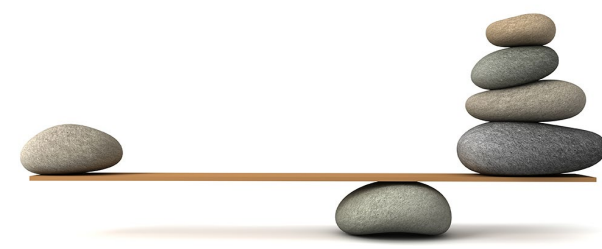


# FIDELITY LIFE ASSURANCE OF ZIMBABWE LIMITED AND ITS SUBSIDIARIES

## UNAUDITED ABRIDGED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 30 JUNE 2017



### THE CHAIRMAN'S STATEMENT

FOR HALF YEAR ENDED 30 JUNE 2017

It gives me pleasure to present the unaudited interim financial results for the Fidelity life Assurance of Zimbabwe Group for the half year ended 30 June 2017.

#### Operating environment

The first half of 2017 brought some positive developments in the economy with a revised GDP growth of 3.7% following the good agricultural season. Food self sufficiency is expected for 2017 saving the country foreign currency as food imports will decline. Capacity utilisation in the manufacturing sector is steadily improving following promulgation of SI 64 in 2016.

The economy still faces challenges related to foreign exchange availability, cash crises and limited fiscal space that has seen significant budget deficit and a concurrent increase in the stock of treasury bills to finance the deficit. Foreign currency shortages stifle economic growth as critical imports such as raw materials are procured late causing bottlenecks.

The insurance sector remains under pressure from rising claims, non remittance of premiums, reduced contributions due to company closures and policy surrenders.

#### Financial performance

Total revenue for the Group grew by 18% to US\$13.1 million compared to US\$11.1 million in June 2016 mainly as a result of interest income from sale of residential stands as well as fair value gains in the Group's equity portfolio. Net premiums during the half year amounted to US\$6.1 million, a decrease of 28% when compared to the same period in 2016. This is explained by non remittance of premiums by some policyholders as well as discontinuance of some product lines on account of unfavourable actuarial projections.

The increase in profitability was on the back of improved investment performance and cost cutting initiatives. The Group continued to record high claims due to the harsh operating environment as well as high value claims incurred during the period.

Profit from operations grew by 100% from US\$1 million to US\$2 million.

#### Individual company performance

**Fidelity Life Assurance of Zimbabwe**  
The Group flagship Company recorded total revenue of US\$9.5 million up from US\$8.3 million received in 2016. The anchor company contributed 73% to the Group's total revenue.

Net premium income of US\$4.48 million was recorded compared to US\$7.6 million recorded in the corresponding period. The decrease is due to discontinuance of some products.

Profit for the period amounted to \$1.3 million compared to US\$0.5 million in the prior year. The company's profitability was buoyed by investment income and cost containment.

The company did not recognize any income from outright stands sales as no stands received compliance certificates in the period under review.

#### Vanguard Life Assurance

The Malawi-based subsidiary recorded premium income amounting to US\$1.6 million up from US\$1.1 million in June 2016. The company's total income closed the half year at US\$2 million up from US\$1.4 million in June 2016. Growth was a result of acquisition of new group schemes as well as an increase in individual life policy uptake.

Vanguard contributes 15% of total Group revenues. A profit of US\$80,000 after accounting for US\$560,000 exchange losses, was recorded for the period.

#### Fidelity Life Financial Services

The micro-lending business performed well during the half year with interest income of US\$1.3 million largely unchanged from prior year performance as the loan book was maintained at similar levels.

In terms of contribution to the Group's total revenue the company managed to contribute 10%. Profit for the period was US\$645,000 a 15% improvement from US\$560,000 recorded in the prior year.

The unit continues to explore new client segments and to improve its underwriting strategies.

#### Other subsidiaries

The actuarial unit had a profit of US\$50,000 whereas the funeral services company and the asset management unit both posted losses of \$46,000 and \$80,000 respectively. These units remain strategic to the Group and provide critical support to the core business. The Group is working on various strategies to capitalise these operations and build critical mass.

#### Dividend

The board has resolved to pass an interim dividend in order to conserve cash for projects funding and maintaining liquidity.

#### Outlook

The Group's focus for the remainder of the year is to complete on site works at Southview Park. We continue to evaluate the Langford Estates project. Focus will also continue on debt reduction initiatives so as to allow the company to carry optimum levels of debt on the balance sheet.

For the traditional insurance products, we remain focused on business retention, new business acquisition and cost control.

#### Board changes and key personnel

Three members of the board namely Dr. G. C. Mataka, Mr H. Mapara and Mrs R. Mazula stepped down from the board during the first half of the year. I am grateful for their input to the Group over the years they were on the board. Mr. F. Dzanya and Mr. G. Dhombo were appointed to the board in the third quarter of the year. I am elated with the wealth of experience that the two directors bring to the board.

After a rigorous recruitment process it is my pleasure to announce that the board has finalised the appointment of the Group Chief Executive Officer and the Finance Director. Ruben Java has been appointed Group Chief Executive Officer effective 1 October 2017 and a substantive Finance Director has also been appointed and an announcement will be made in due course.

#### Appreciation

I would like to thank our policyholders, customers, Directors of the Company and subsidiaries, management, staff and other stakeholders for your invaluable support. We look forward to continuously delivering value for our policyholders and shareholders.

F. Ruwende  
CHAIRMAN

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

for the half year ended 30 June 2017

	GROUP	
	Unaudited 30-Jun-2017 US\$	Unaudited 30-Jun-2016 US\$
Gross premiums	6,355,679	8,714,021
Premiums ceded to reinsurers	(289,823)	(265,394)
<b>Net premiums</b>	<b>6,065,856</b>	<b>8,448,627</b>
Fees and commission income	570,477	290,573
Investment income	344,876	141,636
Interest income from micro lending and residential stands receivables	3,582,595	1,214,669
Fair value gains and losses from equities	1,650,260	(154,050)
Other operating income	884,423	1,183,241
<b>Total revenue</b>	<b>13,098,487</b>	<b>11,124,696</b>
Gross benefits and claims paid	(2,771,881)	(2,458,273)
Claims ceded to reinsurers	576,079	-
Gross change in contract liabilities	(3,225,490)	(1,962,971)
<b>Net benefits and claims</b>	<b>(5,421,292)</b>	<b>(4,421,244)</b>
Fee and commission expenses, and other acquisition costs	(420,918)	(223,988)
Operating and administration expenses	(4,091,498)	(4,342,818)
Finance costs	(756,874)	(857,200)
<b>Total benefits claims and other expenses</b>	<b>(10,690,582)</b>	<b>(9,845,250)</b>
<b>Profit before tax</b>	<b>2,407,905</b>	<b>1,279,446</b>
Income tax expense	(428,063)	(294,193)
<b>Profit for the period</b>	<b>1,979,842</b>	<b>985,253</b>
<b>Other comprehensive income:</b>		
<i>Items that will or may be reclassified to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	(556,953)	410,980
<b>Other comprehensive income for the period, net of tax</b>	<b>(556,953)</b>	<b>410,980</b>
<b>Total comprehensive income for the period</b>	<b>1,422,889</b>	<b>1,396,233</b>
<b>Profit for the year attributable to:</b>		
Owners of the parent	1,965,495	1,006,372
Non-controlling interests	14,347	(21,119)
<b>Total profit for the period</b>	<b>1,979,842</b>	<b>985,253</b>
<b>Total comprehensive income attributable to:</b>		
Owners of the parent	1,648,032	1,240,631
Non-controlling interests	(225,143)	155,602
<b>Total comprehensive income for the period</b>	<b>1,422,889</b>	<b>1,396,233</b>
<b>Earnings per share attributable to the ordinary equity holders of the parent</b>		
Basic earnings per share (cents)	1.82	0.93
Diluted earnings per share (cents)	1.82	0.93
Headline earnings per share (cents)	1.82	0.93

### ABRIDGED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2017

	GROUP	
	Unaudited 30-Jun-2017 US\$	Unaudited 30-Jun-2016 US\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	2,407,905	1,279,446
<b>Adjustments:</b>	<b>2,915,461</b>	<b>3,413,669</b>
Fair value adjustment on financial assets at fair value	(1,654,060)	154,050
Fair value adjustment on investment property	3,800	-
Amortisation of intangible assets	44,168	43,680
Amortisation of deferred acquisition costs	28,650	52,487
Increase in deferred acquisition costs	(13,572)	-
Finance costs	756,874	857,200
Depreciation of property and equipment	529,126	343,281
Increase in life assurance policyholder liabilities	3,225,490	1,962,971
Other non cash items	(5,015)	-
<b>Changes in working capital</b>	<b>588,718</b>	<b>(4,176,423)</b>
Decrease / (increase) in inventories	(1,073,795)	(2,143,419)
Life fund transfer and withdrawals	-	(2,338,565)
(Increase) /decrease in trade and other receivables	190,707	-
Increase in other receivables	(416,691)	(322,207)
Increase /(decrease) in trade and other payables	1,888,497	627,768
<b>Cash generated from / (utilised in) operations</b>	<b>5,912,084</b>	<b>516,692</b>
Income taxes paid	(801,047)	(264,304)
<b>NET CASH GENERATED FROM / (UTILISED IN) OPERATING ACTIVITIES</b>	<b>5,111,037</b>	<b>252,388</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions and replacement to property and equipment	(210,530)	(308,575)
Additions and improvements to investment property	356,901	(248,124)
Increase in other receivables	-	370,410
Disposals of /(additions to) financial assets at fair value through profit or loss	93,276	334,663
Proceeds from sale of investment property	525,849	-
<b>NET CASH GENERATED /(UTILISED) IN INVESTING ACTIVITIES</b>	<b>765,496</b>	<b>148,374</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Finance costs	(756,874)	(857,200)
Dividends paid	-	(550,000)
Repayments of finance lease obligations	(9,193)	(9,881)
(Repayments) /Increase in borrowings	(3,235,188)	692,027
<b>NET CASH (UTILISED)/ GENERATED FROM FINANCING ACTIVITIES</b>	<b>(4,001,255)</b>	<b>(725,054)</b>
<b>NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>1,875,278</b>	<b>(324,292)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<b>7,140,619</b>	<b>5,565,400</b>
<b>EXCHANGE DIFFERENCES ON TRANSLATION OF A FOREIGN OPERATION</b>	<b>(680,437)</b>	<b>526,700</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>8,335,460</b>	<b>5,767,808</b>

### ABRIDGED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2017

	GROUP	
	Unaudited 30-Jun-2017 US\$	Audited 31-Dec-2016 US\$
<b>ASSETS</b>		
Intangible assets	285,054	329,245
Property and equipment	6,901,134	7,241,473
Investment property	16,106,551	16,728,216
Deferred tax	355	139,588
Inventories	26,003,856	24,930,061
Deferred acquisition costs	214,252	229,448
Non current trade and other receivables	24,715,983	24,299,292
Current trade and other receivables	25,477,498	25,668,205
Financial assets at fair value through profit or loss	7,408,536	5,847,752
Cash and short term deposits	8,335,459	7,140,619
<b>Total assets</b>	<b>115,448,679</b>	<b>112,553,899</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the parent</b>		
Issued share capital	1,089,233	1,089,233
Share premium	671,409	671,409
Treasury shares	(10,037)	(10,037)
Retained earnings	20,993,066	19,027,571
Revaluation reserve	940,857	940,857
Foreign currency translation reserve	(2,157,839)	(1,840,376)
<b>Total ordinary shareholder's equity</b>	<b>21,526,689</b>	<b>19,878,657</b>
Non-controlling interests	3,993,399	4,218,543
<b>Total equity</b>	<b>25,520,088</b>	<b>24,097,200</b>
<b>Liabilities</b>		
Deferred tax liability	1,418,826	1,438,541
Insurance contract liabilities	51,469,870	48,249,395
Non current borrowings	13,970,000	13,970,000
Current borrowings	12,117,570	15,352,758
Current finance lease obligations	6,933	16,126
Trade and other payables	10,225,823	8,337,327
Corporate tax liability	719,569	1,092,552
<b>Total liabilities</b>	<b>89,928,591</b>	<b>88,456,699</b>
<b>Total equity and liabilities</b>	<b>115,448,679</b>	<b>112,553,899</b>

### NOTES TO THE ABRIDGED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 30 June 2017

#### 1. DIRECTORS' RESPONSIBILITY STATEMENT

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

#### 2. ACCOUNTING POLICIES

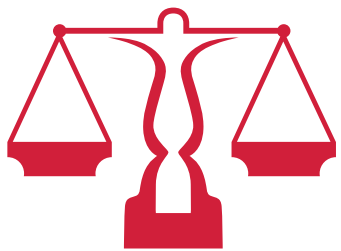
##### Basis of preparation

The same accounting policies, use of estimates, judgements and methods of computation that were followed in preparing the Group's audited financial statements for the year ended 31 December 2016 were followed in preparing these abridged interim consolidated financial statements. The abridged interim consolidated financial statements are based on statutory records maintained under the historical cost convention as modified by the revaluation of property and equipment, financial assets at fair value through profit or loss and investment property.

##### Statement of compliance

The abridged interim consolidated financial statements for the six months ended 30 June 2017 have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. The financial statements have also been prepared in accordance with the Zimbabwe Stock Exchange Listing Rules and the Companies Act (Chapter 24:03).

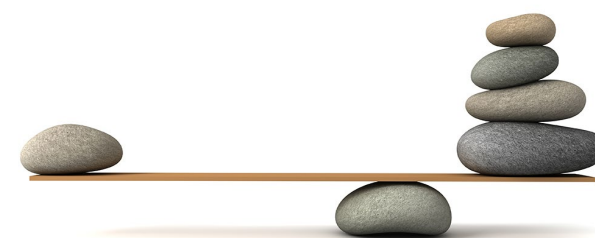
The abridged interim consolidated financial statements do not include all the information and disclosures required in annual financial statements and should be read in conjunction with the Group's annual financial statements as at 31 December 2016.



# FIDELITY LIFE ASSURANCE OF ZIMBABWE LIMITED AND ITS SUBSIDIARIES

## UNAUDITED ABRIDGED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 30 JUNE 2017



### ABRIDGED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the half year ended 30 June 2017

GROUP

	shares US\$	Treasury premium US\$	Share earnings US\$	Retained reserve US\$	Revaluation US\$	Foreign Currency translation reserve US\$	Attributable to shareholders of parent US\$	Non-controlling interest US\$	Total equity US\$
Share capital									
Balance at 31 December 2015	1,089,233	(10,037)	671,409	17,784,427	814,443	(1,124,180)	19,225,295	4,138,727	23,364,022
Total comprehensive income for the period	-	-	-	1,006,372	-	234,260	1,240,632	155,602	1,396,234
Dividend paid	-	-	-	(550,000)	-	-	(550,000)	-	(550,000)
Balance at 30 June 2016	1,089,233	(10,037)	671,409	18,240,799	814,443	(889,920)	19,915,927	4,294,329	24,210,256
Balance at 31 December 2016	1,089,233	(10,037)	671,409	19,027,571	940,857	(1,840,376)	19,878,657	4,218,543	24,097,200
Profit for the year	-	-	-	1,965,495	-	-	1,965,495	14,346	1,979,841
Other comprehensive income for the year	-	-	-	-	-	(317,463)	(317,463)	(239,490)	(556,953)
Total comprehensive income for the year	1,089,233	(10,037)	671,409	20,993,066	940,857	(2,157,839)	21,526,689	3,993,399	25,520,088
Dividend paid	-	-	-	-	-	-	-	-	-
Balance at 30 June 2017	1,089,233	(10,037)	671,409	20,993,066	940,857	(2,157,839)	21,526,689	3,993,399	25,520,088

### 3. SIGNIFICANT TRANSACTIONS

	Unaudited 30-Jun-2017 US\$	Unaudited 30-Jun-2016 US\$
3.1 Additions to property and equipment	210,530	461,033
3.2 Repayment of borrowings	3,235,188	38,728
3.3 Decrease in trade and other payables	(190,707)	(11,499,605)
3.4 Increase in inventories	(1,073,795)	168,242
3.5 Capitalised finance costs	887,970	1,475,494
3.6 Capital expenditure commitments	1,426,408	1,318,214
Authorised and contracted for	210,530	461,033
Authorised but not contracted for	1,215,878	857,181
3.7 Deferred acquisition costs		
Deferred acquisition costs 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. These amounted to US\$229,448 (31 December 2016: US\$214,252) as at 30 June 2017.		
	Unaudited 30-Jun-2017 US\$	Unaudited 30-Jun-2016 US\$
3.8 Gross premiums written during the period	6,355,679	8,714,021
3.9 Fair value gains and losses from equities and investment property	1,650,260	(154,050)
3.10 Other income	884,423	1,183,241

### 4. EARNINGS PER SHARE

Basic earnings per share		
Numerator		
Profit for the year and earnings used in basic EPS and diluted EPS (Profit)/Loss on disposal of property and equipment	1,965,495	1,006,372
Headline earnings	1,965,495	1,006,372
Denominator		
Weighted number of ordinary shares in issue	108,923,291	108,923,291
Less: Shares purchased for the Employee Share Ownership Plan	(4,775,618)	(4,775,618)
Add shares allocated to employees under the Share Ownership Plan	3,771,875	3,771,875
Weighted average number of shares used in basic EPS	107,919,548	107,919,548
Less: Dilutive adjusting effects	-	-
Weighted average number of shares used in diluted EPS	107,919,548	107,919,548
Less: Headline adjusting effects	-	-
Weighted average number of shares used in headline EPS	107,919,548	107,919,548
Basic earnings per share (cents)	1.82	0.93
Diluted earnings per share (cents)	1.82	0.93
Headline earnings per share (cents)	1.82	0.93

### 5. NON CURRENT BORROWINGS

The Group assumed CFI Holdings Limited's bank loans amounting to US\$16 million when it acquired Langford Estates (1962) (Private) Limited through a land-for-debt swap arrangement in 2015. The borrowings are with FBC Bank Limited, Infrastructure Development Bank of Zimbabwe, Standard Chartered Bank of Zimbabwe Limited, CBZ Bank Limited and Agribank Limited

They accrue interest at 10% per annum, have a tenor of 7 years with a 2-year principal repayment grace period. They are secured through a mortgage bond over land inventory.

### 6. CURRENT BORROWINGS

These comprise of a redeemable bond and bankers' acceptance with Banc ABC Zimbabwe Limited. The bond which has a prescribed asset status was issued to fund offsite infrastructure and bulky water pipelines for the Fidelity Life Southview Park residential stands development. The bond accrues interest at 11% per annum and is secured by sinking fund cash flows and a limited guarantee by the Company to the extent of the outstanding bond amount and accrued interest. The bankers' acceptance with BancABC accrues interest at 13% per annum and is secured by land and buildings with a carrying amount of US\$ 4,100,000 as at 31 December 2016.

### 7. SEGMENT INFORMATION

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

Period ended 30 June 2017

	Zimbabwe US\$	Malawi US\$	Total US\$
Revenue			
Total revenue	11,080,457	2,018,029	13,098,487
Inter-segment revenue	-	-	-
Total revenue from external customers	11,080,457	2,018,029	13,098,487

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

Depreciation of property and equipment	503,724	25,403	529,126
Amortisation of intangible assets	30,009	14,159	44,168
Amortisation of deferred acquisition costs	-	28,650	28,650
Segment profit before tax	2,241,669	166,236	2,407,905

Period ended 30 June 2016

Revenue			
Total revenue	9,987,046	1,375,849	11,362,894
Inter-segment revenue	(238,198)	-	(238,198)
Total revenue from external customers	9,748,847	1,375,849	11,124,696

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

Depreciation of property and equipment	310,489	32,792	343,281
Amortisation of intangible assets	30,899	12,781	43,680
Amortisation of deferred acquisition costs	-	52,487	52,487
Segment profit before tax	1,233,351	46,095	1,279,446

Period ended 30 June 2017

Additions to non-current assets	169,140	41,390	210,530
Reportable segment non current assets	45,561,450	2,447,628	48,009,078
Reportable segment current assets	63,285,052	4,154,550	67,439,602
Reportable segment liabilities	84,563,192	5,365,399	89,928,591

Period ended 31 December 2016

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

### 8. CYCLICALITY OF OPERATIONS

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



## FIDELITY LIFE ASSURANCE OF ZIMBABWE



FIDELITY LIFE  
ASSET MANAGEMENT



FIDELITY  
FUNERAL ASSURANCE



FIDELITY LIFE  
FINANCIAL SERVICES



FIDELITY LIFE  
MEDICAL AID SOCIETY



ZIMBABWE ACTUARIAL  
CONSULTANTS



In life, as in chess,  
forethought wins.

Charles Buxton