 738 977	13 638 833	11 798 300
Debt securities at amortised cost	11.2	2 321 009	830 100	1 630 622	830 100
Cash and deposits with banks	12	9 522 429	7 801 682	3 652 421	2 939 652
Total assets		122 725 526	119 669 669	102 081 013	104 120 248
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		2 332 232	3 647 721	(2 553 082)	(722 810)
Revaluation reserve		1 064 833	1 039 240	866 109	841 796
Foreign currency translation reserve		(1 211 349)	(1 209 617)	-	-
Total ordinary shareholder's equity		3 936 321	5 227 949	63 632	1 869 591
Non-controlling interests		4 991 264	4 738 189	-	-
Total equity		8 927 585	9 966 138	63 632	1 869 591
Liabilities					
Insurance contract liabilities and investment contract liabilities with discretionary participation features	14.1	67 069 210	59 950 625	57 962 239	54 079 072
Investment contracts without discretionary participation features	14.2	5 624 413	5 076 181	5 624 413	5 076 181
Borrowings	15	21 658 700	24 247 160	21 200 367	24 247 160
Deferred tax liabilities	17.2	583 150	532 120	126 146	126 147
Finance lease obligation	16	80 845	-	-	-
Trade and other payables	18	17 015 655	19 398 096	15 608 002	18 722 097
Corporate tax liability		1 765 968	499 349	1 496 214	-
Total liabilities		113 797 941	109 703 531	102 017 381	102 250 657
Total equity and liabilities		122 725 526	119 669 669	102 081 013	104 120 248

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



Chairman
09 May 2019



Chief Executive Officer
09 May 2019

CONSOLIDATED AND SEPARATE STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	GROUP		COMPANY	
		2018 \$	2017 \$	2018 \$	2017 \$
Gross premiums	19	20 487 568	14 244 245	14 806 940	10 752 131
Premiums ceded to reinsurers		(544 978)	(494 334)	(394 865)	(388 804)
Net premiums		19 942 590	13 749 911	14 412 075	10 363 327
Fees and commission income	20	1 423 799	1 098 614	1 106 315	990 222
Investment income	21	750 919	943 800	269 105	2 024 200
Interest income from residential stands receivables		3 000 558	5 324 537	3 000 558	5 324 537
Fair value gains and losses from equities		3 172 607	4 536 392	2 836 858	4 217 367
Fair value gains and losses from investment property		499 128	2 921 783	221 198	2 701 320
Interest income from microlending		3 332 940	2 787 012	-	-
Other operating income	22	5 961 165	1 225 064	4 555 870	618 518
Income from sale of residential stands		15 365 149	23 359 890	15 365 149	23 359 890
Total revenue		53 448 855	55 947 003	41 767 128	49 599 381
Gross benefits and claims paid		(7 428 012)	(4 929 868)	(5 862 684)	(3 954 222)
Claims ceded to reinsurers		21 955	826 669	-	656 918
Net benefits and claims		(7 406 057)	(4 103 199)	(5 862 684)	(3 297 304)
Gross change in insurance and investment contract liabilities	14.1	(6 933 252)	(15 403 537)	(3 664 353)	(13 382 992)
Fee and commission expenses, and other acquisition costs	23	(1 005 743)	(864 179)	(597 351)	(555 546)
Operating and administration expenses	24	(15 323 031)	(17 324 245)	(11 249 929)	(13 719 328)
Cost of sales of residential stands	10	(10 797 363)	(15 882 554)	(10 797 363)	(15 882 554)
Project development costs	10	(7 130 190)	-	(7 130 190)	-
Finance costs	25	(2 556 923)	(1 675 697)	(2 490 814)	(1 744 162)
Total benefits, claims and other expenses		(51 152 559)	(55 253 412)	(41 792 684)	(48 581 886)
Profit/(Loss) before tax		2 296 296	693 591	(25 556)	1 017 495
Income tax expense	26	(2 910 838)	(1 984 434)	(1 804 716)	(1 073 721)
Loss for the year		(614 542)	(1 290 843)	(1 830 272)	(56 226)
Other comprehensive income:					
<i>Items that will not be reclassified to profit or loss:</i>					
Gross gains on property revaluation		253 456	12 471	243 127	-
Income tax related to items that will not be reclassified to profit or loss		(49)	(1 871)	-	-
Gross change in insurance liabilities through OCI		(227 814)	-	(218 814)	-
Gains on property revaluation, net of tax		25 593	10 600	24 313	-
<i>Items that will or may be reclassified to profit or loss:</i>					
Exchange differences arising on translation of foreign operations		(2 828)	(13 978)	-	-
Other comprehensive income/(loss) for the year, net of tax		22 765	(3 378)	24 313	-
Total comprehensive loss for the year		(591 777)	(1 294 221)	(1 805 959)	(56 226)
Loss for the year attributable to:					
Owners of the parent		(600 623)	(1 007 896)	(1 830 272)	(56 226)
Non-controlling interests		(13 919)	(282 947)	-	-
Total loss for the year		(614 542)	(1 290 843)	(1 830 272)	(56 226)
Total comprehensive loss attributable to:					
Owners of the parent		(576 762)	(1 009 822)	(1 805 959)	(56 226)
Non-controlling interests		(15 015)	(284 399)	-	-
Total comprehensive loss for the year		(591 777)	(1 294 221)	(1 805 959)	(56 226)
Earnings per share attributable to the ordinary equity holders of the parent					
Basic loss per share (cents)	27.1	(0.56)	(0.93)	(1.70)	(0.05)
Diluted loss per share (cents)	27.2	(0.56)	(0.93)	(1.70)	(0.05)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

GROUP

	Note	Share capital \$	Treasury shares \$	Share premium \$	Retained earnings \$	Revaluation reserve \$	Foreign currency translation reserve \$	Attributable to shareholders of parent \$	Non- controlling interest \$	Total equity \$
Year ended 31 December 2017										
Balance at 31 December 2016 - as restated in the financial statements for the year ended 31 December 2017		1 089 233	(10 037)	671 409	4 655 617	1 033 198	(1 201 649)	6 237 771	5 022 588	11 260 359
Loss for the year		-	-	-	(1 007 896)	-	-	(1 007 896)	(282 947)	(1 290 843)
Other comprehensive income/(loss) for the year		-	-	-	-	6 042	(7 968)	(1 926)	(1 452)	(3 378)
Total comprehensive income/(loss) for the year		-	-	-	(1 007 896)	6 042	(7 968)	(1 009 822)	(284 399)	(1 294 221)
Balance at 31 December 2017		1 089 233	(10 037)	671 409	3 647 721	1 039 240	(1 209 617)	5 227 949	4 738 189	9 966 138
Year ended 31 December 2018										
Balance at 31 December 2017		1 089 233	(10 037)	671 409	3 647 721	1 039 240	(1 209 617)	5 227 949	4 738 189	9 966 138
Impact of adoption of IFRS 9, net of tax		-	-	-	(566 194)	-	-	(566 194)	-	(566 194)
Balance at 1 January 2018		1 089 233	(10 037)	671 409	3 081 527	1 039 240	(1 209 617)	4 661 755	4 738 189	9 399 944
Loss for the year		-	-	-	(600 623)	-	-	(600 623)	(13 919)	(614 542)
Other comprehensive income/(loss) for the year		-	-	-	-	25 593	(1 732)	23 861	(1 096)	22 766
Total comprehensive income/(loss) for the year		-	-	-	(600 623)	25 593	(1 732)	(576 762)	(15 015)	(591 777)
Transactions with shareholders										
Rights issue proceeds from non-controlling interests	13.1	-	-	-	-	-	-	-	229 456	229 456
Acquisition of non-controlling interest in subsidiary	13.2	-	-	-	(148 672)	-	-	(148 672)	38 634	(110 038)
Balance at 31 December 2018		1 089 233	(10 037)	671 409	2 332 232	1 064 833	(1 211 349)	3 936 321	4 991 264	8 927 585

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

SEPARATE STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

COMPANY

	Share capital \$	Treasury shares \$	Share premium \$	Retained earnings \$	Revaluation reserve \$	Total equity \$
Year ended 31 December 2017						
Balance at 31 December 2016 - as restated in the financial statements for the year ended 31 December 2017	1 089 233	(10 037)	671 409	(666 584)	841 796	1 925 817
Loss for the year	-	-	-	(56 226)	-	(56 226)
Other comprehensive income for the year	-	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	(56 226)	-	(56 226)
Balance at 31 December 2017	1 089 233	(10 037)	671 409	(722 810)	841 796	1 869 591
Year ended 31 December 2018						
Balance at 31 December 2017	1 089 233	(10 037)	671 409	(722 810)	841 796	1 869 591
Loss for the year	-	-	-	(1 830 272)	-	(1 830 272)
Other comprehensive income for the year	-	-	-	-	24 313	24 313
Total comprehensive income/(loss) for the year	-	-	-	(1 830 272)	24 313	(1 805 959)
Balance at 31 December 2018	1 089 233	(10 037)	671 409	(2 553 082)	866 109	63 632

The above separate statement of changes in equity should be read in conjunction with the accompanying notes.

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

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

CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS

For the year ended 31 December 2018

	GROUP		COMPANY	
Notes	2018 \$	2017 \$	2018 \$	2017 \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(Loss) before tax	2 296 296	693 591	(25 556)	1 017 495
Adjustments:	10 351 561	10 338 326	7 590 163	8 785 779
Fair value gains on equities at fair value through profit or loss	(3 172 607)	(4 536 392)	(2 836 858)	(4 217 367)
Fair value gains on investment property	7 (499 128)	(2 921 783)	(221 198)	(2 701 320)
Amortisation of intangible assets	4 51 892	75 554	283	9 329
Amortisation of deferred acquisition costs	5 271 789	580 211	-	-
Finance costs	2 556 923	1 675 697	2 490 814	1 744 162
Depreciation of property and equipment	6 1 074 442	1 050 622	875 958	881 847
Gross change in insurance and investment contract liabilities with DPF	6 933 252	15 403 537	3 664 353	13 382 992
Profit on sale of investment property	(595 441)	(45 320)	(595 441)	(45 319)
Bad debt recovery - non-cash	(2 550 000)	-	(2 550 000)	-
Investment income	(750 919)	(943 800)	(269 105)	(268 545)
Impairment of inventory included in project development costs	1 524 240	-	1 524 240	-
Other projects development costs written off	5 605 950	-	5 605 950	-
Profit on disposal of property and equipment	(98 833)	-	(98 833)	-
Changes in working capital	(5 512 384)	(1 406 555)	(2 469 229)	(1 867 123)
Decrease in inventories	5 333 806	6 123 618	5 345 862	6 120 500
Increase in deferred acquisition costs	(254 862)	(526 384)	-	-
Increase in trade and other receivables	(8 208 887)	(6 354 763)	(4 700 996)	(6 233 411)
Decrease in trade and other payables	(2 382 441)	(649 026)	(3 114 095)	(1 754 212)
Cash generated from operations	7 135 473	9 625 362	5 095 378	7 936 151
Income taxes paid	(1 801 223)	(1 790 501)	(570 522)	(1 168 338)
NET CASH GENERATED FROM OPERATING ACTIVITIES	5 334 250	7 834 861	4 524 856	6 767 813
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to and replacement of property and equipment	(728 128)	(363 273)	(469 392)	(217 768)
Additions and improvements to investment property	(72 971)	(3 639)	(42 733)	-
Additions to intangible assets	(134 232)	(11 898)	-	-
Investment income	750 919	943 800	269 105	268 545
Payments for acquisition of additional interest in subsidiaries	-	-	(651 629)	(67 156)
Additions to financial assets at fair value through profit or loss	(724 358)	(862 177)	(431 516)	(845 532)
Disposals of financial assets at fair value through profit or loss	1 585 555	321 114	1 585 555	206 415
Proceeds from sale of investment property	1 795 441	552 981	1 795 441	552 981
Proceeds from sale of property and equipment	313 337	-	306 683	-
Additions to debt securities held at amortised cost	(1 490 909)	(48 146)	(800 522)	(48 146)
NET CASH GENERATED FROM / (UTILISED) IN INVESTING ACTIVITIES	1 294 655	528 762	1 560 992	(150 661)
CASH FLOWS FROM FINANCING ACTIVITIES				
Finance costs	(2 556 923)	(1 675 697)	(2 490 814)	(1 744 162)
Acquisition of non-controlling interest in subsidiary	(110 038)	-	-	-
Repayments of finance lease obligations	(19 012)	(16 126)	-	-
Rights issue proceeds from non-controlling interest	229 456	-	-	-
Loan security deposit	(377 750)	-	(377 750)	-
Repayments of borrowings	(15 033 610)	(7 375 598)	(14 991 943)	(7 375 598)
Proceeds from borrowings	12 445 150	2 300 000	11 945 150	2 300 000
NET CASH UTILISED IN FINANCING ACTIVITIES	(5 422 727)	(6 767 421)	(5 915 357)	(6 819 760)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1 206 178	1 596 202	170 492	(202 608)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	7 801 682	6 358 665	2 939 652	3 322 819
Cash inflow/(outflow) on investment contracts without DPF	164 528	(180 559)	164 528	(180 559)
Exchange differences on translation of a foreign operation	(27 708)	27 374	-	-
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	9 144 679	7 801 682	3 274 671	2 939 652

Cash and cash equivalents exclude restricted cash (Note 12).

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

FIDELITY LIFE ASSURANCE OF ZIMBABWE LIMITED

Notes to the consolidated and separate financial statements (Cont'd) for the year ended 31 December 2018

1. GENERAL INFORMATION

1.1. Nature of business

The consolidated financial statements (the "Group financial statements") of Fidelity Life Assurance of Zimbabwe Limited (the "Company") and its subsidiaries (together, the "Group"), and the separate financial statements of Fidelity Life Assurance of Zimbabwe Limited alone (the "Company financial statements"), (together, the "financial statements"), for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors on 9 May 2019. 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.

2. ACCOUNTING POLICIES

2.1. Basis of preparation

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

The 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 financial statements have been prepared in accordance with International Financial Reporting Standards, and International Accounting Standards and Interpretations (Collectively IFRS) issued by the International Accounting Standards Board (IASB), except as indicated in Note 2.2 below, and unless otherwise stated in these financial statements.

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

2.2. Functional currency

The Group's functional and presentation currency as at and for the year ended 31 December 2018 is the United States dollar ("US\$"), adopted in compliance with the regulatory prescriptions of Statutory Instrument 33 of 2019.

This position is however contrary to IFRS requirements as it does not reflect the substance of the currency considerations for 2018 that would be required by International Accounting Standard 21, The Effects of Changes in Foreign Exchange Rates. IAS 21 lists a multitude of factors to be considered

by each entity in determining the functional currency, which include the following as primary factors:

- currency in which sales prices for the entity's goods and services are denominated and settled
- the currency of the country whose competitive forces and regulations mainly determine the sales prices of its goods and services
- the currency that mainly influences labour, material and other costs of providing goods or services, being the currency in which the costs are denominated and settled
- the currency in which funds from financing activities are generated
- the currency in which receipts from operating activities are usually retained

Other secondary factors include the currency in which financing is obtained, and in which investments are retained.

Zimbabwe has since 2009 operated on a multi-currency system wherein the US\$ has been the dominant and most prevalent currency in use. The Group has therefore been functioning and reporting in US\$ since then. 2016 however saw the introduction of bond notes and coins into the currency basket, which legal tender was declared, through Statutory Instruments 133 of 2016 and 122a of 2017, to be at par (1:1) with the US\$. During the same period and leading into 2017 and 2018, cash shortages for both bond notes and US\$ saw increased use of electronic payment platforms, including the Real Time Gross Settlement system (RTGS), mobile money and debit cards.

Between 2009 and part of 2017, business could formally draw on US\$ to settle foreign liabilities with a reasonable amount of ease. Such drawings could be effected even from income generated in bonds. However, extended delays in effecting foreign payments were observed largely in the later part of 2017, with the position worsening in 2018. The monetary policy statement in 2018 which required separation of Nostro US\$ funds and accounts (real US\$ cash deposits or export proceeds) from other US\$ accounts (bond notes and coins and local electronic money transfers) resulted in further restrictions as foreign payments could only be effected from Nostro US\$ funds.

In 2017, cases of multi-tiered pricing started to emerge particularly in retail and some service industries. This saw premiums being placed on prices based on the mode of settlement, with US\$ cash being the lowest quoted prices and RTGS transfers carrying the highest premium. The disparities in pricing worsened in the fourth quarter of 2018 following regulatory developments during this quarter that required separation of transactions in real foreign currencies (US\$ Nostro, Rand etc) from other transactions. These changes and further developments early in 2019 included the requirement

FIDELITY LIFE ASSURANCE OF ZIMBABWE LIMITED

Notes to the consolidated and separate financial statements (Cont'd) for the year ended 31 December 2018

to settle some duties and taxes in the transaction currency. Significant fair value increases were also observed for equities, properties and other tangible assets during this period. Despite these changes however, the various payment platforms were officially still considered to be at par to the US\$.

Given these developments, the directors gave consideration to whether there was evidence of a change in functional currency during 2018 for the Zimbabwean entities in the Group. Assessment of the primary factors highlighted in IAS 21 as disclosed below indicated a change in functional currency in 2018:

- more than 99% of the Group's revenue in Zimbabwe was received through local electronic money transfer
- the Group's access to Nostro US\$ was limited given the nature of its operations as indicated above
- the cash inflows in electronic money meant that in its operating and investing activities, the Group was subject to the higher premiums evidenced in transactions executed using this mode of settlement. The Group does not engage in foreign exchange transactions outside of the formal banking platforms. The Group's costs were therefore largely settled through electronic transfers even where a supplier quoted a lower US\$ Nostro price
- the separation of bank accounts between Nostro US\$ accounts and other bond note related US\$ accounts in October 2018 also meant that the Group's bank accounts carried purchasing power linked to settlement in bond note and local electronic transfers which carried a pricing premium and therefore eroded value against the Nostro US\$
- values of assets were also indicative of a shortage of US\$ cash or nostro balances in the market and therefore reflected value embedded in transactions completed through electronic money transfer platforms.

On 22 February 2019, Statutory Instrument 33 of 2019 (SI33) was published, formally adding RTGS\$ as legal tender in the multi-currency basket. The directors' assessment is that SI33 confirmed and officialised conditions that were in substance already present from October 2018, including exchangeability between real US\$ and bond notes. The instrument however also carried a requirement that for accounting and other purposes, except for those classes specifically identified in the instrument, all assets and liabilities denominated in US\$ prior to 22 February 2019 be deemed to be RTGS\$ from that date at a rate of one-to-one to the US\$.

The directors have prioritised compliance with the requirements of SI33, despite that the requirements of IAS21 would not be met. Further disclosure on this matter is included in Note 40 to the financial statements.

2.3.Changes in accounting policy and disclosures New and amended standards and interpretations

The Group applied for the first time IFRS 15 and 9. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

2.3.1 IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be 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.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Group adopted IFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 January 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group elected to apply the standard to all contracts as at 1 January 2018.

The cumulative effect of initially applying IFRS 15 (if any) is recognised at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under IAS 18 and related Interpretations.

The adoption of IFRS 15 did not result in any material changes to the timing or amount of revenue recognised by the Group. As such, no material adjustments were identified as at 1 January 2018, the date of initial application of IFRS 15. Any adjustments that would have arisen would have been effected against the opening balance of retained earnings as at that date.

2.3.2 IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all

FIDELITY LIFE ASSURANCE OF ZIMBABWE LIMITED

Notes to the consolidated and separate financial statements (Cont'd) for the year ended 31 December 2018

three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group applied IFRS 9 prospectively, with an initial application date of 1 January 2018. The Group has not restated the comparative information, which continues to be reported under IAS 39.

Differences arising from the adoption of IFRS 9 have been recognised directly in retained earnings and other components of equity.

The effect of adopting IFRS 9 as at 1 January 2018 was, as follows:

(i) Classification of financial assets

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- financial assets measured at amortised cost, which for the Group includes trade and other receivables, debt securities such as bonds and long term fixed deposits and demand and short term deposits with banks;
- financial assets measured at fair value through profit or loss, which for the Group includes listed equities; and
- financial assets measured at fair value through other comprehensive income. Currently, the Group does not hold assets in this category.

Further disclosures on the bases for classifying financial assets into these categories are given in Note 2.13.1.

The table in Note 2.2.2. (iii) below shows comparisons of classification under IAS39 to classifications under IFRS9.

(ii) Measurement Initial measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss. This position is consistent for both IAS39 and IFRS9.

Subsequent measurement of debt instruments

Under IFRS 9, subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies

its debt instruments:

(a) Amortised cost - Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in investment income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss as part of investment income. Impairment losses are presented as a separate line item in the statement of profit or loss. All of the debt instruments held by the Group during the current financial year were in this category.

(b) Fair value through other comprehensive income (FVOCI): Assets that are held both to collect contractual cash flows and to sell, where the assets' contractual cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses and interest income which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in fair value gains on equities. Interest income from these financial assets is included in investment income using the effective interest rate method. The Group did not hold financial assets in this category during the current financial year.

(c) Fair value through profit or loss (FVPL): Assets that do not meet the criteria for amortised cost or FVOCI classification are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within fair value gains on financial assets in the period in which it arises. The Group did not hold financial assets in this category during the current financial year.

Subsequent measurement of equity instruments

All equity investments held by the Group are subsequently measured at fair value. Changes in the fair value of financial assets at FVPL are recognised in the statement of profit or loss in fair value gains and losses on equities.

When the Group elects to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as investment income when the Group's right to receive payments is established.

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(iii) Impact of IFRS 9 adoption on classification and measurement bases - as at 1 January 2018

Financial assets	Previous classification under IAS 39	New classification under IFRS 9	Previous carrying amount under IAS 39	New carrying amount under IFRS 9
Trade and other receivables	Loans and receivables (amortised cost)	Amortised cost	36,522,202	35,759,651
Equities at fair value through profit or loss	Fair value through profit or loss	Fair value through profit or loss	12,738,977	12,738,977
Debt securities at amortised cost	Held to maturity (amortised cost)	Amortised cost	830,100	830,100
Cash and short term deposits	Loans and receivables (amortised cost)	Amortised cost	7,801,682	7,801,682

Application of the IFRS 9 classifications to the financial assets held by the Group as at 1 January 2018 did not give rise to any changes in measurement bases. Changes in carrying amount were due to changes in impairment methodology as indicated in note 2.2.2 (v) below.

(iv) Impairment - Expected Credit Loss Models

The Group adopted IFRS 9 methodology to determining the impairment allowance on the financial assets held at amortised cost. IFRS 9 requires the use of forward looking probability weighted expected credit loss models to determine the impairment allowance on the financial assets held at amortised cost. This is a change from the incurred loss model under IAS 39. Refer notes 9.1 to 9.3 for the impairment methodology applied for each major class of financial assets.

(v) Quantitative impact of adoption of IFRS 9

Adjustments effected against the carrying amounts of financial assets following the adoption of IFRS 9 at 1 January 2018 were as follows, based on the impairment models disclosed in notes 9.1 to 9.3:

Financial asset class	IAS 39 Carrying amount at 31-Dec-17	Reclassification adjustments	Remeasurement adjustments, including impairment	IFRS 9 Carrying amount at 1-Jan-18
Trade and other receivables	36,522,202	-	(762,551)	35,759,651
Equities at fair value through profit or loss	12,738,977	-	-	12,738,977
Debt securities at amortised cost	830,100	-	-	830,100
Cash and short term deposits	7,801,682	-	-	7,801,682
	57,892,961	-	(762,551)	57,130,410

*The prior year financial statements were not restated.

2.4. Standards issued but not yet effective

(a) 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).

The Group as a lessee, IFRS 16 introduces a 'right-of-use' model whereby the lessee recognises a right of use asset and

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associated financial obligation to make lease payments for all leases with a term of more than 12 months. The asset will be amortised over the lease term and the financial liability measured at amortised cost with interest recognised in profit and loss using the effective interest rate method.

The Group as a lessor, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify and account for its leases as operating leases or finance leases.

Based on the assessment performed, the Group assessed the adoption of IFRS 16 not to have any material impact when it becomes effective.

(b) IFRS 17 Insurance Contracts Effective for annual periods beginning on or after 1 January 2021.

IFRS 17 Insurance Contracts (IFRS 17), is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure effective 1 January 2021. IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005.

Scope

IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

Key requirements

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

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

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

None of the new standards, interpretations and amendments, which are effective for periods beginning after 1 January 2019 and which have not been adopted early, are expected to have a material effect on the Group's future financial statements.

2.5. Basis of consolidation

Where the Company has control over an investee, it is classified as a subsidiary. The company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the

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investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

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

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

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

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

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

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

If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary.
- Derecognises the carrying amount of non-controlling interest.
- Derecognises the cumulative translation differences recorded in equity.
- Recognises the fair value of the consideration received.
- Recognises the fair value of any investment retained.
- Recognises any surplus or deficit in profit or loss.
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss.

The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the statement of financial position, the acquiree's identifiable

assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of profit or loss and other comprehensive income from the date on which control is obtained. They are deconsolidated from the date on which control ceases.

2.6. Non-controlling interests

For business combinations completed prior to 1 January 2010, the Group initially recognised any non-controlling interest in the acquiree at the non-controlling interest's proportionate share of the acquiree's net assets. For business combinations completed on or after 1 January 2010 the Group has the choice, on a transaction by transaction basis, to initially recognise any non-controlling interest in the acquiree which is a present ownership interest and entitles its holders to a proportionate share of the entity's net assets in the event of liquidation at either acquisition date fair value or, at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. Other components of non-controlling interest such as outstanding share options are generally measured at fair value. The group has not elected to take the option to use fair value in acquisitions completed to date.

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

2.7. Goodwill

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

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

Contingent consideration is included in cost at its acquisition date fair value and, in the case of contingent consideration

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classified as a financial liability, remeasured subsequently through profit or loss. For business combinations completed on or after 1 January 2010, direct costs of acquisition are recognised immediately as an expense.

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

2.8. Claims and benefits

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

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

2.9. Reinsurance

The Group cedes insurance risk in the normal course of business for all of its businesses. Gross outward reinsurance premiums are recognised as an expense on the earlier of the date when premiums are payable or when the policy becomes effective. Reinsurance premiums ceded comprise the total premiums payable for the whole cover provided by contracts entered into in the period and are recognised on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.

2.10. 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:

1. 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.
2. For annuity business, the discounted value of future payments is used as the actuarial liability.
3. 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.

4. Single premium group credit life business is valued by setting up a UPR for the unexpired risk portion.
5. Deposit administration business is valued at the accrued premiums (after deducting specified charges) plus accumulated bonuses.
6. 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.
7. 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.
8. 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

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attributable to the issue of the contract. Subsequent to initial recognition, the investment contract liabilities are measured at fair value, with fair value adjustments being recognised directly against the investment contract liabilities. Any other additions to the liabilities by contract holders are recorded directly against the liability. Non-unitised contracts are subsequently carried at fair value.

The liability is derecognised when the contract expires, is discharged or is cancelled. For a contract that can be cancelled by the policyholder, the fair value of the contract cannot be less than the surrender value.

When contracts contain both a financial risk component and a significant insurance risk component and the cash flows from the two components are distinct and can be measured reliably, the underlying amounts are unbundled. Any premiums relating to the insurance risk component are accounted for on the same basis as insurance contracts and the remaining element is accounted for as a deposit through the statement of financial position.

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 and investment contract liabilities with DPF.

2.11. 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.

2.12. Property and equipment

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

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

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

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

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

An asset is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in profit or loss in the year the asset is derecognized.

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

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

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In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the property, plant and equipment.

In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices of investments or other available fair value indicators. Impairment losses on continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired property, plant and equipment except for property previously revalued where there valuation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes estimates of recoverable amounts. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

If that is the case the carrying amount of property, plant and equipment is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment been recognized for the property, plant and equipment asset in prior years.

2.13. Investment property

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

Transfers are made to Investment property when and only when there is a change in use, evidenced by the end of owner occupation or commencement of an operating lease. Undeveloped land that is initially recognised as investment property is transferred to inventory or property and equipment 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.

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

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

2.15. Inventories

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

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

2.16. Financial instruments

2.16.1. Financial assets

2.16.1.1 Classification

(a) Classification and measurement under IFRS 9

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

- Financial assets at amortised cost
- Financial assets at fair value through other comprehensive income (FVOCI); or
- Financial assets fair value through profit or loss (FVPL).

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

A financial asset is classified at fair value through other comprehensive income (OCI) if it is held both to collect contractual cash flows and to sell, and if the contractual cash flows are solely payments of principal and interest on the principal amount owing. The Group has no financial assets classified as assets at fair value through OCI.

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

For an equity instrument that are held for other than to generate

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

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

The Group's policy is to designate equity investments as FVOCI when those investments are held.

Classification of debt instruments

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

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

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

Classification of equity instruments

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

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

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

When the Group elects to classify equity instruments as assets at fair value through OCI, the fair value gains and losses are

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recognised directly in OCI. In such instances, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as investment income when the Group's right to receive payments is established.

Subsequent measurement

The policies applicable to subsequent measurement of financial assets are disclosed in Note 2.2.2 (ii).

(b) Classification and measurement under IAS39

Under IAS39, which was effective up to 31 December 2017, the Group classified its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired:

Fair value through profit or loss

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

1. The designation eliminated or significantly reduced the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis Or
2. The assets and liabilities were part of a group of financial assets, financial liabilities, or both, which were managed and their performance evaluated on a fair value basis.

Changes in fair value were recorded in 'Fair value gains and losses'.

Loans and receivables

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

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

cash flow statement it includes bank overdraft.

Held-to-maturity Investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities were classified as held to maturity when the Group had the positive intention and ability to hold them to maturity. After initial measurement, held to maturity investments were measured at amortised cost using the effective interest rate (EIR) less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance income in the statement of profit or loss. The Group's held to maturity investments included the financial assets currently disclosed as debt securities at amortised cost on the Group's current balance sheet.

2.16.1.2 Impairment

(a) Impairment of financial assets under IFRS 9

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

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

(b) Impairment of financial assets under IAS39

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

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

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

FIDELITY LIFE ASSURANCE OF ZIMBABWE LIMITED

Notes to the consolidated and separate financial statements (Cont'd) for the year ended 31 December 2018

in profit or loss.

2.16.2. Financial liabilities

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

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

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

2.16.3. Offsetting financial assets and financial liabilities

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

2.16.4. Derecognition of financial assets and liabilities

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

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

2.16.5. 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 financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole.

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

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

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

For assets and liabilities that are measured at fair value in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For all the significant assets such as properties each year, The Audit, Risk and Compliance Committee approves which external valuer to appoint to be responsible for the external valuations. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

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

Impairment tests on goodwill and other intangible assets with indefinite useful economic lives are undertaken annually at the financial year end. Other non-financial assets are subject to

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Notes to the consolidated and separate financial statements (Cont'd) for the year ended 31 December 2018

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.

2.18. Income tax

2.18.1. Current tax

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

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

2.18.2. 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.

2.18.3. Deferred tax

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the consolidated

statement of financial position differs from its tax base, except for differences arising on:

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

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

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

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.

2.19. 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.

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Notes to the consolidated and separate financial statements (Cont'd) for the year ended 31 December 2018

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.

2.20. Retirement benefits: Defined contribution schemes

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

2.21. Revenue

2.21.1. 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.

2.21.2. 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.

2.21.3. Investment income

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

2.21.4. Revenue from sale of stands

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

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

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

2.22. Borrowing costs

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

2.23. 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.

2.24. 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.

2.25. 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.

2.26. 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.

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Notes to the consolidated and separate financial statements (Cont'd) for the year ended 31 December 2018

2.27. Employee share ownership plan (ESOP)

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

2.28. 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.

2.29. Deferred income from sale of residential stands

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

2.30. 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 judgements 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:-

- 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.

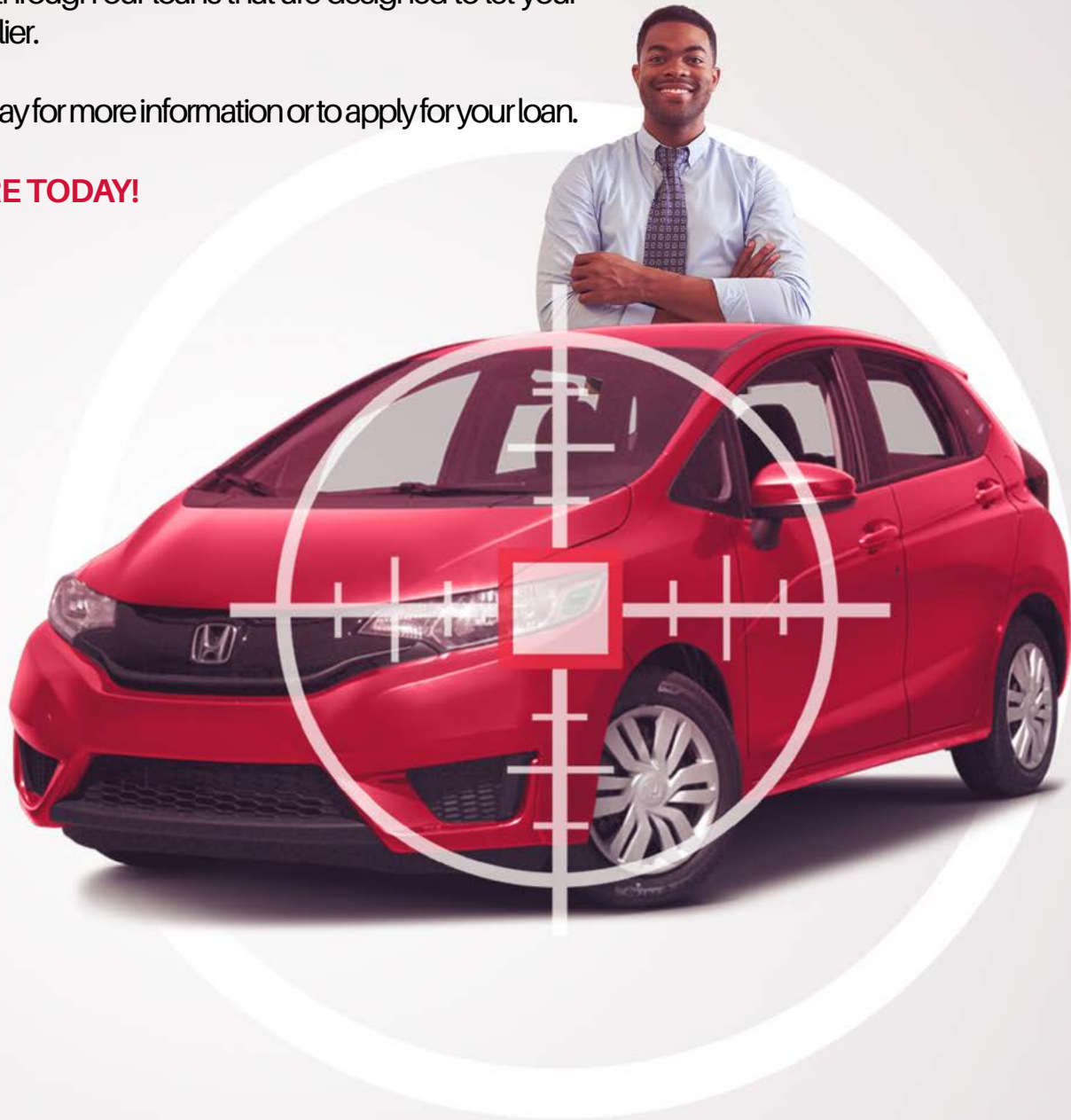
The carrying amount of life assurance liabilities that have been actuarially valued is disclosed on Note 14.

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Notes to the consolidated and separate financial statements (Cont'd)
for the year ended 31 December 2018

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.

4. INTANGIBLE ASSETS

	GROUP		COMPANY	
	2018 \$	2017 \$	2018 \$	2017 \$
Net carrying amount at the beginning of the year	265 412	329 245	283	9 612
Gross carrying amount - Cost	688 509	676 788	54 276	54 276
Accumulated amortisation	(423 097)	(347 543)	(53 993)	(44 664)
Additions	134 232	11 898	-	-
Exchange rate movement on foreign operations	(550)	(177)	-	-
Amortisation charge for the year	(51 892)	(75 554)	(283)	(9 329)
Net carrying amount at the end of the year	347 202	265 412	-	283
Gross carrying amount - Cost	822 191	688 509	54 276	54 276
Accumulated amortisation	(474 989)	(423 097)	(54 276)	(53 993)

Included in intangible assets is a mortuary license with a cost of \$17,632. The mortuary license has an indefinite useful life. The rest of the intangible assets are computer software.

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.

	GROUP		COMPANY	
	2018 \$	2017 \$	2018 \$	2017 \$
Balance at the beginning of the year	177 089	229 448	-	-
Cost of acquisition of new insurance business written	254 862	526 384	-	-
Amortisation of acquisition costs	(271 789)	(580 211)	-	-
Foreign exchange movements	(884)	1 468	-	-
Balance at the end of the year	159 278	177 089	-	-

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Notes to the consolidated and separate financial statements (Cont'd)
for the year ended 31 December 2018

6. PROPERTY AND EQUIPMENT

GROUP	Land and buildings \$	Motor vehicles \$	Equipment & computers \$	Furniture & fittings \$	Total \$
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)
Additions	547	130 855	145 533	86 338	363 273
Exchange rate movement on foreign operations	(8 251)	(695)	(276)	(289)	(9 511)
Disposals	-	-	-	-	-
Gross carrying amount - cost/valuation	-	(84 453)	-	-	(84 453)
Accumulated depreciation	-	84 453	-	-	84 453
Depreciation charge for the year	(215 600)	(375 930)	(437 025)	(22 067)	(1 050 622)
Revaluation surplus	12 471	-	-	-	12 471
Gross carrying amount - cost/valuation	12 471	-	-	-	12 471
Accumulated depreciation	-	-	-	-	-
Net carrying amount at 31 December 2017	4 991 481	761 382	558 910	245 311	6 557 084
Gross carrying amount - cost/valuation	5 551 853	2 641 681	2 519 722	401 634	11 114 890
Accumulated depreciation	(560 372)	(1 880 299)	(1 960 812)	(156 323)	(4 557 806)
Additions	24 505	487 414	246 422	69 644	827 985
Exchange rate movement on foreign operations	(575)	(668)	(550)	(167)	(1 960)
Disposals	-	(214 504)	-	-	(214 504)
Gross carrying amount - cost/valuation	-	(527 701)	-	-	(527 701)
Accumulated depreciation	-	313 197	-	-	313 197
Depreciation charge for the year	(229 227)	(340 391)	(470 326)	(34 498)	(1 074 442)
Revaluation surplus	253 456	-	-	-	253 456
Gross carrying amount - cost/valuation	(404 417)	-	-	-	(404 417)
Accumulated depreciation	657 873	-	-	-	657 873
Net carrying amount at 31 December 2018	5 039 640	693 233	334 456	280 290	6 347 619
Gross carrying amount - cost/valuation	5 171 366	2 600 727	2 765 594	471 111	11 008 798
Accumulated depreciation	(131 726)	(1 907 494)	(2 431 138)	(190 821)	(4 661 179)

Land and buildings are carried at fair value determined on an open market value basis by independent professional valuers. The latest fair values were estimated as at 31 December 2018. Land and buildings with a carrying amount of US\$3,900,000 (2017: US\$3,885,254) were pledged as collateral in respect of a borrowing facility with NMB Bank Zimbabwe Limited which is disclosed in Note 15.1. The value of land and buildings is categorised as a level 3 recurring fair value measurement, as disclosed in Note 32.

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Notes to the consolidated and separate financial statements (Cont'd)
for the year ended 31 December 2018

6. PROPERTY AND EQUIPMENT (continued)

COMPANY	Land and buildings \$	Motor vehicles \$	Equipment & computers \$	Furniture & fittings \$	Total \$
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)
Additions	-	50 268	96 219	71 281	217 768
Disposals	-	-	-	-	-
Gross carrying amount - cost/valuation	-	(6 953)	-	-	(6 953)
Accumulated depreciation	-	6 953	-	-	6 953
Depreciation charge for the year	(214 746)	(253 159)	(402 721)	(11 221)	(881 847)
Revaluation surplus	-	-	-	-	-
Gross carrying amount - cost/valuation	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-
Net carrying amount at 31 December 2017	3 885 254	605 953	610 229	125 880	5 227 316
Gross carrying amount - cost/valuation	4 314 746	1 641 514	2 185 933	157 181	8 299 374
Accumulated depreciation	(429 492)	(1 035 561)	(1 575 704)	(31 301)	(3 072 058)
Additions	-	347 516	84 580	37 296	469 392
Disposals	-	(207 850)	-	-	(207 850)
Gross carrying amount - cost/valuation	-	(477 715)	-	-	(477 715)
Accumulated depreciation	-	269 865	-	-	269 865
Depreciation charge for the year	(228 381)	(213 498)	(418 715)	(15 364)	(875 958)
Revaluation surplus	243 127	-	-	-	243 127
Gross carrying amount - cost/valuation	(414 746)	-	-	-	(414 746)
Accumulated depreciation	657 873	-	-	-	657 873
Net carrying amount at 31 December 2018	3 900 000	532 121	276 094	147 812	4 856 027
Gross carrying amount - cost/valuation	3 900 000	1 511 315	2 270 513	194 477	7 876 305
Accumulated depreciation	-	(979 194)	(1 994 419)	(46 665)	(3 020 278)

Land and buildings are carried at fair value determined on an open market value basis by independent professional valuers. The latest fair value was estimated as at 31 December 2018. Land and buildings with a carrying amount of US\$3,900,000 (2017: US\$3,885,254) were pledged as collateral in respect of a borrowing facility with NMB Bank Zimbabwe Limited which is disclosed in Note 15.1. The value of land and buildings is categorised as a level 3 recurring fair value measurement, as disclosed in Note 32.

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Notes to the consolidated and separate financial statements (Cont'd)
for the year ended 31 December 2018

7. INVESTMENT PROPERTY

	GROUP		COMPANY	
	2018 \$	2017 \$	2018 \$	2017 \$
Balance at the beginning of the year	19 117 149	16 728 216	16 917 227	14 723 568
Additions	67 071	2 897	36 833	-
Improvements	5 900	742	5 900	-
Non-cash acquisitions	2 550 000	-	2 550 000	-
Transfer to inventory	(1 524 240)	-	(1 524 240)	-
Disposals	(1 200 000)	(507 661)	(1 200 000)	(507 661)
Exchange rate movement on foreign operations	(12 287)	(28 828)	-	-
Fair value gains - properties held for investment contracts	225 989	-	225 989	-
Fair value gains through profit or loss	499 128	2 921 783	221 198	2 701 320
Balance at the end of the year	19 728 710	19 117 149	17 232 907	16 917 227

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

As at 31 December 2018, the fair values of the properties are based on valuations performed by Bard Real Estate an accredited independent valuer. Bard Real Estate is a specialist in valuing these types of investment properties and has recent experience in the location and category of the investment properties being valued. Valuation models in accordance with recommendations by the International Valuation Standards Committee have been applied.

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

During the year \$338,015 (2017: \$325,883) was recognised in the consolidated statement of profit or loss and other comprehensive income in relation to rental income from the investment properties. For the Company, rental income arising from investment properties amounted \$164,545 (2017: \$230,135). Direct operating expenses, including repairs and maintenance, arising from investment property that generated rental income amounted to \$33,182 (2017: \$44,742). Direct operating expenses, including repairs and maintenance, arising from investment property that did not generate rental income during the year amounted to \$8,103 (2017: \$16,206). These expenses were mostly incurred on properties held by the Company.

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Notes to the consolidated and separate financial statements (Cont'd)
for the year ended 31 December 2018

8. INVESTMENT IN SUBSIDIARIES

	GROUP		COMPANY	
	2018 \$	2017 \$	2018 \$	2017 \$
Fidelity Life Asset Management Company (Private) Limited	-	-	270 761	270 761
Fidelity Funeral Assurance Company (Private) Limited	-	-	166 276	56 237
Fidelity Life Financial Services (Private) Limited	-	-	3 570 000	3 570 000
Zimbabwe Actuarial Consultants (Private) Limited	-	-	97 687	97 687
Langford Estates 1962 (Private) Limited	-	-	17 576 118	17 576 118
Vanguard Life Assurance Company Limited	-	-	1 135 166	593 576
	-	-	22 816 008	22 164 379

Investments in subsidiaries are shown at cost. Further information on the composition of the Group is included in Note 35.

During the year, the Company acquired an additional interest in Fidelity Funeral Assurance at a cost of \$110,039. The Company's shareholding in the subsidiary increased from 66.68% to 90.58% through this acquisition. The Company therefore maintained control over the subsidiary.

Vanguard Life Assurance, the Company's foreign subsidiary, completed a rights issue during 2018 in which the Company participated at an amount of US\$541,590. The Company's shareholding in the subsidiary increased to 61.77%, from the previous 57.92% due to non-participation by some of the non-controlling shareholders.

9. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2018 \$	2017 \$	2018 \$	2017 \$
Residential stand sales debtors	32 779 380	30 331 672	32 779 380	29 563 414
Micro-finance loans receivable	8 346 630	5 282 952	-	-
Insurance debtors	3 613 844	2 937 516	2 728 041	3 414 535
Other trade debtors	234 003	203 972	-	-
Trade receivables - gross	44 973 857	38 756 112	35 507 421	32 977 949
Less: expected credit loss on trade receivables	(3 478 918)	(4 172 666)	(2 111 476)	(3 657 758)
Trade receivables - net	41 494 939	34 583 446	33 395 945	29 320 191
Receivables from related parties, net of ECL (Note 34.3.1)	289 381	624 330	681 329	1 095 418
Loans to employees, net of ECL	223 666	270 869	169 273	196 197
Total receivables classified as financial assets at amortised cost	42 007 986	35 478 645	34 246 547	30 611 806
Prepayments	148 769	159 216	172 666	136 800
Other receivables, net of ECL	1 811 783	884 341	1 174 262	143 873
Total trade and other receivables	43 968 538	36 522 202	35 593 475	30 892 479
Non-current portion	18 517 632	19 577 101	18 517 632	19 577 101
Current portion	25 450 906	16 945 101	17 075 843	11 315 378
Total trade and other receivables	43 968 538	36 522 202	35 593 475	30 892 479

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

FIDELITY LIFE ASSURANCE OF ZIMBABWE LIMITED

Notes to the consolidated and separate financial statements (Cont'd)
for the year ended 31 December 2018

9. TRADE AND OTHER RECEIVABLES (continued)

	GROUP		COMPANY	
	2018 \$	2017 \$	2018 \$	2017 \$
The total expected credit loss is made up of the following:				
Expected credit loss on trade receivables	3 478 918	4 172 666	2 111 476	3 657 758
Expected credit loss on loans to employees	107 141	3 807 266	107 141	3 807 266
Expected credit loss on other receivables	732 614	3 835 085	732 614	3 835 085
Expected credit loss on related party receivables	-	133 922	645 587	622 329
	4 318 673	11 948 939	3 596 818	11 922 438

Movements in expected credit losses were as follows:

Balance at the beginning of the year - calculated under IAS 39	11 948 939	6 066 205	11 922 438	6 105 736
IFRS 9 Adjustment - restated through retained earning	762 551	-	-	-
Opening loss allowance as at 1 January 2018 - calculated under IFRS 9	12 711 490	6 066 205	11 922 438	6 105 736
Receivables written off during the year as uncollectable	(9 599 112)	(1 119 694)	(8 988 027)	(1 185 727)
Net increase during the year through profit or loss	1 816 959	7 002 428	1 273 071	7 002 429
Reversal of unutilised amount through profit or loss	(610 664)	-	(610 664)	-
Balance at the end of the year	4 318 673	11 948 939	3 596 818	11 922 438

The increase in expected credit losses has been included in the operating and administration expenses line item in the consolidated and separate statements of profit or loss and other comprehensive income. Reversal of unutilised amounts is included in other operating income.

9.1 Impairment - Expected Credit Loss Models

With the adoption of IFRS 9, the Group revised its impairment methodology for each class of assets held at amortised cost that bear similar credit risk characteristics. The IFRS 9 methodology requires the use of forward looking probability weighted expected credit loss models to determine the impairment allowance on the financial assets held at amortised cost. This is a change from the incurred loss model under IAS39. The impairment methodology applied for each material class of financial assets is indicated below.

(i) Trade receivables: micro-finance loans receivable

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

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

in the twelve months after the year end (12-month ECL).

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

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

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

PD - Probability of default is the estimation of the likelihood of a loan reaching default state over a given time horizon. The determination of PD considers all reasonable and supportable

FIDELITY LIFE ASSURANCE OF ZIMBABWE LIMITED

Notes to the consolidated and separate financial statements (Cont'd)
for the year ended 31 December 2018

9. TRADE AND OTHER RECEIVABLES (continued)

9.1 Impairment - Expected Credit Loss Models (continued)

(i) Trade receivables: micro-finance loans receivable (continued)

information relating to the loan book that the Group can obtain without undue cost or effort. This includes information about past performance of the loan portfolio, current conditions and forecasts of future conditions that may affect the loans. This information is a combination of information that is internal and external to the Group. PDs were calculated for the 3 stages using Markov Chains. No adjustments for economic factors were made to the calculated PDs as no plausible correlation could be established between macro-economic factors and the probability of a person defaulting under this loan portfolio.

LGD - Loss given default is the financial loss that the Group could suffer when a borrower defaults on their loan. The Group used run-off triangles to model the progression of loans in default state from the year they were disbursed. The run-off triangles were tabulated starting with loans disbursed in 2012, tracking the ultimate loss on defaulted loans through to 2017. A weighted average LGD ratio was calculated for the entire portfolio, adjusted for macro-economic factors and discounted at the original effective interest rate applicable to the micro-finance loans. A small percentage of the micro-finance loan

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

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

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

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

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

As at 31 December 2018

Micro-finance loans receivable

	Stage 1 12-month ECL \$	Stage 2 Lifetime ECL \$	Stage 3 Lifetime ECL \$	Total \$
Performing	6 624 269	-	-	6 624 269
Overdue	-	937 884	-	937 884
Default	-	-	784 477	784 477
Gross carrying amount	6 624 269	937 884	784 477	8 346 630
Expected credit loss on micro-finance loans receivable	(467 661)	(146 080)	(743 466)	(1 357 207)
Net carrying amount	6 156 608	791 804	41 011	6 989 423

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

	Stage 1 12-month ECL \$	Stage 2 Lifetime ECL \$	Stage 3 Lifetime ECL \$	Total \$
Gross carrying amount at beginning of the year	3 874 608	217 403	1 190 939	5 282 950
New receivables originated	6 554 342	893 577	110 967	7 558 886
Receivables derecognised or matured (excluding written off)	(2 844 360)	(129 599)	(47 928)	(3 021 887)
Receivables written off	(18 351)	(141 503)	(405 326)	(565 180)
Receivables transferred between stages during the year	(941 970)	98 006	(64 175)	(908 139)
Gross loan and advances to customers at year end	6 624 269	937 884	784 477	8 346 630

FIDELITY LIFE ASSURANCE OF ZIMBABWE LIMITED

Notes to the consolidated and separate financial statements (Cont'd)
for the year ended 31 December 2018

9. TRADE AND OTHER RECEIVABLES (continued)

9.1 Impairment - Expected Credit Loss Models (continued)

(i) Trade receivables: micro-finance loans receivable (continued)

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

	Stage 1 12-month ECL \$	Stage 2 Lifetime ECL \$	Stage 3 Lifetime ECL \$	Total \$
Balance at the beginning of the year - calculated under IAS 39	99 333	22 680	359 248	481 261
IFRS 9 Adjustment - restated through retained earnings	157 392	35 935	569 223	762 550
Opening loss allowance as at 1 January 2018 – calculated under IFRS 9	256 725	58 615	928 471	1 243 811
Allowances written off on uncollectable receivables	(18 351)	(141 503)	(405 326)	(565 180)
New allowances originated	448 466	262 218	84 815	795 499
Allowances derecognised or matured (excluding written off)	(173 450)	(33 868)	(35 964)	(243 282)
Impact on year end ECL of exposures transferred between stages during the year	(45 729)	618	171 470	126 359
Balance at the end of the year	467 661	146 080	743 466	1 357 207

(ii) Trade receivables: residential stand sales

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

The expected loss rate is a significant estimate and has been

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

There was no material change in the impairment allowances on these debtors on transition from IAS 39 to IFRS 9 at 1 January 2018. However, due to significant increases in inflation rates at the end of the year, there was a significant reduction in the expected loss rate due to the inverse relationship established between inflation and expected losses on the stand sales debtors' book. The residential stand sales debtors are analysed below:

As at 31 December 2018	Stage 2 Lifetime ECL \$	Stage 3 Lifetime ECL \$	Total \$
Residential stand sales debtors			
Performing	30 766 840	-	30 766 840
Overdue	572 276	-	572 276
Default	-	1 440 264	1 440 264
Gross carrying amount	31 339 116	1 440 264	32 779 380
Expected credit loss on residential stand sales debtors	(683 807)	(463 272)	(1 147 079)
Net carrying amount	30 655 309	976 992	31 632 301

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

FIDELITY LIFE ASSURANCE OF ZIMBABWE LIMITED

Notes to the consolidated and separate financial statements (Cont'd)
for the year ended 31 December 2018

9. TRADE AND OTHER RECEIVABLES (continued)

9.1 Impairment - Expected Credit Loss Models (continued)

(ii) Trade receivables: residential stand sales

	Stage 2 Lifetime ECL \$	Stage 3 Lifetime ECL \$	Total \$
As at 31 December 2018			
Balance at the beginning of the year - calculated under IAS 39	27 353 436	2 209 978	29 563 414
IFRS 9 Adjustment - restated through retained earnings	-	-	-
Opening loss allowance as at 1 January 2018 – calculated under IFRS 9	27 353 436	2 209 978	29 563 414
New receivables	2 967 308	375 000	3 342 308
Receivables derecognised or matured (excluding written off)	(68 734)	(1 718 487)	(1 787 221)
Impact on year end ECL of exposures transferred between stages during the year	1 087 106	573 773	1 660 879
Balance at the end of the year	31 339 116	1 440 264	32 779 380

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

	Stage 2 Lifetime ECL \$	Stage 3 Lifetime ECL \$	Total \$
Balance at the beginning of the year - calculated under IAS 39	546 854	2 009 095	2 555 949
IFRS 9 Adjustment - restated through retained earnings	-	-	-
Opening loss allowance as at 1 January 2018 – calculated under IFRS 9	546 854	2 009 095	2 555 949
Allowances written off on uncollectable receivables	-	-	-
New allowances originated	137 548	10 500	148 048
Allowances derecognised or matured (excluding written off)	(3 230)	(27 592)	(30 822)
Impact on year end ECL of exposures transferred between stages during the year	2 635	(1 528 731)	(1 526 096)
Balance at the end of the year	683 807	463 272	1 147 079

(iii) Cash and short term deposits

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

As the deposits are for periods less than 3 months, no significant increases in credit risk were noted as at 1 January 2018 and over the course of the year. As such, the cash and short term deposits were classified within Stage 1, prompting a 12 month expected credit loss assessment per IFRS 9. The probability of default on these instruments was assessed as insignificant due to their short tenure, resulting in an immaterial ECL which has not been recognised.

(iv) Debt securities at amortised cost

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

(v) Insurance debtors

Insurance debtors were assessed to be outside the scope of IFRS 9's requirements. As such, the impairment allowance for insurance debtors continues to be measured on an incurred loss model. There were therefore no changes in the measurement of the impairment allowance on insurance debtors.

FIDELITY LIFE ASSURANCE OF ZIMBABWE LIMITED

Notes to the consolidated and separate financial statements (Cont'd)
for the year ended 31 December 2018

9. TRADE AND OTHER RECEIVABLES (continued)

9.1 Impairment - Expected Credit Loss Models (continued)

vi) Related party receivables

Expected credit losses on related party receivables were assessed as immaterial, with the exception of receivables from Fidelity Funeral Assurance (FFA) which are fully impaired in the Company's financial statements. The expected loss on the receivables from FFA is reversed in the consolidation process and therefore has no impact on the Group results.

10. INVENTORIES

	GROUP		COMPANY	
	2018 \$	2017 \$	2018 \$	2017 \$
Projects under development	1 927 439	12 555 723	1 927 439	12 555 723
Land inventory	22 300 000	22 300 000	-	-
Residential stands	440 750	764 278	440 750	764 278
Consumables	20 552	8 496	-	-
	24 688 741	35 628 497	2 368 189	13 320 001

Inventories recognised as an expense during the year ended 31 December 2018 amounted to \$10,797,363 (2017: \$15,882,554). During the year inventory related costs amounting to \$7,130,190 were written off due to completion of sale of stands arising from Southview project development activities. These are shown in the statement of profit or loss and other comprehensive income as project development costs.

Land inventory with a value of US\$22,300,000 was pledged as security for borrowings of \$10,636,297 (2017: \$13,320,000) with FBC Bank, CBZ Bank, Standard Chartered Bank, IDBZ Bank and Agribank. This is also disclosed in Note 15.1.

The land inventory is held by Langford Estates 1962 (Private) Limited, a subsidiary in which the Company owns 81%

shareholding. The shareholding in Langford was acquired as part of a debt assumption transaction with CFI Holdings Limited in the year ended 31 December 2015. The disposal of the Langford Estates shares to Fidelity Life Assurance is currently being contested by some shareholders of CFI Holdings Limited. The matter is still in the courts.

As a consequence of this pending legal matter, no development activity has yet occurred on the land bank.

There were no borrowing costs capitalised during the current financial year (2017: \$215,334). The capitalisation rate used to determine borrowing costs eligible for capitalisation in prior year was 10.74 % per annum.

11. FINANCIAL ASSETS

11.1 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	GROUP		COMPANY	
	2018 \$	2017 \$	2018 \$	2017 \$
Balance at the beginning of the year	12 738 977	5 847 751	11 798 300	5 171 829
Additions	724 358	862 177	431 516	845 532
Fair value adjustments - through investment contract liabilities	157 714	1 769 986	157 714	1 769 986
Fair value adjustments - through profit or loss	3 172 607	4 536 392	2 836 858	4 217 367
Exchange loss	(4 205)	-	-	-
Disposals	(1 585 555)	(277 329)	(1 585 555)	(206 414)
Balance at the end of the year	15 203 896	12 738 977	13 638 833	11 798 300

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.

FIDELITY LIFE ASSURANCE OF ZIMBABWE LIMITED

Notes to the consolidated and separate financial statements (Cont'd)
for the year ended 31 December 2018

11. FINANCIAL ASSETS (continued)

11.2 DEBT SECURITIES AT AMORTISED COST

	GROUP		COMPANY	
	2018 \$	2017 \$	2018 \$	2017 \$
Balance at the beginning of the year	830 100	781 954	830 100	781 954
Additions	1 490 909	48 146	800 522	48 146
Maturities	-	-	-	-
Balance at the end of the year	2 321 009	830 100	1 630 622	830 100

Debt securities at amortised cost include development bonds and treasury bills that carry prescribed asset status. Interest rates on these instruments range from 5% to 12%. 63% of the bonds will have matured by 31 December 2020, 31% by 31 December 2021 and the remaining 6% extend as far as 2026. Further disclosure on prescribed assets is provided in Note 38.

12. CASH AND DEPOSITS WITH BANKS

	GROUP		COMPANY	
	2018 \$	2017 \$	2018 \$	2017 \$
Money market investments	6 367 618	5 393 140	1 162 402	1 468 226
Bank and cash	2 777 061	2 408 542	2 112 269	1 471 426
Cash and cash equivalents	9 144 679	7 801 682	3 274 671	2 939 652
Restricted cash	377 750	-	377 750	-
Cash and deposits with banks	9 522 429	7 801 682	3 652 421	2 939 652

Restricted cash refers to a fixed deposit kept by First Capital Bank Zimbabwe as security for a loan received from First Capital Bank Malawi. The lien over the cash deposit runs for the tenure of the loan, which is currently 3 years, as disclosed in Note 15.

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

13. SHARE CAPITAL

	GROUP		COMPANY	
	2018 \$	2017 \$	2018 \$	2017 \$
Authorised share capital				
200,000,000 ordinary shares of \$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 \$0.01 each	1 089 233	1 089 233	1 089 233	1 089 233

13.1 Rights issue proceeds from non-controlling interest

Vanguard Life Assurance, the Company's foreign subsidiary, completed a rights issue during 2018. In participating in the rights issue, non-controlling interests injected cash amounting US\$229,456 into the subsidiary, as reflected in the statement of changes in equity.

13.2 Fidelity Funeral Assurance change in ownership

The Company acquired an additional interest in Fidelity Funeral Assurance, one of its subsidiary. The Group's shareholding in the subsidiary increased from 66.68% to 90.58%. The Company therefore maintained control over the subsidiary. The subsidiary currently carries negative equity but is a strategic asset in servicing the funeral assurance book in FLA.

FIDELITY LIFE ASSURANCE OF ZIMBABWE LIMITED

Notes to the consolidated and separate financial statements (Cont'd)
for the year ended 31 December 2018

13. SHARE CAPITAL (continued)

13.2 Fidelity Funeral Assurance change in ownership (continued)

The cash flow impact of the acquisition was as follows:

Owners' equity held by FLA after the acquisition of additional interest

Owners' equity held by FLA before the acquisition of additional interest

Decrease in FLA owners' equity through the acquisition of additional interest

Loss recognised directly in equity

Fair value of the consideration paid by FLA for new shares acquired (cash flow)

	GROUP		COMPANY	
	2018	2017	2018	2017
	\$	\$	\$	\$
Owners' equity held by FLA after the acquisition of additional interest	(146 420)	-	-	-
Owners' equity held by FLA before the acquisition of additional interest	(107 786)	-	-	-
Decrease in FLA owners' equity through the acquisition of additional interest	(38 634)	-	-	-
Loss recognised directly in equity	148 672	-	-	-
Fair value of the consideration paid by FLA for new shares acquired (cash flow)	110 038	-	-	-

14. INSURANCE AND INVESTMENT CONTRACT LIABILITIES

14.1 Insurance contract liabilities and investment contract liabilities with discretionary participation features

Balance at the beginning of the year

Change in life assurance policyholder liabilities for the year

Movement through profit or loss

Movement through other comprehensive income

Split out of investment contract liabilities without DPF

Exchange rate movement on foreign operations

	59 950 625	48 110 232	54 079 072	44 182 834
Change in life assurance policyholder liabilities for the year	7 118 585	11 840 393	3 883 167	9 896 238
Movement through profit or loss	6 933 252	15 403 537	3 664 353	13 382 992
Movement through other comprehensive income	227 814	-	218 814	-
Split out of investment contract liabilities without DPF	-	(3 486 754)	-	(3 486 754)
Exchange rate movement on foreign operations	(42 481)	(76 390)	-	-
Balance at the end of the year	67 069 210	59 950 625	57 962 239	54 079 072

14.2 Investment contracts without discretionary participation features

Balance at the beginning of the year

Split out from insurance contract liabilities

Fair value gains from equities

Fair value gains from investment properties

Other investment income

Net cash flow

Gross premium income

Gross benefits and claims paid

Investment expenses

	5 076 181	-	5 076 181	-
Split out from insurance contract liabilities	-	3 486 754	-	3 486 754
Fair value gains from equities	157 714	1 769 986	157 714	1 769 986
Fair value gains from investment properties	225 989	-	225 989	-
Other investment income	252 503	-	252 503	-
Net cash flow	(87 974)	(180 559)	(87 974)	(180 559)
Gross premium income	146 868	500 405	146 868	500 405
Gross benefits and claims paid	(135 987)	(655 251)	(135 987)	(655 251)
Investment expenses	(98 855)	(25 713)	(98 855)	(25 713)
Balance at the end of the year	5 624 413	5 076 181	5 624 413	5 076 181

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

FIDELITY LIFE ASSURANCE OF ZIMBABWE LIMITED

Notes to the consolidated and separate financial statements (Cont'd)
for the year ended 31 December 2018

15. BORROWINGS

15.1 LONG-TERM BORROWINGS

	GROUP		COMPANY	
	2018 \$	2017 \$	2018 \$	2017 \$
FBC Bank Limited	6 731 744	8 440 000	6 731 744	8 440 000
Infrastructure Development Bank of Zimbabwe	2 086 531	2 600 000	2 086 531	2 600 000
Standard Chartered Bank of Zimbabwe Limited	1 278 422	1 600 000	1 278 422	1 600 000
Agribank Limited	539 600	680 000	539 600	680 000
NMB Bank Limited	10 225 584	-	10 225 584	-
First Capital Bank Malawi	338 486	-	338 486	-
	21 200 367	13 320 000	21 200 367	13 320 000
Current portion of long-term borrowings	(4 969 393)	-	(4 969 393)	-
Non-current portion of long term borrowings	16 230 974	13 320 000	16 230 974	13 320 000

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 loans, issued by these banks amounting to \$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 and have a tenor of 7 years ending 30 June 2022. The debt assumption came with a 2-year principal repayment grace period which ended 30 June 2018. The first principal repayment was due in July 2018 and was settled accordingly. The loans are secured through a mortgage bond over land inventory. This is also disclosed in Note 10.

NMB Bank Limited Facility

The loan with NMB Bank was acquired to enable settlement of the Redeemable Bonds disclosed in Note 15.2. The NMB loan accrues interest at 10% per annum and has fixed monthly repayments to 31 January 2023. The facility is secured through

a first mortgage bond over property valued at US\$3.9m and cession of residential stand sales receivables worth \$12m.

First Capital Bank Malawi

The Company partly financed its participation in the rights issue called by Vanguard Life Assurance through a loan facility with First Capital Bank Malawi. The loan is denominated in Malawi Kwacha and accrues interest at 23% per annum. The interest rate is subject to variation at the bank's discretion and is influenced by bank rates advised by the Reserve Bank of Malawi from time to time. The facility is repayable in equal monthly instalments to 31 December 2021 and is secured by a lien over cash amounting to 110% of the facility amount which is kept in deposit with First Capital Bank Zimbabwe for the duration of the facility (Note 12).

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

15.2 CURRENT BORROWINGS

	GROUP		COMPANY	
	2018 \$	2017 \$	2018 \$	2017 \$
Redeemable bond	-	8 213 478	-	8 213 478
African Banking Corporation of Zimbabwe Limited (BancABC)	-	2 178 210	-	2 178 210
CBZ Bank Limited	-	535 472	-	535 472
Zimre Holdings Limited	458 333	-	-	-
Current portion of non-current borrowings	4 969 393	-	4 969 393	-
	5 427 726	10 927 160	4 969 393	10 927 160

FIDELITY LIFE ASSURANCE OF ZIMBABWE LIMITED

Notes to the consolidated and separate financial statements (Cont'd)
for the year ended 31 December 2018

15. BORROWINGS (continued)

15.2 CURRENT BORROWINGS (continued)

African Banking Corporation of Zimbabwe Limited (BancABC) facility

The bankers' acceptance with BancABC expired on 31 March 2018. The facility was settled during the current financial year.

Redeemable bond

The bonds were redeemable at par on 30 June 2017 but were rolled over to 31 March 2018. The bonds were paid off during the current financial year.

Zimre Holdings Loan

The loan with Zimre Holdings was acquired as a line-of-credit for the micro-finance business to increase the unit's lending capacity. The loan accrues interest at 12% per annum on a one year tenure.

15.3 MOVEMENT IN BORROWINGS

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

	GROUP		COMPANY	
	2018 \$	2017 \$	2018 \$	2017 \$
Balance at the beginning of the year	24 247 160	29 322 758	24 247 160	29 322 758
Net cash out flow on borrowings	(2 588 460)	(5 075 598)	(3 046 793)	(5 075 598)
Proceeds from borrowings	12 445 150	2 300 000	11 945 150	2 300 000
Repayment of borrowings	(15 033 610)	(7 375 598)	(14 991 943)	(7 375 598)
Non-cash movement in borrowings	-	-	-	-
Balance at the end of the year	21 658 700	24 247 160	21 200 367	24 247 160
Current borrowings	5 427 726	10 927 160	4 969 393	10 927 160
Non-current borrowings	16 230 974	13 320 000	16 230 974	13 320 000
Borrowings at 31 December	21 658 700	24 247 160	21 200 367	24 247 160

16. FINANCE LEASE OBLIGATIONS

The Group leased motor vehicles with a net carrying value of US\$99,857 (2017: US\$nil). The transaction was generally classified as a finance lease since the lease periods approximated the estimated useful economic lives of the motor vehicles and the Group has a right to purchase the motor vehicles outright at the end of the minimum lease term by paying a nominal amount.

	Minimum lease payments US\$	Interest payments US\$	Present value US\$
2018			
Not later than one year	46 851	16 173	30 678
Between one year and five years	58 564	8 397	50 167
Later than five years	-	-	-
	105 415	24 570	80 845
Current liabilities			(30 678)
Non-current liabilities			(50 167)
			(80 845)
2017			
Not later than one year	-	-	-
Between one year and five years	-	-	-
Later than five years	-	-	-
	-	-	-
Current liabilities			-
Non-current liabilities			-

FIDELITY LIFE ASSURANCE OF ZIMBABWE LIMITED

Notes to the consolidated and separate financial statements (Cont'd)
for the year ended 31 December 2018

17. DEFERRED INCOME TAX

17.1 DEFERRED TAX ASSET

Other temporary differences

Total

GROUP		COMPANY	
2018	2017	2018	2017
\$	\$	\$	\$
6 228	966	6 228	-
6 228	966	6 228	-

Analysis of movements in deferred tax assets:

Balance at the beginning of the year

Movement through profit or loss

Movement through other comprehensive income

Exchange rate movements

Balance at the end of the year

966	758 396	-	618 808
5 262	(757 430)	6 228	(618 808)
-	-	-	-
-	-	-	-
6 228	966	6 228	-

17.2 DEFERRED TAX LIABILITY

Property and equipment

Investment property

Provisions

Total

223 868	231 009	126 146	126 147
380 674	310 061	-	-
(21 392)	(8 950)	-	-
583 150	532 120	126 146	126 147

Reconciliation

Balance at the beginning of the year

Movement through profit or loss

Movement through other comprehensive income

IFRS 9 adjustment

Exchange rate movements

Balance at the end of the year

532 120	345 554	126 147	126 147
249 623	199 448	(1)	-
(49)	1 871	-	-
(196 357)	-	-	-
(2 187)	(14 753)	-	-
583 150	532 120	126 146	126 147

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 in relation to fair value adjustments on the Company's investment property, property and equipment and equities, which value would be realised through sale of the assets.

17.3 DEFERRED INCOME TAX IMPACT ON PROFIT OR LOSS

Decrease/(Increase) in deferred tax asset through profit or loss

Increase in deferred tax liability through profit or loss

Deferred income tax charge/(credit) included in profit or loss

GROUP		COMPANY	
2018	2017	2018	2017
\$	\$	\$	\$
(5 262)	757 430	(6 228)	618 808
249 623	199 448	-	-
244 361	956 878	(6 228)	618 808

18. TRADE AND OTHER PAYABLES

Trade payables

Related party payables (Note 34.3.2)

Deferred income from sale of residential stands

Statutory liabilities

Other payables

6 070 911	4 475 232	5 110 706	3 599 813
1 902 598	1 670 516	2 112 535	1 941 008
3 625 854	4 972 690	3 625 854	4 972 690
1 057 354	1 286 184	1 057 354	1 286 184
4 358 938	6 993 474	3 701 553	6 922 402
17 015 655	19 398 096	15 608 002	18 722 097

FIDELITY LIFE ASSURANCE OF ZIMBABWE LIMITED

Notes to the consolidated and separate financial statements (Cont'd)
for the year ended 31 December 2018

18. TRADE AND OTHER PAYABLES (continued)

Trade payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually due within 30 days of invoice or statement date. Other payables mainly relate to accrued finance costs, accrued value added tax, accrued staff expenses and accrued audit fees

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method. As these are mostly payable within twelve months of provision of the goods or services, the impact of discounting is not expected to be material. Their carrying amounts are considered to be the same as their fair values, due to their short-term nature.

19. GROSS PREMIUMS WRITTEN

	GROUP		COMPANY	
	2018 \$	2017 \$	2018 \$	2017 \$
Employee benefits income				
Annuity consideration	5 347 292	3 076 013	3 154 181	1 938 298
Recurring premiums	6 250 532	4 637 582	4 740 320	3 610 562
New business premiums	1 101 886	374 096	1 019 362	353 962
Single premiums	896 577	684 717	799 292	623 451
	13 596 287	8 772 408	9 713 155	6 526 273
Individual life income				
Life premiums	5 168 231	3 770 594	3 370 734	2 524 615
Funeral premiums	1 652 800	1 699 493	1 652 801	1 699 493
Single premiums	70 250	1 750	70 250	1 750
	6 891 281	5 471 837	5 093 785	4 225 858
Gross Premiums	20 487 568	14 244 245	14 806 940	10 752 131

20. FEES AND COMMISSION INCOME

Brokerage fees	53 109	50 578	45 580	50 578
Reassurance commission	79 150	82 257	79 150	82 257
Management fees	1 291 540	965 779	981 585	857 387
	1 423 799	1 098 614	1 106 315	990 222

21. INVESTMENT INCOME

Interest income	575 700	830 859	116 055	268 545
Dividend income	175 219	37 687	153 050	1 753 705
Other investment income	-	75 254	-	1 950
	750 919	943 800	269 105	2 024 200

22. OTHER OPERATING INCOME

Actuarial fees	120 924	99 850	-	-
Management fees	724	170 540	104 451	33 773
Rental and other property income	338 015	325 883	164 545	230 135
Profit on disposal of motor vehicles	98 833	-	98 833	-
Gain on disposal of investment property	595 441	45 320	595 441	45 320
Bad debts recovered	2 550 000	-	2 550 000	-
Debtors impairment allowance reduction	610 664	-	610 664	-
Loan establishment and administration fee income	452 000	-	-	-
Sundry	1 194 564	583 471	431 936	309 290
	5 961 165	1 225 064	4 555 870	618 518

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

FIDELITY LIFE ASSURANCE OF ZIMBABWE LIMITED

Notes to the consolidated and separate financial statements (Cont'd)
for the year ended 31 December 2018

23. FEE AND COMMISSION EXPENSES AND OTHER ACQUISITION COSTS

	GROUP		COMPANY	
	2018 \$	2017 \$	2018 \$	2017 \$
Fee and commission expenses - gross	988 315	809 619	596 851	554 813
Increase in deferred acquisition costs	(254 862)	(526 384)	-	-
Amortisation of deferred acquisition costs	271 789	580 211	-	-
Fee and commission expenses - net	1 005 242	863 446	596 851	554 813
Other acquisition costs	501	733	500	733
	1 005 743	864 179	597 351	555 546

24. OPERATING AND ADMINISTRATIVE EXPENSES

Staff costs	5 955 871	4 737 313	4 223 626	3 334 803
Auditors' remuneration	359 101	203 637	283 758	152 616
Directors' remuneration - fees	137 649	170 200	106 806	149 750
- other services	15 966	7 103	-	-
Depreciation of property and equipment	1 074 442	1 050 621	875 958	881 897
Computer and data expenses	146 865	151 295	81 612	107 803
Marketing expenses	470 815	290 818	299 744	177 894
Actuarial, legal and other professional fees	1 235 890	558 182	1 037 166	554 059
Motor vehicle maintenance costs	284 398	255 183	173 984	180 931
Amortisation of intangible assets	51 892	75 554	283	9 329
Allowance for credit losses	1 816 959	5 882 734	1 273 071	5 816 702
Bad debts written off	411 454	2 051 093	347 259	1 201 487
Other	3 361 729	1 890 512	2 546 662	1 152 057
	15 323 031	17 324 245	11 249 929	13 719 328

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

25. FINANCE COSTS

	GROUP		COMPANY	
	2018 \$	2017 \$	2018 \$	2017 \$
Interest expense - debt assumed on Langford acquisition (Note 15.1)	1 260 102	1 397 026	1 260 102	1 397 026
Interest expense - debt related to Southview project (Note 15)	763 335	-	763 335	-
Loan draw down fees	262 053	-	262 053	-
Other interest expenses	271 432	278 671	205 323	347 136
Total finance costs	2 556 923	1 675 697	2 490 814	1 744 162

In previous years, interest expenses related to the Southview project were capitalised to inventory as development activities were still in progress. Refer to note 10 for further detail. In 2018, these costs have been expensed to the statement of profit or loss and other comprehensive income.

FIDELITY LIFE ASSURANCE OF ZIMBABWE LIMITED

Notes to the consolidated and separate financial statements (Cont'd)
for the year ended 31 December 2018

26. INCOME TAX EXPENSE/(CREDIT)

	GROUP		COMPANY	
	2018 \$	2017 \$	2018 \$	2017 \$
Current	2 666 477	1 027 556	1 810 944	454 913
Deferred	244 361	956 878	(6 228)	618 808
	2 910 838	1 984 434	1 804 716	1 073 721
Tax rate reconciliation				
Accounting profit	2 296 296	693 591	(25 556)	1 017 495
Tax at Zimbabwe statutory rate of 25.75%	591 296	245 830	(6 581)	262 005
Tax effect of amounts not deductible/(taxable) in calculating taxable income:				
Items not deductible for tax:				
Allowance for credit losses	-	1 514 804	-	1 497 801
Asset write-offs not allowable for tax	-	1 474 725	-	1 474 725
Other disallowable expenses	484 095	533 994	30 506	-
Non-taxable items:				
Differences arising from movements in unrealised fair value (gains)/ losses	-	(1 920 480)	-	(1 781 562)
Dividend income	-	(9 704)	-	(451 579)
Other non-taxable income	(31 516)	(25 163)	(8 656)	-
Other adjustments:				
Impairment of Section 17 allowances not claimed	-	618 808	-	618 808
Differences arising from 8th schedule tax for life assurance	248 868	(546 477)	248 868	(546 477)
Deferral of unutilised tax losses	75 938	128 089	-	-
Difference in tax rate applied in foreign jurisdiction	1 578	(29 992)	-	-
Income tax penalties provisions	1 540 579	-	1 540 579	-
	2 910 838	1 984 434	1 804 716	1 073 721

27. EARNINGS PER SHARE (EPS)

Basic earnings per share

Numerator

Loss for the year attributable to owners of the parent and losses used in EPS

(600 623)	(1 007 896)	(1 830 272)	(56 226)
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Denominator

Weighted number of ordinary shares in issue

Less: Shares purchased for the Employee Share Ownership Plan

Add: shares allocated to employees under the Share Ownership Plan

108 923 291	108 923 291	108 923 291	108 923 291
(4 775 618)	(4 775 618)	(4 775 618)	(4 775 618)
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
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Less: Dilutive adjusting effects

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

107 919 548	107 919 548	107 919 548	107 919 548
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27.1 Basic loss per share (cents)

(0.56)	(0.93)	(1.70)	(0.05)
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27.2 Diluted loss per share (cents)

(0.56)	(0.93)	(1.70)	(0.05)
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FIDELITY LIFE ASSURANCE OF ZIMBABWE LIMITED

Notes to the consolidated and separate financial statements (Cont'd)
for the year ended 31 December 2018

28. CAPITAL EXPENDITURE COMMITMENTS

	GROUP		COMPANY	
	2018 \$	2017 \$	2018 \$	2017 \$
Authorised and contracted for	-	-	-	-
Authorised but not contracted for	3 016 593	1 063 135	950 550	244 611
	3 016 593	1 063 135	950 550	244 611

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

29. MANAGEMENT OF CAPITAL

The Group's objective when managing capital is to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits to other stakeholders. The capital of the Group comprises of reserves and

share capital. The Group's strategy has been to maintain capital that is higher than the minimum required by the regulatory authorities. The Group's compliance with the capital requirements as set out by the regulatory authorities is as follows :

	Capital	Minimum capital requirement	Surplus / (Deficit)
31 December 2018			
Fidelity Life Assurance of Zimbabwe Limited	(16 734 323)	5 000 000	(21 734 323)
Vanguard Life Assurance Company Limited	1 251 112	1 083 156	167 956
Fidelity Life Asset Management Company (Private) Limited	770 853	500 000	270 853
Fidelity Life Financial Services (Private) Limited	6 037 202	20 000	6 017 202
31 December 2017			
Fidelity Life Assurance of Zimbabwe Limited	(16 204 272)	5 000 000	(21 204 272)
Vanguard Life Assurance Company Limited	780 931	1 020 894	(239 963)
Fidelity Life Asset Management Company (Private) Limited	1 054 669	500 000	554 669
Fidelity Life Financial Services (Private) Limited	5 489 850	20 000	5 469 850

As at 31 December 2018, the regulatory capital position for Fidelity Life Assurance, as defined in Section 24 of the Insurance Act (Chapter 24:07) (the "Insurance Act"), amended by Statutory Instrument 95 of 2017, Insurance (Amendment) Regulations, 2017 (No. 19) ("SI 95 of 2017"), remained largely unchanged. The regulation requires a provider of life and funeral assurance in Zimbabwe to maintain a minimum unencumbered statutory capital (as defined in the Statutory Instrument) of \$5million. Further disclosure on FLA's capital position is included in Note 39. The Company continues to pursue plans disclosed in Note 39 to ensure the Company achieves full compliance in 2020.

During the year ended 31 December 2018, Vanguard Life

Assurance called for a rights issue that allowed the subsidiary to correct the capital requirement deficit disclosed as at 31 December 2017.

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

FIDELITY LIFE ASSURANCE OF ZIMBABWE LIMITED

Notes to the consolidated and separate financial statements (Cont'd)
for the year ended 31 December 2018

29. MANAGEMENT OF CAPITAL (continued)

	GROUP		COMPANY	
	2018 \$	2017 \$	2018 \$	2017 \$
Debt				
Borrowings	21 658 700	24 247 160	21 200 367	24 247 160
Equity				
Capital	8 927 585	9 966 138	63 632	1 869 591
Debt to capital ratio (%)	243%	243%	33317%	1297%

30. FINANCIAL INSTRUMENTS - RISK MANAGEMENT

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

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

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and methods used to measure them. Further quantitative information in respect of these risks is presented throughout these consolidated and separate financial statements.

There have been no substantive changes in the Group's exposure

(i) Financial instruments by category

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

	GROUP		COMPANY	
	Financial assets at fair value through profit or loss \$	Financial assets at amortised cost \$	Financial assets at fair value through profit or loss \$	Financial assets at amortised cost \$
2018				
Trade and other receivables (excluding prepayments and statutory assets)	-	42 007 986	-	34 246 547
Equities at fair value through profit or loss	15 203 896	-	13 638 833	-
Debt securities at amortised cost	-	2 321 009	-	1 630 622
Cash and deposits with banks	-	9 522 429	-	3 652 421
	15 203 896	53 851 424	13 638 833	39 529 590
2017				
Trade and other receivables (excluding prepayments and statutory assets)	-	35 478 645	-	30 611 806
Equities at fair value through profit or loss	12 738 977	-	11 798 300	-
Debt securities at amortised cost	-	830 100	-	830 100
Cash and deposits with banks	-	7 801 682	-	2 939 652
	12 738 977	44 110 427	11 798 300	34 381 558

FIDELITY LIFE ASSURANCE OF ZIMBABWE LIMITED

Notes to the consolidated and separate financial statements (Cont'd)
for the year ended 31 December 2018

30. FINANCIAL INSTRUMENTS - RISK MANAGEMENT (continued)

(i) Financial instruments by category (continued)

Financial liabilities	GROUP		COMPANY	
	2018 \$	2017 \$	2018 \$	2017 \$
Trade and other payables (excluding statutory liabilities and deferred income)	12 332 447	13 139 222	10 924 794	12 463 223
Borrowings	21 658 700	24 247 160	21 200 367	24 247 160
	33 991 147	37 386 382	32 125 161	36 710 383

(ii) Financial instruments not measured at fair value

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

(iii) Financial instruments measured at fair value

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

Group	Level 1		Level 2		Level 3	
	2018 \$	2017 \$	2018 \$	2017 \$	2018 \$	2017 \$
Financial assets						
Equities at fair value through profit or loss	15 203 896	12 738 977	-	-	-	-
Company						
Financial assets						
Equities at fair value through profit or loss	13 638 833	11 798 300	-	-	-	-

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

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

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

General objectives, policies and processes

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

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

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

(a) Credit risk

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

Credit risk from trade and other receivables mainly emanates from residential stand sales debtors and microfinance loans receivable.

FIDELITY LIFE ASSURANCE OF ZIMBABWE LIMITED

Notes to the consolidated and separate financial statements (Cont'd)
for the year ended 31 December 2018

30. FINANCIAL INSTRUMENTS - RISK MANAGEMENT (continued)

(a) Credit risk (continued)

The residential stand debtors are secured by the properties sold on credit by the Group to the respective customers. The microfinance loan book is predominantly comprised of customers in formal employment. A pre-condition of extending such loans is the establishment of an agreement with the employer wherein the employer is obliged to deduct the loans repayments through their monthly payroll process from any of their employees to whom such

loans are extended. Further disclosures regarding the credit quality of trade and other receivables are provided in Note 9.

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

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

	GROUP		COMPANY	
	2018 \$	2017 \$	2018 \$	2017 \$
A	216 458	305 212	50 096	137 346
A+	676 628	14 901	631 264	10 538
AA-	324 227	337 770	314 098	62 315
B+	135 841	60 145	-	2 903
BB-	735 334	433 227	591 125	433 227
BB+	-	544 967	-	280 286
BBB	107	339	107	-
BBB-	-	70 300	-	-
BBB+	498 376	433 274	498 376	433 214
Cash	35 772	1 296	3 817	245
Unrated	6 899 686	5 600 251	1 563 538	1 579 578
	9 522 429	7 801 682	3 652 421	2 939 652

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

At 31 December 2018

Trade and other receivables (excluding prepayments and statutory assets)

Debt securities at amortised cost

Cash and deposits with banks

	Carrying value \$	Maximum exposure \$	Carrying value \$	Maximum exposure \$
Trade and other receivables (excluding prepayments and statutory assets)	42 007 986	42 007 986	34 246 547	34 246 547
Debt securities at amortised cost	2 321 009	2 321 009	1 630 622	1 630 622
Cash and deposits with banks	9 522 429	9 522 429	3 652 421	3 652 421
	53 851 424	53 851 424	39 529 590	39 529 590

At 31 December 2017

Trade and other receivables (excluding prepayments and statutory assets)

Debt securities at amortised cost

Cash and deposits with banks

	Carrying value \$	Maximum exposure \$	Carrying value \$	Maximum exposure \$
Trade and other receivables (excluding prepayments and statutory assets)	35 478 645	35 478 645	30 611 806	30 611 806
Debt securities at amortised cost	830 100	830 100	830 100	830 100
Cash and deposits with banks	7 801 682	7 801 682	2 939 652	2 939 652
	44 110 427	44 110 427	34 381 558	34 381 558

(b) Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its borrowings. It is the risk that the Group will encounter difficulties in meeting its financial obligations as they fall due. In order to mitigate any liquidity

risk that the Group faces, the Group's policy has been throughout the year ended 31 December 2018, 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:-

FIDELITY LIFE ASSURANCE OF ZIMBABWE LIMITED

Notes to the consolidated and separate financial statements (Cont'd)
for the year ended 31 December 2018

30. FINANCIAL INSTRUMENTS - RISK MANAGEMENT (continued)

(b) Liquidity risk (continued)

GROUP

	Up to 3 months \$	Between 3 and 12 months \$	Between 1 and 2 years \$	Over 2 years \$	Total \$
At 31 December 2018					
Trade and other payables (excluding deferred income and statutory liabilities)	12 332 447	-	-	-	12 332 447
Borrowings	898 167	6 395 854	6 537 546	12 432 994	26 264 562
	13 230 613	6 395 854	6 537 546	12 432 994	38 597 008
At 31 December 2017					
Trade and other payables (excluding deferred income and statutory liabilities)	11 034 018	-	2 105 204	-	13 139 222
Borrowings	2 965 060	9 841 774	4 417 527	11 734 800	28 959 161
	13 999 078	9 841 774	6 522 731	11 734 800	42 098 383

COMPANY

At 31 December 2018

Trade and other payables (excluding deferred income and statutory liabilities)	10 924 794	-	-	-	10 924 794
Borrowings	764 894	6 040 899	6 537 546	12 432 994	25 776 333
	11 689 688	6 040 899	6 537 546	12 432 994	36 701 127

At 31 December 2017

Trade and other payables (excluding deferred income and statutory liabilities)	10 358 019	-	2 105 204	-	12 463 223
Borrowings	2 965 060	9 841 774	4 417 527	11 734 800	28 959 161
	13 323 079	9 841 774	6 522 731	11 734 800	41 422 384

(c) Market risk

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

Fair value or cash flow interest rate risk

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

Foreign currency exchange risk

This is the risk that the fair value of the cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. Foreign exchange risks arise from recognized monetary financial assets and liabilities and future commercial transactions, that are not denominated in the functional currency of the Group.

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

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

FIDELITY LIFE ASSURANCE OF ZIMBABWE LIMITED

Notes to the consolidated and separate financial statements (Cont'd)
for the year ended 31 December 2018

30. FINANCIAL INSTRUMENTS - RISK MANAGEMENT (continued)

(c) Market risk (continued)

Foreign currency exchange risk (continued)

Consolidated foreign exchange gap analysis as at 31 December

	2018 MWK US\$ equivalent	2017 MWK US\$ equivalent
Base Currency		
Assets		
Cash and deposits with banks	5 904 725	3 484 368
Loans and receivables	1 423 039	800 374
Total assets	7 327 764	4 284 742
Liabilities		
Trade and other payables	299 397	459 744
Total liabilities	299 397	459 744
Net currency position	7 028 367	3 824 998
Exchange rates as at 31 December	738.58	734.65
Impact of 10% increase in exchange rates		
Assets	666 160	389 522
Liabilities	(27 218)	(41 795)
Net position	638 942	347 727

	2018 10% increase \$	2018 10% decrease \$	2017 10% increase \$	2017 10% decrease \$
Impact of change in exchange rates				
Impact of profit before tax	11 702	(14 302)	(23 735)	29 010
Impact on equity	149 292	(182 468)	70 994	(86 770)

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

Equity price risk

The Group holds some strategic equity investments in other companies and directors believe that the exposure to market price risk from this activity is acceptable in the Group's circumstances. A 10% increase in value of the equity instruments held at the reporting date would, all other variables held constant, have resulted in an increase in retained earnings and net assets of \$1,520,390 (2017: \$1,273,898) for the Group and \$1,363,883 (2017: \$1,179,830) for the Company. A 10% decrease in their value would on the same basis have decreased retained earnings and assets by the same amount.

31. ASSURANCE RISK MANAGEMENT

Insurance risk refers to fluctuations in the timing, frequency, and severity of insured events relative to the expectations at the time of underwriting. Insurance risk can also refer to fluctuations in the timing and amount of claim settlements and reserves. Insurance

risk is historically the single most significant risk area within the Group. The primary assurance activity carried out by the Group assumes the risk of loss from persons or organizations that are directly subject to the risk. Such risks may relate to life, financial or other perils that may arise from an insurable event. As such the Group is exposed to the uncertainty surrounding the timing and severity of claims under the contracts.

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

- Mortality risk – risk of loss arising due to policyholder death experience being different than expected
- Morbidity risk – risk of loss arising due to policyholder health experience being different than expected
- Longevity risk – risk of loss arising due to the annuitant living longer than expected
- Investment return risk – risk of loss arising from actual returns being different than expected
- Expense risk – risk of loss arising from expense experience being different than expected

FIDELITY LIFE ASSURANCE OF ZIMBABWE LIMITED

Notes to the consolidated and separate financial statements (Cont'd)
for the year ended 31 December 2018

31. ASSURANCE RISK MANAGEMENT (continued)

- Policyholder decision risk – risk of loss arising due to policyholder experiences (lapses and surrenders) being different than expected. These risks do not vary significantly in relation to the location of the risk insured by the Group, type of risk insured or by industry.

Life insurance contract liability sensitivity analysis

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

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

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

Base	Change in assumptions (+, increase) (-, decrease)	Impact on liabilities	Impact on profit before tax	Impact on profit after tax
2018				
Mortality	+10%	203 224	(203 224)	52 776
Mortality	-10%	(179 561)	179 561	(46 631)
Lapse	-10%	(319 038)	319 038	(82 852)
Expense	+10%	563 128	(563 128)	146 241
Discount rate	+1%	(1 445 206)	1 445 206	(375 312)
Investment return	+1%	556 677	(556 677)	144 566
2017				
Mortality	+10%	646 884	(646 884)	(428 948)
Mortality	-10%	(305 881)	305 881	202 829
Lapse	-10%	(34 411)	34 411	22 818
Expense	+10%	536 695	(536 695)	(355 882)
Discount rate	+1%	(952 622)	952 622	631 683
Investment return	+1%	(621 054)	621 054	411 820

The above risk exposure is mitigated by the following strategies:

(i) Underwriting strategy

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

(ii) Pricing strategy

The theory of probability is applied to the pricing and provisioning

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

Key assumptions

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

FIDELITY LIFE ASSURANCE OF ZIMBABWE LIMITED

Notes to the consolidated and separate financial statements (Cont'd)
for the year ended 31 December 2018

31. ASSURANCE RISK MANAGEMENT (continued)

Key assumptions

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

Mortality rates

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

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

Longevity

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

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

Investment return and inflation

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

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

Expenses

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

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

Lapse and surrender rates

Lapse relates rates to the termination of policies due to non-payment of premiums. Surrenders relate to the voluntary termination of policies by policyholders. Policy termination assumptions are determined using statistical measures based on the Company's experience and

vary by product type, policy duration and sales trends. For lapses, the Company's actual lapse experience is investigated. The lapse assumption is set based on this assumption but at a level that is expected to be consistent from year to year.

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

Discount rate

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

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

32. FAIR VALUE DISCLOSURES

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

Valuation process - listed equities

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

Valuation process - properties

The Group's properties (investment property, land and buildings) are valued by independent external valuers in order to determine their fair values. Valuations were performed by Bard Real Estate, an accredited independent property valuer, as at 31 December 2018.

Valuations of the Group's commercial and industrial properties were based on comparative and investment methods. The investment method involves the capitalization of expected rental income by an appropriate yield. The comparative approach seeks to ascribe to the subject property a value similar to that achieved in transactions for comparable properties. The comparative method makes use of assessed rental value rates and capitalization rates for similar properties sold and after appropriate adjustments, such rates are applied to each property to determine its value. The valuation is based on market evidence.

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

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

FIDELITY LIFE ASSURANCE OF ZIMBABWE LIMITED

Notes to the consolidated and separate financial statements (Cont'd)
for the year ended 31 December 2018

32. FAIR VALUE DISCLOSURES (continued)

Fair value hierarchy - Group	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$	Total gain/(loss) for the period in statement of profit or loss and other comprehensive income US\$	Total gain/(loss) for the period through investment contract liabilities US\$
					US\$	US\$
31 December 2018						
Commercial	-	-	3 179 477	3 179 477	397 701	-
Residential	-	-	4 783 817	4 783 817	(165 000)	-
Land	-	-	11 765 416	11 765 416	266 427	225 989
Total investment properties	-	-	19 728 710	19 728 710	499 128	225 989
Equities at fair value through profit or loss	15 203 896	-	-	15 203 896	3 172 607	-
Land and buildings	-	-	5 039 640	5 039 640	253 456	-
31 December 2017						
Commercial	-	-	2 775 876	2 775 876	70 000	-
Residential	-	-	2 781 104	2 781 104	4 500	-
Industrial	-	-	830 000	830 000	-	-
Land	-	-	12 730 169	12 730 169	2 847 283	-
Total investment properties	-	-	19 117 149	19 117 149	2 921 783	-
Equities at fair value through profit or loss	12 738 977	-	-	12 738 977	4 536 392	-
Land and buildings	-	-	4 991 481	4 991 481	12 471	12 471

Gains recorded in the statement of profit or loss and other comprehensive income for recurring fair value measurements categorised within level 3 of the fair value hierarchy amount to US\$499,128 (December 2017: US\$2,921,783). Fair value gains of US\$225,989 were recorded directly in investment contract liabilities.

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

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

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

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

FIDELITY LIFE ASSURANCE OF ZIMBABWE LIMITED

Notes to the consolidated and separate financial statements (Cont'd)
for the year ended 31 December 2018

32. FAIR VALUE DISCLOSURES (continued)

Valuation technique	Key unobservable inputs	Class of property valued using this technique	Fair value 31-Dec-2018	Fair value 31-Dec-2017	Inter-relationship between unobservable inputs and key fair value measurement
Income capitalisation	• Rental per square metre	Commercial	3 179 477	2 775 876	Increase or decrease in fair value would result from the following movements in these inputs respectively: • increase or decrease in net rental income • decrease or increase in prime yield • decrease or increase in void rates
	• Prime yield	Industrial	-	830 000	
	• Void rate	Land and buildings (PPE)	-	12 730 169	
Comparative method	• Rate per square metre	Residential	4 783 817	2 781 104	The estimated fair value would increase if prices for comparable properties increased, and decrease if prices for comparable properties decreased.
		Land	11 765 416	12 730 169	

Descriptions and definitions

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

i. Income capitalisation method

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

ii. Comparative method

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

iii. Rent per square metre

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

iv. Void rate

The Group determines the void rate which can be experienced

based on the percentage of estimated vacant space divided by the total lettable area.

v. Prime yield

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

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

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

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

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

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

Analysis of property portfolio	Lettable space m2		% of portfolio	
	December 2018	December 2017	December 2018	December 2017
Sector				
Commercial	9 031	10 367	100.00%	96.83%
Industrial	-	339	-	3.17%
Total	9 031	10 706	100.00%	100.00%

FIDELITY LIFE ASSURANCE OF ZIMBABWE LIMITED

Notes to the consolidated and separate financial statements (Cont'd)
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33. RETIREMENT BENEFITS

33.1 Fidelity Life Pension Fund

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

Contributions were made as follows during the year:

	GROUP		COMPANY	
	2018 \$	2017 \$	2018 \$	2017 \$
Employer's contribution	303 292	373 146	217 244	242 926

33.2 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 \$24.50.

Contributions were made as follows during the year:

	GROUP		COMPANY	
	2018 \$	2018 \$	2018 \$	2018 \$
Employer's contribution	34 081	53 039	24 780	35 348

FIDELITY LIFE ASSURANCE OF ZIMBABWE LIMITED

Notes to the consolidated and separate financial statements (Cont'd)
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34 RELATED PARTY INFORMATION

34.1 Related parties

The following are the related parties of the Company:

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

FIDELITY LIFE ASSURANCE OF ZIMBABWE LIMITED

Notes to the consolidated and separate financial statements (Cont'd)
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34. RELATED PARTY INFORMATION (continued)

34.2 Related party transactions

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

Related party	Nature of transaction	GROUP		COMPANY	
		2018 \$	2017 \$	2018 \$	2017 \$
Income					
Vanguard Life Assurance Company Limited	Management fee income	-	-	103 727	33 773
Vanguard Life Assurance Company Limited	Dividend income	-	-	-	17 283
Fidelity Life Financial Services (Private) Limited	Dividend income	-	-	-	1 716 018
Zimbabwe Insurance Brokers Limited	Pension contributions	21 470	21 470	21 470	21 470
National Social Security Authority (NSSA)	Gross premiums	170 656	161 211	170 656	161 211
Nicoz Diamond Insurance Limited	Pension contributions	-	47 549	-	47 549
Zimre Property Investments Limited	Pension contributions	110 571	129 887	110 571	129 887
Emeritus Reinsurance (Private) Limited	Pension contributions	62 661	59 046	62 661	59 046
Expenses					
Fidelity Life Medical Aid Society	Medical aid contributions	(173 089)	(132 667)	(143 621)	(88 049)
Zimbabwe Actuarial Consultants (Private) Limited	Actuarial fees	-	-	(180 383)	(126 594)

34.3 Related party balances

34.3.1 Related party receivables

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

Fidelity Life Asset Management Company (Private) Limited	-	-	273 309	211 115
Fidelity Life Financial Services (Private) Limited	-	-	73 545	135 863
Fidelity Funeral Assurance Company (Private) Limited	-	-	-	1 572
Fidelity Life Medical Aid Society	289 381	624 330	286 739	420 630
Zimbabwe Actuarial Consultants (Private) Limited	-	-	36 395	130 064
Vanguard Life Assurance Company Limited	-	-	11 341	196 174
	289 381	624 330	681 329	1 095 418

34.3.2 Related party payables

Included in related party payables

Fidelity Life Medical Aid Society	1 902 598	1 670 516	1 376 519	1 763 773
Fidelity Life Financial Services (Private) Limited	-	-	383 412	177 235
Langford Estates 1962 (Private) Limited	-	-	298 948	-
Zimbabwe Actuarial Consultants	-	-	53 656	-
	1 902 598	1 670 516	2 112 535	1 941 008

The amounts due to FLIMAS and FLFS attract interest at a rate of 11% per annum. The loans are payable in equal monthly instalments. The other related party payables are interest free and have no fixed repayment terms. Related party payables are unsecured.

34.4 Compensation to key management

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

FIDELITY LIFE ASSURANCE OF ZIMBABWE LIMITED

Notes to the consolidated and separate financial statements (Cont'd)
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34 RELATED PARTY INFORMATION (continued)

34.4 Compensation to key management

Short term benefits
Post employment benefits
Total

	GROUP		COMPANY	
	2018 \$	2017 \$	2018 \$	2017 \$
Short term benefits	1 692 498	1 234 103	1 556 138	1 018 670
Post employment benefits	156 218	130 727	140 819	94 783
Total	1 848 716	1 364 830	1 696 957	1 113 453

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

34.5 Loans to key management

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

Loans receivable

	GROUP		COMPANY	
	2018 \$	2017 \$	2018 \$	2017 \$
Loans receivable	117 401	599 837	80 799	498 508

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.

34.6 Directors' shareholding

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

F. Ruwende

Number of shares	
2018	2017
348	348

35 SUBSIDIARIES

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

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

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Notes to the consolidated and separate financial statements (Cont'd)
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35 SUBSIDIARIES (continued)

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

Description	Shareholding	
	2018	2017
Fidelity Life Asset Management Company (Private) Limited	96%	96%
Vanguard Life Assurance Company Limited	62%	57%
Zimbabwe Actuarial Consultants (Private) Limited	100%	100%
Fidelity Life Financial Services (Private) Limited	100%	100%
Fidelity Funeral Assurance Company (Private) Limited	91%	67%
Langford Estates (Private) Limited	81%	81%

During the year, the Company increased its shareholding in Fidelity Funeral Assurance Company Limited through acquisition of a 24% stake from another shareholder.

The Company also participated in a rights issue called by Vanguard Life Assurance Company Limited in Malawi. FLA satisfied the requirements of the rights issue on 31 December 2018. Non-participation in the rights issue by other minority shareholders resulted in a change in FLA's shareholding from 57% to 62% as at that date. This new shareholding will affect future financial periods.

36. NON-CONTROLLING INTERESTS

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

Summarised financial information in relation to the NCI of Vanguard Life Assurance Company Limited, before intra-group eliminations, is presented below:

	2018	2017
	US\$	US\$
For the period ended 31 December		
Revenue		
Gross premiums written	5 680 629	3 492 116
Outward reinsurance premiums	(150 113)	(105 530)
Net premiums earned	5 530 516	3 386 586
Fees from fund management and investment contracts	87 446	108 392
Interest income on money market investments	422 830	522 130
Fair value gains on equities at fair value through profit or loss	139 031	179 614
Fair value gains on investment properties	198 601	205 606
Other income	232 152	204 136
Total income	6 610 575	4 606 464
Expenses		
Claims and benefits	(1 565 328)	(1 203 155)
Reinsurance recoveries	21 955	169 750
Net claims and benefits incurred	(1 543 373)	(1 033 405)
Change in life assurance policyholder liabilities	(3 277 900)	(2 020 545)
Fee and commission expenses, and other acquisition costs	(292 296)	(308 633)
Other operating and administrative expenses	(1 366 611)	(1 487 610)
Total expenses	(6 480 180)	(4 850 193)
Profit from operations	130 396	(243 729)
Finance costs	(1 674)	(17 362)
Profit before tax	128 722	(261 091)
Income tax expense	(83 239)	(370 313)
Profit after tax	45 483	(631 404)

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Notes to the consolidated and separate financial statements (Cont'd)
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36 NON-CONTROLLING INTERESTS (continued)

	Vanguard Life		Langford Estates	
	2018 US\$	2017 US\$	2018 US\$	2017 US\$
Profit attributable to NCI	19 558	(271 504)	(18 606)	-
Other comprehensive income allocated to NCI	(1 096)	(1 453)	-	-
Total comprehensive income allocated to NCI	18 462	(272 957)	(18 606)	-
Cash flows from operating activities	969 751	9 112	-	-
Cash flows from investing activities	(266 603)	(267 998)	-	-
Cash flows from financing activities	345 570	918 020	-	-
Net cash flows attributable to NCI	1 048 718	659 134	-	-
Assets:				
Property and equipment	447 245	221 242	-	-
Investment property	2 368 294	2 181 980	-	-
Intangible assets	149 101	19 448	-	-
Deferred acquisition costs	159 278	177 089	-	-
Inventories	-	-	22 300 000	22 300 000
Trade and other receivables	1 423 039	800 374	298 948	298 948
Financial assets at fair value through profit or loss	912 352	579 362	-	-
Cash and cash equivalents	5 904 725	3 484 368	-	-
	11 364 034	7 463 863	22 598 948	22 598 948
Liabilities:				
Life assurance policyholder liabilities	9 106 972	5 871 555	-	-
Deferred tax	365 937	308 150	-	-
Trade and other payables	299 397	459 744	395 701	77 244
Finance lease obligation	80 845	-	-	-
Income tax liability	-	43 484	-	-
	9 853 151	6 682 933	395 701	77 244
Accumulated non-controlling interests	354 262	335 800	4 269 994	4 288 600

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 90% (2017: 93%) of the Group's external revenue.

Microlending

This segment is involved in consumer loans, business loans and loans to farmers. It accounts for 8% (2017: 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. These are individually immaterial and reported as other.

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

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

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

FIDELITY LIFE ASSURANCE OF ZIMBABWE LIMITED

Notes to the consolidated and separate financial statements (Cont'd)
for the year ended 31 December 2018

37. SEGMENT REPORTING (continued)

Measurement of operating segment profit or loss, assets and liabilities

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

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

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

2018	Insurance \$	Micro lending \$	Other \$	Group \$
Total revenue	48 367 703	4 268 045	1 256 017	53 891 765
Inter-segment revenue	(136 285)	(48 954)	(257 671)	(442 910)
Total revenue from external customers	48 231 418	4 219 091	998 346	53 448 855
Total benefits, claims and other expenses	(47 746 955)	(2 134 020)	(1 271 584)	(51 152 559)
Profit before tax	484 463	2 085 071	(273 238)	2 296 296
Depreciation of property and equipment	971 471	23 750	79 221	1 074 442
Amortisation of intangible assets	4 311	40 663	6 918	51 892
Amortisation of deferred acquisition costs	271 789	-	-	271 789
Finance costs	2 443 533	113 390	-	2 556 923
Fair value gains on equities	2 975 888	26 224	170 495	3 172 607
Fair value gains on investment property	409 799	45 000	44 329	499 128
Income tax expense	1 887 956	1 000 763	22 119	2 910 838
Additions to non-current assets	3 519 681	26 080	39 427	3 585 188
Reportable segment non-current assets	43 571 205	456 796	913 947	44 941 948
Reportable segment current assets	45 891 046	7 922 671	23 969 861	77 783 578
Reportable segment liabilities	109 960 667	2 342 265	1 495 009	113 797 941
Cash flows from operating activities	6 374 894	(1 033 340)	(7 304)	5 334 250
Cash flows from investing activities	1 442 444	(26 080)	(121 709)	1 294 655
Cash flows from financing activities	(5 881 060)	458 333	-	(5 422 727)
2017				
Total revenue	54 205 843	3 259 413	849 374	58 314 630
Inter-segment revenue	(1 806 680)	(171 359)	(389 588)	(2 367 627)
Total revenue from external customers	52 399 163	3 088 054	459 786	55 947 003
Total benefits claims and other expenses	(52 854 718)	(1 667 454)	(731 240)	(55 253 412)
Profit before tax	(455 555)	1 420 600	(271 454)	693 591
Depreciation of property and equipment	932 907	16 503	101 212	1 050 622
Amortisation of intangible assets	27 972	40 662	6 920	75 554
Amortisation of deferred acquisition costs	580 211	-	-	580 211
Finance costs	1 590 164	85 533	-	1 675 697
Fair value gains on equities	4 396 981	39 185	100 226	4 536 392
Fair value gains on investment property	2 906 926	40 000	(25 143)	2 921 783
Income tax expense	1 444 034	522 476	17 924	1 984 434
Additions to non-current assets	293 367	60 514	24 928	378 809
Reportable segment non-current assets	44 144 597	450 128	922 021	45 516 746
Reportable segment current assets	44 423 112	6 145 655	23 584 156	74 152 923
Reportable segment liabilities	107 571 957	1 105 932	1 025 642	109 703 531
Cash flows from operating activities	5 365 749	2 318 787	150 325	7 834 861
Cash flows from investing activities	602 365	(60 514)	(13 089)	528 762
Cash flows from financing activities	(4 748 576)	(2 018 845)	-	(6 767 421)

FIDELITY LIFE ASSURANCE OF ZIMBABWE LIMITED

Notes to the consolidated and separate financial statements (Cont'd)
for the year ended 31 December 2018

37. SEGMENT REPORTING (continued)

GEOGRAPHICAL INFORMATION

2018

Revenue

Total revenue

Inter-segment revenue

Total revenue from external customers

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

Depreciation of property and equipment
Amortisation of intangible assets
Amortisation of deferred acquisition costs
Finance costs
Fair value adjustments on equities
Fair value adjustments on investment property
Income tax expense

Segment profit before tax

Cash flows from operating activities
Cash flows from investing activities
Cash flows from financing activities

2017

Revenue

Total revenue

Inter-segment revenue

Total revenue from external customers

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

Depreciation of property and equipment
Amortisation of intangible assets
Amortisation of deferred acquisition costs
Finance costs
Fair value adjustments on equities
Fair value adjustments on investment property
Income tax expense

Segment profit before tax

Cash flows from operating activities
Cash flows from investing activities
Cash flows from financing activities

2018

Additions to non-current assets
Reportable segment non-current assets
Reportable segment current assets
Reportable segment liabilities

2017

Additions to non-current assets
Reportable segment non-current assets
Reportable segment current assets
Reportable segment liabilities

	Zimbabwe \$	Malawi US\$	Total \$
47 019 295	6 610 575	53 629 870	
(181 015)	-	(181 015)	
46 838 280	6 610 575	53 448 855	
46 838 280	6 610 575	53 448 855	
978 929	95 513	1 074 442	
47 863	4 029	51 892	
-	271 789	271 789	
2 555 249	1 674	2 556 923	
3 033 576	139 031	3 172 607	
300 527	198 601	499 128	
2 827 599	83 239	2 910 838	
2 167 574	128 722	2 296 296	
3 165 081	2 169 169	5 334 250	
1 909 440	(614 785)	1 294 655	
(6 307 225)	884 498	(5 422 727)	
51 374 312	4 606 464	55 980 776	
(33 773)	-	(33 773)	
51 340 539	4 606 464	55 947 003	
51 340 539	4 606 464	55 947 003	
999 563	51 059	1 050 622	
56 910	18 644	75 554	
-	580 211	580 211	
1 658 335	17 362	1 675 697	
4 356 778	179 614	4 536 392	
2 716 177	205 606	2 921 783	
1 614 121	370 313	1 984 434	
954 682	(261 091)	693 591	
6 342 998	1 491 863	7 834 861	
601 088	(72 326)	528 762	
(6 861 926)	94 505	(6 767 421)	
3 127 631	457 556	3 585 187	
41 977 309	2 964 639	44 941 948	
69 252 854	8 530 724	77 783 578	
103 944 791	9 853 150	113 797 941	
303 210	75 599	378 809	
43 094 077	2 422 669	45 516 746	
69 111 729	5 041 194	74 152 923	
103 020 598	6 682 933	109 703 531	

FIDELITY LIFE ASSURANCE OF ZIMBABWE LIMITED

Notes to the consolidated and separate financial statements (Cont'd)
for the year ended 31 December 2018

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 Company's investment in such assets is summarised below:-

Counterparty	2018 \$	2017 \$
Development bonds		
Inventories - Projects under development	707 497	830 000
Receivables from Southview	1 927 439	12 555 723
	<u>24 574 757</u>	<u>22 917 578</u>
Total assets	102 081 013	104 120 248
Percentage of total assets	27%	35%

39 COMPLIANCE WITH INSURANCE REGULATIONS 1989 (SECTION 3 AND 8)

Statutory Instrument 95 of 2017, Insurance (Amendment) Regulations 2017 (19)

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

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

Section 3 (1) (a)

The minimum unencumbered capital requirement for an insurer for registration or ongoing operations shall be the equivalent of Five Million (\$5m) United States Dollars in the case of an insurer which carries on life assurance business including funeral assurance.

	2018 \$	2017 \$
Investments	102 081 013	104 120 248
Allowance for inadmissible assets	<u>(28 470 607)</u>	<u>(30 690 824)</u>
Value of Assets	73 610 406	73 429 424
Actuarial values of policy liabilities	51 914 000	46 538 292
Other liabilities	<u>38 430 729</u>	<u>43 095 404</u>
Total	90 344 729	89 633 696
FLA statutory capital per SI95 requirement	(16 734 323)	(16 204 272)
SI95 minimum statutory capital requirement	5 000 000	5 000 000
Statutory capital deficit	(21 734 323)	(21 204 272)

The Company's solvency position remained largely unchanged from prior year as the gains realised from the strategies communicated in the 2017 financial statements were eroded by encumbrances that arose from restructuring of debt in 2018. The debt restructuring resulted in encumbrances of \$12m (as disclosed in Note 15.1) against assets that were previously admissible as SI95 capital. Encumbered assets are fully inadmissible in determining SI95 capital.

Total assets were also depleted as the Southview development project reached its tail end. Project development costs incurred in completing service works at Southview Park can therefore no longer be capitalised into inventory as the stands have all been sold. The inventory currently held reflects stands sold but for which revenue has not been recognised as compliance certificates from the local

authority are still outstanding.

The Group's compliance with the SI95 capital requirement is currently hinged on two strategies currently proposed by the board of directors. To accelerate recovery on this solvency, the directors, at their meeting of 16 April 2019, moved a motion to call for a RTGS\$20m rights issue in 2019. This motion is subject to shareholder approval at the next annual general meeting of shareholders. If approved, the rights issue is expected to improve the solvency position to a deficit \$1.7m, before factoring in the impact of profits expected to be realised in 2019. In addition, early release of the asset encumbrance disclosed above can be achieved with early settlement of the NMB loan. The directors are considering pursuing this option in 2019 as this will improve the solvency deficit to positive \$10.3m.

FIDELITY LIFE ASSURANCE OF ZIMBABWE LIMITED

Notes to the consolidated and separate financial statements (Cont'd)
for the year ended 31 December 2018

39 COMPLIANCE WITH INSURANCE REGULATIONS 1989 (SECTION 3 AND 8) (CONTINUED)

A significant uplift in asset values is also expected in 2019 when the Company adopts RTGS\$ as a functional currency. Property values are expected to increase by at least two-fold, which will significantly enhance the solvency position. A material dynamic from this front is the investment in Langford Investments, which subsidiary holds a land bank that is material to the future prospects of the Company. The acquisition of the Langford Investments is still under contestation and this restricts the Company's ability to unlock the value embedded in the land bank. The directors continue to pursue resolution of the matter in the courts.

The above will effectively eliminate the solvency gap and allow the Company to focus on extracting value from its core operations.

All other provisions of the Act have been met.

40. EVENTS AFTER THE REPORTING DATE

40.1 Change in functional currency

The Reserve Bank of Zimbabwe Governor, on 20 February 2019, announced the new monetary policy statement (MPS) that took effect from 20th of February 2019. The key highlight of the MPS was the introduction of RTGS\$ as legal tender in the basket of currencies used in Zimbabwe under the multi-currency system. The RTGS\$ include bond notes and coins, and RTGS balances held in US\$ bank accounts other than Nostro US\$ accounts. The MPS established an inter-bank foreign exchange market within which RTGS\$ would be tradeable with other foreign currencies at exchange rates determined by market forces. The Directors' assessment of the MPS was that the pronouncement confirmed conditions that existed as at 31 December 2018, the Group's reporting date. Under International Accounting Standard 10, Events after the reporting period (IAS 10), this was considered an adjusting event that required changes to be effected in the Group's 2018 financial statements as applicable. This assessment is further considered in Note 2.2.

On 22 February 2019, Statutory Instrument 33 (SI33) was gazetted, confirming into law the pronouncements made in the MPS. SI33 however stated that Real Time Gross Settlement system balances expressed in the United States dollar immediately prior to 22 February 2019, being the SI's effective date, were deemed to be opening balances in RTGS\$ at that date, at a 1:1 exchange rate to the US\$. Thereafter, the exchangeability of the two currencies would be subject to market forces. The SI also mandated that for accounting and other purposes, all assets and liabilities valued and expressed in US\$ immediately prior to the effective date would carry deemed values in RTGS\$ at parity with the US\$. The SI however excluded specified assets and liabilities from this requirement e.g. foreign liabilities and Nostro US\$ bank balances.

As a result of the above legal restrictions, no IAS 10 adjustments have been effected in these financial statements and the financial statements have been prepared assuming an exchangeability of 1:1 between US\$ and bond notes and electronic money balances. The financial statements may therefore not show a true and fair view of the Group's financial performance and position as at 31 December 2018. The Group includes a foreign subsidiary and the directors believe that the failure to satisfy the requirements of IAS 21, by not effecting adjustments under IAS10, has a material impact on the consolidation of this foreign subsidiary.

The tables below provide an analysis of the sensitivity of the Group's and Company's financial position as at 31 December 2018 arising from the matters noted above:

FIDELITY LIFE ASSURANCE OF ZIMBABWE LIMITED

Notes to the consolidated and separate financial statements (Cont'd)
for the year ended 31 December 2018

40. EVENTS AFTER THE REPORTING DATE (continued) 40.1 Change in functional currency (continued)

GROUP

	Non-Monetary Assets/ Liabilities RTGS\$	Non-Monetary Assets/ Liabilities Nostro FCA US\$	Monetary Assets/ Liabilities RTGS\$	Monetary Assets/ Liabilities Nostro FCA US\$	Total with US\$ @1:1 \$	Total with US\$ @1:2.5 RTGS\$	Total with US\$ @1:3 RTGS\$	Total with US\$ @1:4 RTGS\$
ASSETS								
Property and equipment	5 900 375	447 245	-	-	6 347 619	7 018 486	7 242 108	7 689 353
Investment property	17 360 416	2 368 294	-	-	19 728 710	23 281 151	24 465 298	26 833 593
Intangible assets	198 101	149 101	-	-	347 202	570 853	645 403	794 504
Inventories	24 688 741	-	-	-	24 688 741	24 688 741	24 688 741	24 688 741
Trade and other receivables	-	-	42 545 499	1 423 039	43 968 538	46 103 097	46 814 617	48 237 656
Corporate tax asset	-	-	300 547	131 329	431 876	628 870	694 534	825 863
Deferred tax assets	6 228	-	-	-	6 228	6 228	6 228	6 228
Deferred acquisition costs	-	159 278	-	-	159 278	398 195	477 834	637 112
Equities at fair value through profit or loss	14 291 544	912 352	-	-	15 203 896	16 572 425	17 028 601	17 940 954
Debt securities at amortised cost	-	-	2 321 009	-	2 321 009	2 321 009	2 321 009	2 321 009
Cash and deposits with banks	-	-	3 437 793	6 084 636	9 522 429	18 649 383	21 691 701	27 776 337
Total assets	62 445 404	4 036 270	48 604 848	7 639 004	122 725 526	140 238 438	146 076 074	157 751 350
EQUITY AND LIABILITIES								
Equity attributable to equity holders of the parent	1 089 233	-	-	-	1 089 233	1 089 233	1 089 233	1 089 233
Issued share capital	671 409	-	-	-	671 409	671 409	671 409	671 409
Share premium	-	-	-	-	-	-	-	-
Treasury shares	(10 037)	-	-	-	(10 037)	(10 037)	(10 037)	(10 037)
Retained earnings *	2 332 232	-	-	-	2 332 232	2 062 825	1 973 023	1 793 418
Revaluation reserve	1 064 833	-	-	-	1 064 833	1 064 833	1 064 833	1 064 833
Foreign currency translation reserve	(1 211 349)	-	-	-	(1 211 349)	192 743	660 772	1 596 834
Total ordinary shareholders' equity	3 936 321	-	-	-	3 936 321	5 071 006	5 449 233	6 205 690
Non-controlling interests	4 991 264	-	-	-	4 991 264	6 050 491	6 403 565	7 109 718
Total equity	8 927 585	-	-	-	8 927 585	11 121 497	11 852 798	13 315 408
Liabilities								
Insurance contract liabilities and investment contract liabilities with discretionary participation features	57 962 238	9 106 972	-	-	67 069 210	80 729 668	85 283 155	94 390 126
Investment contracts without discretionary participation features	5 624 413	-	-	-	5 624 413	5 624 413	5 624 413	5 624 413
Borrowings	-	-	21 320 214	338 486	21 658 700	22 166 430	22 335 673	22 674 160
Deferred tax liabilities	217 213	365 937	-	-	583 150	1 132 056	1 315 024	1 680 961
Finance lease obligations	-	-	-	80 845	80 845	202 113	242 535	323 380
Trade and other payables	-	-	16 695 229	320 426	17 015 655	17 496 294	17 656 508	17 976 934
Corporate tax liability	-	-	1 765 968	-	1 765 968	1 765 968	1 765 968	1 765 968
Total liabilities	63 803 864	9 472 909	39 781 411	739 757	113 797 941	129 116 941	134 223 276	144 435 942
Total equity and liabilities	72 731 449	9 472 909	39 781 411	739 757	122 725 526	140 238 438	146 076 074	157 751 350

* The decrease observed in retained earnings in the sensitivity analysis is a result of the impact of translation of the long term borrowing of US\$338,486, which is a foreign borrowing denominated in Malawi Kwacha. Repayment of this loan is however funded from management fees receivable in Malawi Kwacha from the foreign subsidiary in Malawi.

* If the above sensitivity analysis had been prepared in US\$ rather than RTGS\$ the amounts disclosed in the sensitivities would have decreased significantly.

FIDELITY LIFE ASSURANCE OF ZIMBABWE LIMITED

Notes to the consolidated and separate financial statements (Cont'd)
for the year ended 31 December 2018

40. EVENTS AFTER THE REPORTING DATE (continued)
40.1 Change in functional currency (continued)

COMPANY

	Non-Monetary Assets/ Liabilities RTGS\$	Non-Monetary Assets/ Liabilities Nostro FCA US\$	Monetary Assets/ Liabilities RTGS\$	Monetary Assets/ Liabilities Nostro FCA US\$	Total with US\$ @1:1 \$	Total with US\$ @1:2.5 RTGS\$	Total with US\$ @1:3 RTGS\$	Total with US\$ @1:4 RTGS\$
ASSETS								
Property and equipment	4 856 027	-	-	-	4 856 027	4 856 027	4 856 027	4 856 027
Investment property	17 232 907	-	-	-	17 232 907	17 232 907	17 232 907	17 232 907
Intangible assets	-	-	-	-	-	-	-	-
Inventories	2 368 189	-	-	-	2 368 189	2 368 189	2 368 189	2 368 189
Investment in subsidiaries	22 816 008	-	-	-	22 816 008	22 816 008	22 816 008	22 816 008
Trade and other receivables	-	35 593 475	-	-	35 593 475	35 593 475	35 593 475	35 593 475
Corporate tax asset	286 303	-	-	-	286 303	286 303	286 303	286 303
Deferred tax assets	6 228	-	-	-	6 228	6 228	6 228	6 228
Equities at fair value through profit or loss	13 638 833	-	-	-	13 638 833	13 638 833	13 638 833	13 638 833
Debt securities at amortised cost	-	1 630 622	-	-	1 630 622	1 630 622	1 630 622	1 630 622
Cash and deposits with banks	-	3 472 599	-	179 822	3 652 421	3 922 153	4 012 064	4 191 886
Total assets	61 204 495	-	40 696 696	179 822	102 081 013	102 350 745	102 440 656	102 620 478
EQUITY AND LIABILITIES								
Equity attributable to equity holders of the parent	1 089 233	-	-	-	1 089 233	1 089 233	1 089 233	1 089 233
Issued share capital	671 409	-	-	-	671 409	671 409	671 409	671 409
Share premium	(10 037)	-	-	-	(10 037)	(10 037)	(10 037)	(10 037)
Treasury shares	(2 553 082)	-	-	-	(2 553 082)	(2 791 079)	(2 870 412)	(3 029 077)
Retained earnings	866 109	-	-	-	866 109	866 109	866 109	866 109
Revaluation reserve	-	-	-	-	-	-	-	-
Total ordinary shareholder's equity	63 632	-	-	-	63 632	(174 365)	(253 698)	(412 363)
Liabilities								
Insurance contract liabilities and investment contract liabilities with discretionary participation features	57 962 239	-	-	-	57 962 239	57 962 239	57 962 239	57 962 239
Investment contracts without discretionary participation features	5 624 413	-	-	-	5 624 413	5 624 413	5 624 413	5 624 413
Borrowings	-	20 861 881	-	338 486	21 200 367	21 708 096	21 877 340	22 215 827
Deferred tax liabilities	126 146	-	-	-	126 146	126 146	126 146	126 146
Trade and other payables	-	15 608 002	-	-	15 608 002	15 608 002	15 608 002	15 608 002
Corporate tax liability	-	1 496 214	-	-	1 496 214	1 496 214	1 496 214	1 496 214
Total liabilities	63 712 798	-	37 966 097	338 486	102 017 381	102 525 110	102 694 354	103 032 841
Total equity and liabilities	63 776 430	-	37 966 097	338 486	102 081 013	102 350 745	102 440 656	102 620 478

FIDELITY LIFE ASSURANCE OF ZIMBABWE LIMITED

Notes to the consolidated and separate financial statements (Cont'd)
for the year ended 31 December 2018

40. EVENTS AFTER THE REPORTING DATE (continued)

40.2 Dividend

At a board meeting held on 16 April 2019, the directors recommended not to declare a dividend for the year ended 31 December 2018. This decision was reached due to a need to preserve internal resources to fund the Group's growth strategy. No dividend was declared for the year ended 31 December 2017.

40.3 Approval of the consolidated financial Statements

The consolidated financial statements were approved by the Board of Directors for issue on 9 May 2019 and the directors have power to amend and/or reissue the financial statements should circumstances requiring that arise.

FIDELITY LIFE FUNERAL CASH BACK PLAN



FIDELITY LIFE FUNERAL CASH BACK PLAN	
DESCRIPTION	Funeral protection product with cash back every 5 years.
BENEFITS	Death benefit \$500 - \$10,000 per funeral. Survival Benefit - 50% premium refund every 5 years (Terms & Conditions apply). Free cover for up to 3 children.
PREMIUMS	From as low as \$2.86. You can pay monthly, quarterly, half-yearly or annual premiums, all acceptable.
SALIENT FEATURES	Immediate cover for accident related death. Covers member, spouse and children (Terms and Conditions apply). 50% premium refund every 5 years. Premium Paid Up at age 65 years. Children are covered up to the age of 18 years.
AGE LIMITS (POLICYHOLDER AND SPOUSE)	Eligibility 18 - 55 years.

This product is also available in US dollars

Spideimedia_3453

Get 50% premium refund from Fidelity Life!

Enjoy life with a 50% premium refund on your Fidelity Life Funeral Cash Back Plan after every 5 years of no claim.

Sign up today and enjoy Zimbabwe's first funeral cover with Cash Back plan!



FIDELITY LIFE

ASSURANCE OF ZIMBABWE



www.fidelitylife.co.zw

ISO 9001:2015

Fidelity House
66 Julius Nyerere Way,
Harare, Zimbabwe
Tel: 024 2 750 927 - 37

SHAREHOLDER ANALYSIS AS AT 31 DECEMBER 2018

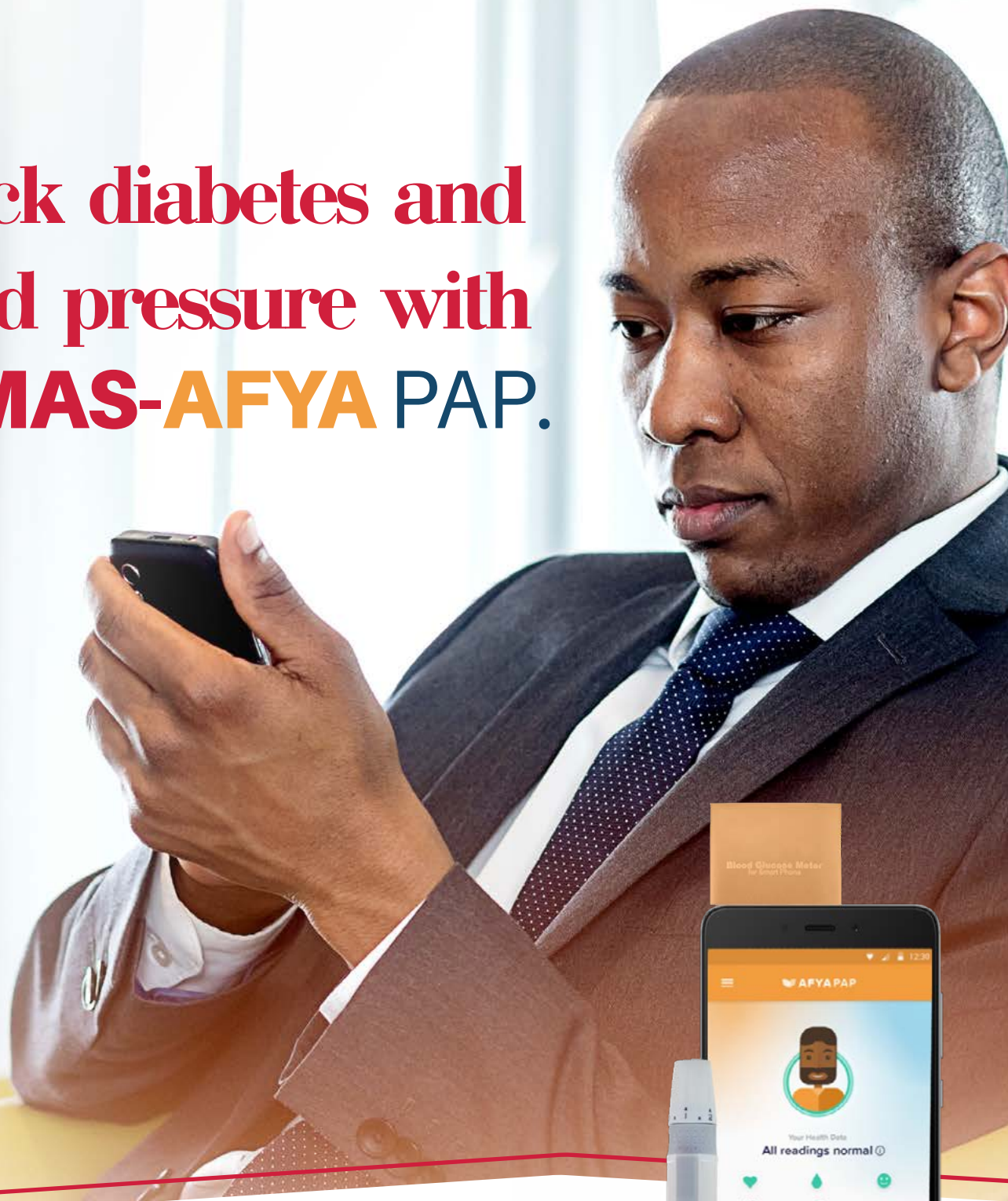
SHAREHOLDERS GROUP	NO OF SHAREHOLDERS	% HOLDING	TOTAL HOLDING	% HOLDING
COMPANIES	153	5.44	70 323 868	64.56
INDIVIDUALS	2 536	90.22	3 809 668	3.50
INSURANCE COMPANIES	10	0.36	384 452	0.35
INVESTMENT, TRUST AND PROPERTY COMPANIES	4	0.14	4 252	0.00
NOMINEE COMPANY	40	1.42	7 382 067	6.78
FCDA RESIDENT AND NEW/NON RESIDENT	5	0.18	1 861 444	1.71
PENSION FUNDS	63	2.24	25 157 540	23.10
Totals	2 811	100.00	108 923 291	100.00

SIZE OF SHAREHOLDING	NO OF SHAREHOLDERS	% HOLDING	TOTAL HOLDING	% HOLDING
1-500	1 632	58.06	327 886	0.30
501-1000	415	14.76	280 103	0.26
1001-5000	495	17.61	1 127 046	1.03
5001-10000	94	3.34	660 747	0.61
10001-20000	56	1.99	838 969	0.77
20001-50000	52	1.85	1 753 344	1.61
50001-100000	28	1.00	2 014 820	1.85
100001-500000	24	0.85	5 325 140	4.89
500001-1000000	5	0.18	3 343 609	3.07
1000001-99999999999	10	0.36	93 251 627	85.61
Totals	2 811	100.00	108 923 291	100.00

TOP 20 SHAREHOLDERS

HOLDER NUMBER	HOLDER NAME	SHAREHOLDING	PERCENTAGE
957824	TURISMO INVESTMENTS (PVT) LTD	24 981 355	22.93
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	2 023 103	1.86
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	STANBIC NOMINEES (PVT) LTD 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
957402	SCB NOMINEES ZW0000010703	568 587	0.52
957404	SCB NOMINEES 033667800003	518 989	0.48
957523	H.I.T PENSION FUND - IMARA	439 563	0.40
957339	FARID EL-KHOURY PHILLPPE ELIAS	360 000	0.33
957848	FBC HOLDINGS PENSION FUND-IMARA	351 272	0.32
957597	NATIONAL RAILWAYS OF ZIMBABWE CONTRIBUTORY PENSION FUND A/C 110008090024	324 720	0.30
956638	AMZIM PENSION FUND-IMARA	319 755	0.29
	OTHERS	10 068 576	9.25
	TOTAL	108 923 291	100.00

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66 Julius Nyerere Way, Harare,
Zimbabwe
Tel: 024 2 750 927 - 37



FIDELITY LIFE

MEDICAL AID SOCIETY



FIDELITY LIFE

ASSURANCE OF ZIMBABWE

ANNUAL GENERAL MEETING

PROXY FORM

I/We,

being a member of

holding shares, hereby appoint
..... of

Or failing him/ her of

As my / our proxy to vote for me / us and on my / our behalf at the Annual General Meeting of the Company to be held on 26th of June 2019 at 1000 hours at the Crowne Plaza Monomotapa, Great Indaba Room, 54 Parklane Road, Harare and at any adjournment thereof.

Signed thisday of 2019

Signature of member:

NOTE:

In terms of Section 129 of the Companies Act (chapter 24.03), a member entitled to vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote and speak in his instead. A proxy need not be a member of the company. To be valid, Proxy Forms should be completed and returned to the Registered Office of the Company not less than 48(forty eight) hours before the time stated for holding of the meeting.



FIDELITY LIFE

ASSURANCE OF ZIMBABWE

Notice of Annual General Meeting 2019

Notice is hereby given that the **40th Annual General Meeting** of the Members of Fidelity Life Assurance of Zimbabwe Limited will be held on the **26th of June 2019 at 1000 hours at the Crowne Plaza Monomotapa, Great Indaba Room, 54 Parklane Road, Harare**, 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 2018.
2. To elect Directors in terms of Sections 77 and 78 of the Articles of Association of the company:
 - a. Mr Henry Nemaire who was appointed by the Board on the 21st of August 2018. Mr Nemaire retires and seeks re-appointment in terms of the Articles of Association.
 - b. Mr Fungai Ruwende, Mr Ignatius Mvere and Mrs Ruwadzano Maramba retire by rotation. Being eligible, Mr Ruwende, Mr Mvere and Mrs Maramba offer themselves for re-appointment in terms of the Articles of Association.
3. To approve the remuneration of the Auditors for the past audit for the year ended 31 December 2018.
4. To approve the remuneration of the Directors for the year ended 31 December 2018.
5. To approve the retention of Ernst & Young as the company's auditors.
6. To transact any other business that may be transacted at an Annual General Meeting.

Proxies

A member entitled to attend and vote at the meeting may appoint any person or persons to attend and vote on his or her behalf. A proxy need not be a member of the Company. Proxy forms together with a copy of the notice can be obtained at the registered office of the Company or on the Fidelity Life Assurance of Zimbabwe website on the following link www.fidelitylife.co.zw and must be lodged with the Company Secretary not less than 48 hours before the meeting.

Audited Financial Statements

The audited financial statements are available for inspection at the Registered Office of the Company.

BY ORDER OF THE BOARD
C. MATONGO

Company Secretary
27 May 2019

REGISTERED OFFICE
66 Julius Nyerere Way, Harare



www.fidelitylife.co.zw

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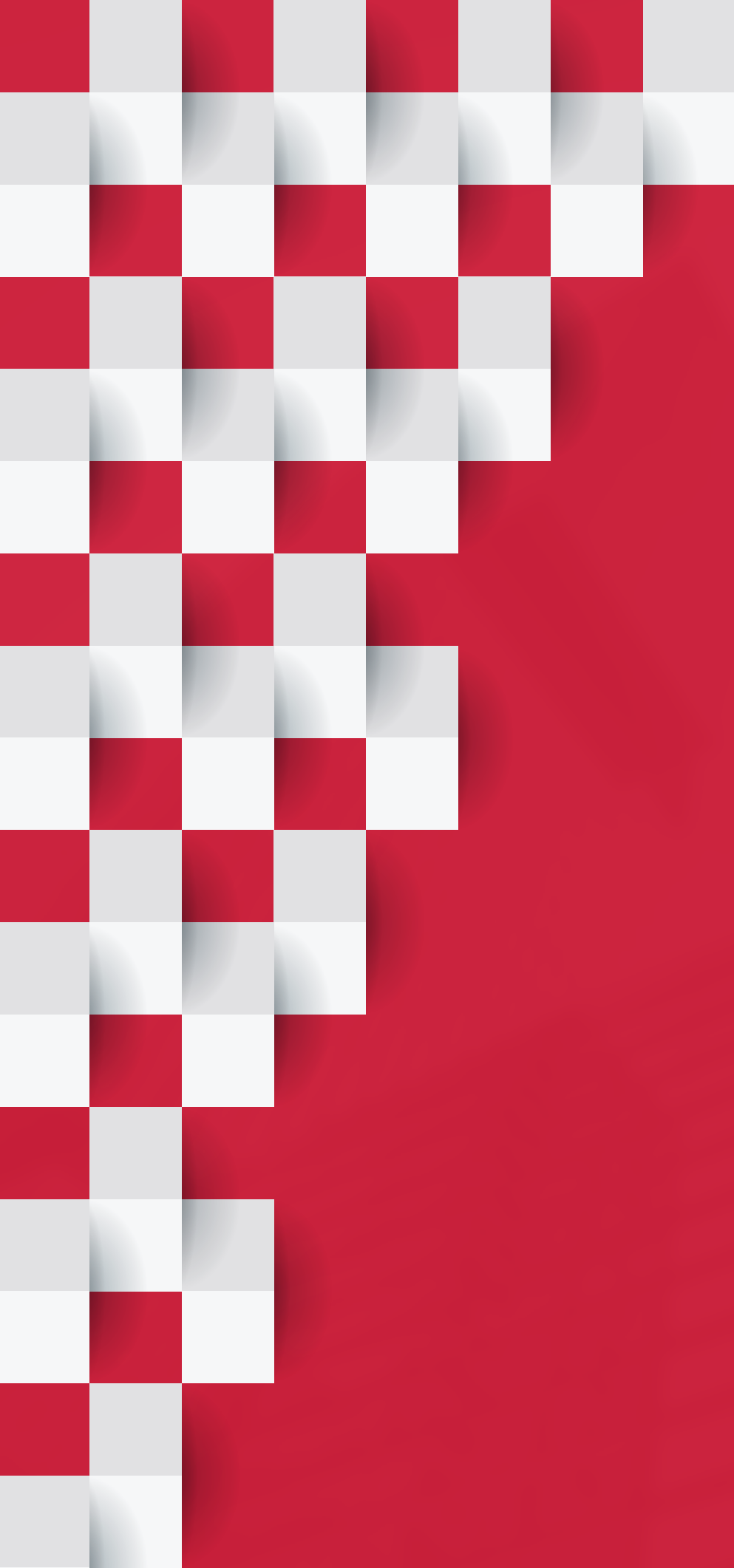


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66 Julius Nyerere Way, Harare, Zimbabwe
Tel: 024 2 750 927 - 37

NOTES



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