FIDELITY LIFE

ASSURANCE OF ZIMBABWE

Reviewed Financial Results

for the half year ended 30 June 2019

Chairman's Statement

It is my pleasure to present to you the condensed consolidated results of Fidelity Life Assurance of Zimbabwe Limited Group for the half year ended 30 June 2019.

Economic landscape

The announcement of the policy reforms in the fourth quarter of 2018 saw an increased volatility surfacing on various economic fronts. This was fueled by panic responses to the markets' interpretation of the announced separation of the Nostro Foreign Currency Accounts (FCA) from Real Time Gross Settlement balances (RTGS) as well as the introduction of the intermediated money transfer tax. Subsequently in February 2019, the Reserve Bank of Zimbabwe pronounced a Monetary Policy statement which then created RTGS dollars as the transacting currency for Zimbabwe effective 22 February 2019 and established an interbank foreign exchange rate.

This was followed by the issuance of two Statutory Instruments:

- SI 32 of 2019 - Exchange Control Act (Amendment) Regulations, 2019 no.6 and
- SI 33 of 2019 - Presidential Powers (Temporary Measures);-Amendment of Reserve Bank of Zimbabwe Act and Issue of RTGS Dollars Regulations, 2019.

As a result, the operating environment for this reporting period has remained challenging and has seen foreign currency shortages as well as increased volatility in an upward trajectory of interbank foreign exchange rates since the announcement of Statutory Instrument 142 of 2019. Inflation rapidly increased in the second quarter due to sharp depreciation of the local currency.

Prescribed Assets Compliance Regulation

The 2019 budget review unveiled an upward review of the prescribed assets ratio thresholds for life insurance and pensions industry from 7% to 15% and 10% to 20% respectively, with full compliance expected by 31 December 2019. Prescribed assets are financial instruments that governments use to mobilise financial resources from the insurance industry for national development purposes, for example in infrastructure development. In normal and stable economies, such instruments are considered secure and risk free. If correctly structured, they provide a safe asset class and a reasonable match for policyholder liabilities. Historically, as happened in 2018, in a high inflationary environment, non-inflation linked Prescribed Assets tend to destroy value. We therefore urge the Ministry of Finance and Economic Development to consider introducing inflation indexed bonds or waive compliance pending stabilization of the economy.

Amid growing fears of the re-emergence of hyperinflation, preservation of policyholder and shareholder funds continue to be a key focus area for the Group by ensuring the continued skew towards property, as a proven store of value.

Financial performance

Total revenue grew by 143%, closing the half year at ZW$62.5M, compared to ZW$25.8M achieved over the same period last year. Revenue growth was largely driven by fair value gains on the Group's property and equity investment portfolios. Whereas an interim revaluation of properties was previously not performed for half year reporting, the macro-economic developments noted during the half year to 30 June 2019 necessitated this assessment. This resulted in fair value gains of ZW$29.9M being recorded on properties. The equities portfolio recorded gains of ZW$4.1M, compared to a loss of ZW$1.2M recorded in the 6 months to 30 June 2018.

Revenue was also boosted by profits from disposal of construction equipment which resulted in a 392% increase in other income, from ZW$0.9M to ZW$4.7M. The Group's premium income increased 84% to ZW$16.6M, from ZW$9.1M in the period to 30 June 2018. A key contributor to this result was the Malawi business.

The micro-finance business also grew its interest income, recording an increase of 136% from ZW$1.5M as at 30 June 2018 to ZW$3.6M in the current half year. Revenue from sale of stands was negligible as expected due to the Southview development project having reached its tail end.

A provision for re-estimated project completion costs for Southview offsite works was a major contributor to the 162% increase in total expenses. The contract value was adversely affected by the developments noted in the macro-economy following the pronouncement of SI 133 and SI 142. The re-estimation of the project completion costs resulted in a ZW$22.8M charge to the income statement. The significant gains reported from fair value and exchange rate adjustments resulted in a 237% increase in gross change in insurance and investment contract liabilities, which increased from ZW$5.1M to ZW$17.1M in the current half year. Other expenses grew largely due to inflationary pressures and the exchange rate impact on the operating results of the Malawi business.

The Group closed the half-year with a profit before tax of ZW$4.6M, against a comparative of ZW$3.7M, reflecting a growth of 24%.

Operations

Achieving superior customer experiences through technology

The group continues to focus on its digitalisation strategy of providing a superior customer experience. During the course of this half year we have made several strides in achieving this goal. We have introduced several platforms that will make the customer journey more enjoyable.

Customers are now able to conduct business with us on various online and electronic platforms. Payments are now made via the online payment platform "Fidelity", which permits clients to pay from anywhere for their products and services. In addition, the Group launched "WhatsApp for Business", and now Fidelity Life customers can communicate with us through this cost effective service making us more accessible to our clients.

Repositioning of the Fidelity Life Brand

It is part of our 2019 strategy to refocus our attention on our brand and it's positioning in the market. To this end Fidelity Life signed an agreement with the Premier Soccer League of Zimbabwe making Fidelity Life the official life and health partner to the league. This initiative has seen the Group offer life cover, funeral cover and medical support to all the players in the league. The agreement has seen our brand grow in terms of awareness and affinity in our target market; further this has opened up additional markets for the Group to sell its products and services.

New Products

Fidelity Life Assurance launched a first in Zimbabwe Funeral Cash Back Product that offers customers cash back after five claim free years. The product was launched in May 2019 as a response to customer outcry to get something back from their policy before death, and is our way of offering customers more value for their money. This reiterates our commitment to offering our customers products that speak to their needs.

The Group continues to make positive strides on its journey towards becoming a holistic financial services provider. We remain 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 country is implementing a number of policy reforms aimed at strengthening fiscal sustainability, reducing inflation and promoting a flexible exchange system as a foundation for sustainable private sector-led economic transformation. In the short to medium term, the local currency is expected to remain under pressure and lose further ground against the United States Dollar (USD) due to depressed mining and manufacturing output, limited access to external financing and the low level of international reserves. With the economy indexing pricing to the USD, high inflation is forecast to persist in the short term. Traditional investment markets are expected to continue yielding negative returns making value preservation a top priority for the insurance industry.

Overall, the performance of the mining sector and agriculture sector are key to the country's economic recovery. The power supply woes are impeding growth of the mining sector, while the normal to below normal rainfall expected in the second half of the 2019-20 season poses a threat to the performance of the agriculture sector.

Corporate governance

There were no changes to the board of directors during the half year ended 30 June 2019.

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 support and this is greatly appreciated.

F. Ruwende
Chairman
30 September 2019

Condensed consolidated interim statement of financial position
as at 30 June 2019

	Notes	Reviewed 30-Jun-19 ZW$	Audited 31-Dec-18 ZW$
ASSETS			
Property and equipment		17,763,931	6,347,619
Investment property		69,676,839	19,728,710
Intangible assets		1,138,653	347,202
Operating lease right of use asset	5	999,230	-
Inventories		24,647,032	24,688,741
Trade and other receivables	9	51,409,448	43,968,538
Corporate tax asset		1,120,296	431,876
Deferred tax assets		6,228	6,228
Deferred acquisition costs		967,953	159,278
Equities at fair value through profit or loss		23,859,837	15,203,896
Debt securities at amortised cost		2,642,732	2,321,009
Cash and deposits with banks		58,692,542	9,522,429
Total assets		**252,924,721**	**122,725,526**
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Issued share capital		1,089,233	1,089,233
Share premium		671,409	671,409
Treasury shares		(10,037)	(10,037)
Retained earnings		5,407,513	2,332,232
Revaluation reserve		2,048,152	1,064,833
Foreign currency translation reserve		4,380,461	(1,211,349)
Total ordinary shareholders' equity		**13,586,731**	**3,936,321**
Non-controlling interests		8,597,215	4,991,264
Total equity		**22,183,946**	**8,927,585**
Liabilities			
Insurance contract liabilities, and investment contract liabilities with discretionary participation features		145,875,696	67,069,210
Investment contracts without discretionary participation features		12,848,399	5,624,413
Borrowings	8	22,087,472	21,658,700
Deferred tax liabilities		2,544,555	583,150
Finance lease obligations		421,222	80,845
Operating lease obligations	5	1,061,623	-
Provisions		28,499,330	4,852,386
Trade and other payables		16,013,451	12,163,269
Corporate tax liability		1,389,027	1,765,968
Total liabilities		**230,740,775**	**113,797,941**
Total equity and liabilities		**252,924,721**	**122,725,526**

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

Condensed consolidated interim statement of profit or loss and other comprehensive income
for the half year ended 30 June 2019

	Notes	Reviewed 30-Jun-19 ZW$	Unaudited 30-Jun-18 ZW$
Gross premiums		16,623,585	9,058,011
Premiums ceded to reinsurers		(677,680)	(262,888)
Net premiums		**15,945,905**	**8,795,123**
Fees and commission income		1,088,647	618,338
Investment income		1,692,292	274,922
Interest income from residential stands receivables		1,381,859	2,826,361
Fair value gains and losses from equities		4,136,978	(1,224,890)
Fair value gains from investment property		29,946,073	-
Interest income from microlending		3,572,031	1,513,732
Other operating income		4,664,411	948,769
Income from sale of residential stands		56,261	12,010,864
Total revenue		**62,484,457**	**25,763,219**
Gross benefits and claims paid		(5,619,342)	(2,453,240)
Claims ceded to reinsurers		291,107	18,655
Net benefits and claims		**(5,328,235)**	**(2,434,585)**
Gross change in insurance and investment contract liabilities		(17,089,281)	(5,078,163)
Fee and commission expenses, and other acquisition costs		(964,263)	(449,678)
Operating and administration expenses		(10,166,520)	(6,380,988)
Cost of sales of residential stands		(32,350)	(6,483,685)
Project development costs		(22,753,473)	-
Finance costs		(1,579,538)	(1,237,669)
Total benefits, claims and other expenses		**(57,913,660)**	**(22,064,768)**
Profit before tax		**4,570,797**	**3,698,451**
Income tax expense		(1,344,892)	(1,435,983)
Profit for the half-year		**3,225,905**	**2,262,468**
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Gross gains on property revaluation		9,833,189	-
Income tax related to items that will not be reclassified		-	-
Gross change in insurance liabilities through OCI		(8,849,870)	-
Gains on property revaluation, net of tax		**983,319**	**-**
Items that will or may be reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		9,052,631	(505)
Other comprehensive income/(loss) for the half-year, net of tax		**10,035,950**	**(505)**
Total comprehensive income for the half-year		**13,261,855**	**2,261,963**
Profit for the half-year attributable to:			
Owners of the parent		3,080,775	2,268,209
Non-controlling interests		145,130	(5,741)
Total profit for the half-year		**3,225,905**	**2,262,468**
Total comprehensive income attributable to:			
Owners of the parent		9,655,904	2,267,921
Non-controlling interests		3,605,951	(5,958)
Total comprehensive income for the half-year		**13,261,855**	**2,261,963**
Earnings per share attributable to the ordinary equity holders of the parent			
Basic earnings per share (cents)	4	2.85	2.10
Diluted earnings per share (cents)	4	2.85	2.10
Headline earnings per share (cents)	4	2.55	2.10

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

FIDELITY LIFE

ASSURANCE OF ZIMBABWE

Reviewed Financial Results

for the half year ended 30 June 2019

Condensed consolidated interim statement of changes in equity
for the half year ended 30 June 2019

	Note	Share capital ZW$	Treasury shares ZW$	Share premium ZW$	Retained earnings ZW$	Revaluation reserve ZW$	Foreign currency translation reserve ZW$	Attributable to shareholders of parent ZW$	Non-controlling interest ZW$	Total equity ZW$
Half year ended 30 June 2018 - unaudited										
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		-	-	-	(473,040)	-	-	(473,040)	-	(473,040
Balance at 1 January 2018		**1,089,233**	**(10,037)**	**671,409**	**3,174,681**	**1,039,240**	**(1,209,617)**	**4,754,910**	**4,738,189**	**9,493,098**
Profit for the half year		-	-	-	2,268,209	-	-	2,268,209	(5,741)	2,262,468
Other comprehensive loss for the half year		-	-	-	-	-	(288)	(288)	(217)	(505)
Total comprehensive income/(loss) for the half year		-	-	-	2,268,209	-	(288)	2,267,921	(5,958)	2,261,963
NCI in change in degree of ownership of subsidiary		-	-	-	-	-	-	-	38,634	38,634
Balance at 30 June 2018		**1,089,233**	**(10,037)**	**671,409**	**5,442,890**	**1,039,240**	**(1,209,905)**	**7,022,831**	**4,770,865**	**11,793,695**
Half year ended 30 June 2019 - reviewed										
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**
Impact of adoption of IFRS 16	5	-	-	-	(5,494)	-	-	(5,494)	-	(5,494)
Balance at 1 January 2019		**1,089,233**	**(10,037)**	**671,409**	**2,326,738**	**1,064,833**	**(1,211,349)**	**3,930,827**	**4,991,264**	**8,922,091**
Profit for the half year		-	-	-	3,080,775	-	-	3,080,775	145,130	3,225,905
Other comprehensive income for the half year		-	-	-	-	983,319	5,591,810	6,575,129	3,460,821	10,035,950
Total comprehensive income/(loss) for the half year		-	-	-	3,080,775	983,319	5,591,810	9,655,904	3,605,951	13,261,855
Balance at 30 June 2019		**1,089,233**	**(10,037)**	**671,409**	**5,407,513**	**2,048,152**	**4,380,461**	**13,586,731**	**8,597,215**	**22,183,946**

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

Condensed consolidated interim statement of cash flows
for the half year ended 30 June 2019

	Note	Reviewed 30-Jun-19 ZW$	Unaudited 30-Jun-18 ZW$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**4,570,797**	**3,698,451**
Adjustments:		**2,927,918**	**7,747,252**
Fair value (gains)/losses on financial assets at fair value		(4,136,978)	1,224,890
Fair value gains on investment property		(29,946,073)	-
Amortisation of intangible assets		30,271	26,090
Amortisation of right of use asset		65,129	-
Amortisation of deferred acquisition costs		64,294	14,750
Increase in deferred acquisition costs		-	(7,765)
Finance costs		1,579,538	1,237,669
Unrealised exchange gains and losses		(440,192)	-
Depreciation of property and equipment		849,060	348,205
Increase in life assurance policyholder liabilities		17,089,281	5,078,163
Impairment of goodwill		-	148,672
Investment income		(1,692,292)	(274,922)
Increase in project development costs provisions		22,753,473	-
Profit on disposal of property and equipment		(3,287,593)	(48,500)
Changes in working capital		**2,777,884**	**(7,847,553)**
Decrease in inventories		41,709	4,238,633
Decrease in deferred acquisition costs		45,049	-
Decrease/ (Increase) in trade and other receivables		445,696	(11,378,052)
Increase / (Decrease) in trade and other payables		2,245,430	(708,134)
Cash generated from operations		**10,276,599**	**3,598,150**
Income taxes paid		(1,511,485)	(617,927)
NET CASH GENERATED FROM OPERATING ACTIVITIES		**8,765,114**	**2,980,223**
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to and replacement of property and equipment		(173,430)	(184,619)
Additions and improvements to investment property		(121,410)	(5,197)
Additions to intangible assets		(69,905)	(54,302)
Increase in investments in subsidiaries		-	(110,039)
Investment income		1,692,292	274,922
Additions to financial assets at fair value through profit or loss		(559,654)	-
Disposals of financial assets at fair value through profit or loss		930,857	319,628
Proceeds from sale of property and equipment		3,299,401	200,000
Additions to debt securities held at amortised cost		(321,723)	-
NET CASH GENERATED FROM INVESTING ACTIVITIES		**4,676,428**	**440,393**
CASH FLOWS FROM FINANCING ACTIVITIES			
Finance costs		(1,579,538)	(1,237,669)
Repayments of finance lease obligations		(61,128)	-
Payments of principal on capitalised operating lease obligations		(51,692)	-
Proceeds from borrowings		3,250,000	11,593,721
Repayments of borrowings		(2,821,228)	(11,312,829)
NET CASH UTILISED IN FINANCING ACTIVITIES		**(1,263,586)**	**(956,777)**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**12,177,956**	**2,463,839**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE HALF YEAR		**9,144,679**	**7,801,682**
Cash outflow on investment contracts without DPF		-	(152,806)
Exchange differences on translation of cash and cash equivalents		27,948,606	-
Exchange differences on translation of a foreign operation		9,043,551	1,280
CASH AND CASH EQUIVALENTS AT THE END OF THE HALF YEAR	10	**58,314,792**	**10,113,995**

Cash and cash equivalents excludes restricted cash (Note 10).

Notes to the condensed consolidated interim financial statements
for the half year ended 30 June 2019

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 condensed consolidated interim financial statements and related financial information included in this report. It is their responsibility to ensure that the condensed consolidated interim financial statements present fairly the Group's financial position as at the end of the half year, and the results of its operations and cash flows for the six months then ended, in conformity with International Accounting Standard 34 ("IAS 34"), Interim Financial Reporting.

2 AUDITOR'S STATEMENT

These abridged financial statements have been reviewed by Ernst & Young Chartered Accountants (Zimbabwe) and an adverse review conclusion issued thereon due to non-compliance with International Accounting Standard 21 "The Effects of Changes in Foreign Exchange Rates". The reviewer's report is available for inspection at the Group's registered office. The engagement partner for the review is Mr Fungai Kuipa (PAAB Practicing Number 335).

3 ACCOUNTING POLICIES

3.1 Basis of preparation

These condensed consolidated interim financial statements for the half year ended 30 June 2019 have been prepared based on statutory records maintained under the historical cost convention as modified by the revaluation of properties and listed equities, which are carried at fair value. The condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 ("IAS 34", Interim Financial Reporting, and in the manner required by the Companies Act (Chapter 24:03) and the Insurance Act (Chapter 24:07), unless otherwise stated.

The condensed consolidated interim financial statements do not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual report of Fidelity Life Assurance of Zimbabwe Limited for the year ended 31 December 2018 and any public announcements made by Company during the interim period.

The accounting policies applied in preparing these condensed consolidated interim financial statements are consistent with those of the previous financial year, except for the adoption of new and amended standards as set out in Note 3.3 below.

3.2 Functional Currency

The Group changed its functional and presentation currency from United States dollar (US$) to Zimbabwe dollar (ZW$) with effect from 22 February 2019. The change in currency was effected in response to Statutory Instrument 33 of 2019 (effective from 22 February 2019), and to enable compliance with Statutory Instrument 142 of 2019 (effective from 24 June 2019).

The promulgation of SI 142 of 2019 on 24 June 2019 resulted in the Zimbabwe Dollar being the only legally accepted legal tender for transactions in Zimbabwe, apart from those transactions otherwise specified. Through SI 142, the Zimbabwe Dollar was placed at par with bond notes and coins and Real Time Gross Settlement dollars (RTGS$), which forms of currency were declared legal tender with the gazetting of SI 33 earlier in the year. The directors have therefore used the reference of ZW$ with effect from 22 February 2019, the date from which SI 33 was effective. For the Group, the Zimbabwe Dollar satisfies the factors for consideration in determining functional currency as laid out in International Accounting Standard 21, The Effects of Changes in Foreign Exchange Rates. The analysis against IAS 21 was outlined in Note 2.2 of the Group's annual report for the year ended 31 December 2018.

At the date of change in functional currency, the Group converted its statement of financial position at that date at an exchange rate of US$1:ZW$1, being the indicative rate stated in SI33 for conversion to ZW$. The same conversion rate was applied for transactions recorded in the Group's profit or loss for the period 1 January 2019 to 22 February 2019. As a result, no exchange gains or losses arose from this conversion. Comparative financial information was also converted at a rate of 1:1, being the official exhange rate between US$ and the defined ZW$ as at that date. This resulted in no change in the numbers presented as at and for the year ended 31 December 2018.

With effect from 22 February 2019, transactions of the Group that are in a currency other than Zimbabwe Dollar are translated into Zimbabwe Dollar using the official exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at exchange rates at the end of the reporting period are generally recognised in profit or loss within finance costs.

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

3.3 Changes in accounting policies

(a) New and ammended standards adopted by the Group

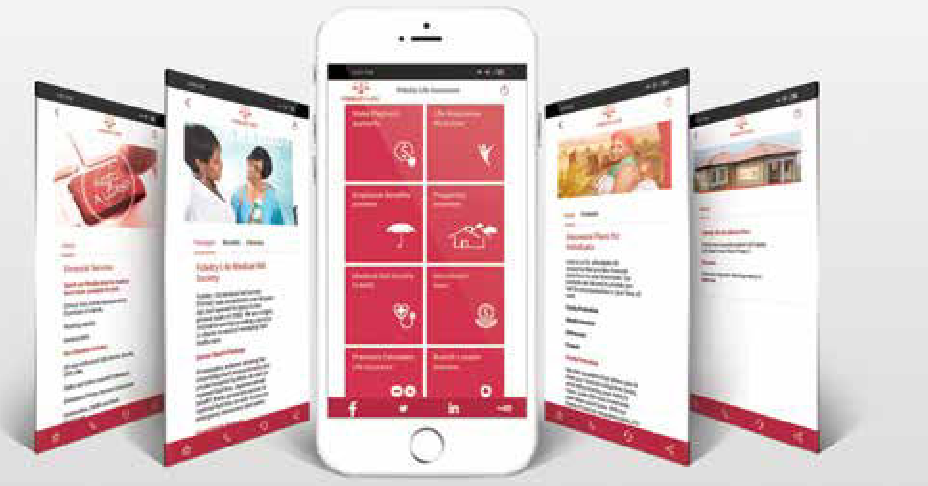
International Financial Reporting Standard 16, Leases ("IFRS 16") took effect from 1 January 2019. The Group changed its accounting policy on leases as a result of adopting this standard and the impact of this adoption is disclosed in Note 5 below.

Other new and ammended standards and interpretations to standards that are effective from 1 January 2019 do not have any material impact on the Group's accounting policies.

Statement of compliance

The condensed consolidated interim financial statements for the half year ended 30 June 2019 have been prepared in accordance with the Zimbabwe Stock Exchange Listing Rules, unless otherwise stated.

Reviewed Financial Results
for the half year ended 30 June 2019


Fidelity Life APP

Notes to the condensed consolidated interim financial statements
for the half year ended 30 June 2019

4 EARNINGS PER SHARE

	Reviewed 30-Jun-19 ZW$	Unaudited 30-Jun-18 ZW$
Basic earnings per share		
Numerator		
Earnings for the year attributable to owners of the parent, used in basic and diluted EPS	3,080,775	2,268,209
Less: IAS16 gains on disposal of equipment, attributable to owners of the parent	(328,696)	-
Headline earnings for the year attributable to owners of the parent	2,752,079	2,268,209
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 and headline EPS	**107,919,548**	**107,919,548**
Basic and diluted earnings per share (cents)	**2.85**	**2.10**
Headline earnings per share (cents)	**2.55**	**2.10**

5 CHANGES IN ACCOUNTING POLICIES
5.1 Impact of adoption of IFRS16, Leases

The Group adopted IFRS16, Leases from its effective date of 1 January 2019. On adoption, the Group applied the transitional provision indicated in the standard which allows for adoption of IFRS 16 retrospectively but without restating prior year comparatives. Reclassifications and adjustments arising from initial application of the standard were therefore recorded in the Group's opening balance sheet as at 1 January 2019, through retained earnings.

On adopting IFRS 16, the Group applied the following practical expedients allowed by the standard:

- operating leases that had a remaining lease term of less than 12 months as at 1 January 2019 were accounted for as short term leases
- the Group elected not to re-assess whether its contracts are lease contracts at the date of initial application. For contracts entered into before the transition date the Group maintained assessments made applying IAS 17.

5.1.1 Leases previously classified as operating leases

The Group leases several offices in major towns and cities in Zimbabwe and Malawi. Each lease is negotiated separately and will have terms and conditions that vary widely from those agreed for other lease arrangements. The lease agreements do not impose any covenants, and leased assets may not be used as security for borrowings. Lease contracts are usually signed for fixed periods of 1 to 5 years, and some may have extension options on terms agreed with the landlords.

Under IAS17, Leases, these lease contracts were classified as operating leases. Monthly rental payments made under these leases were expensed to profit/loss on a straightline basis over the term of the lease.

IFRS 16 requires that a right of use asset and a corresponding lease liability be recognised on the Group's statement of financial position at the date the leased asset becomes available for use by the Group. Subsequently, each rental payment is allocated between finance costs and a reduction of the lease liability over the term of the lease. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The Group applied these principles from 1 January 2019.

(a) Leases assessed as short term or low-value leases

The leases in Zimbabwe and a few other leases in Malawi were assessed as meeting the criteria for classification as short term or low value leases. Short-term leases are leases with a lease term of 12 months or less. Low-value leases are leases with rentals of less than US$5,000 for the term of the lease. Rental payments on these leases continue to be recognised as an expense in profit or loss on a straight line basis.

(b) Measurement of lease liabilities on leases previously classified as operating leases

As at 1 January 2019, the Group recognised lease liabilities in relation to some leases in Malawi that were previously classified as operating leases under IAS17, and which did not meet the criteria for classification as short term or low value leases. The lease liabilities were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate applicable to Vanguard Life Assurance as at 1 January 2019. The incremental borrowing rate applied on these leases was 13% per annum.

Subsequent to 1 January 2019, the lease liabilities have been amortised over the remaining lease terms using the incremental borrowing rate of 13%. Each monthly rental payment is allocated between finance costs, which are expensed to profit or loss, and a capital amount that is applied against the lease liability as a reduction. The remaining lease terms currently range from 13 to 53 months.

(c) Measurement of right-of-use assets on leases previously classified as operating leases

For those leases where a lease liability was recognised, the right of use assets were measured at an amount equal to the lease liabilities as at 1 January 2019. The right-of-use-assets are subsequently measured at cost, less accumulated depreciation and accumulated impairment losses. Depreciation on the right-of-use asset is calculated on a straight-line basis over the remaining lease term. The remaining lease terms currently range from 13 to 53 months.

Remeasurement of the lease liability will result in a corresponding adjustment to the right of use asset, whether positive or negative.

(d) Impact on the financial statements as at 1 January 2019

Statement of financial position (extract)	31-Dec-18 ZW$	IFRS 16 Adjustment ZW$	1-Jan-19 ZW$
Assets			
Right of use asset	-	177,295	177,295
Total assets	122,725,526	177,295	122,902,821
Liabilities			
Operating lease obligations	-	182,789	182,789
Total liabilities	113,797,941	182,789	113,980,730
Equity			
Retained earnings	2,332,232	(5,494)	2,326,738

(e) Movement analysis to 30 June 2019

Movements in right of use assets and operating lease liabilities during the half year were as follows:

	Right-Of-Use Asset ZW$	Operating lease obligation ZW$
Balance as at 31 December 2018	-	-
Impact of adoption of IFRS 16	177,295	182,789
Balance as at 1 January 2019	**177,295**	**182,789**
Amortisation	(65,129)	(51,692)
Exchange rate movement impact on foreign operation	887,064	930,526
Balance at 30 June 2019	**999,230**	**1,061,623**

6 SEGMENT INFORMATION

	Insurance ZW$	Microlending ZW$	Other ZW$	Group ZW$
Segmental performance for the half year ended 30 June 2019				
Total revenue	**58,499,552**	**4,149,531**	**1,903,374**	**64,552,457**
Inter-segment revenue	(2,068,000)	-	-	(2,068,000)
Total revenue from external customers	**56,431,552**	**4,149,531**	**1,903,374**	**62,484,457**
Total benefits, claims and other expenses	(55,380,872)	(1,933,179)	(599,609)	(57,913,660)
Profit before tax	**1,050,680**	**2,216,352**	**1,303,765**	**4,570,797**
Depreciation of property and equipment	802,922	14,493	31,645	849,060
Amortisation of intangible assets	6,478	20,331	3,462	30,271
Amortisation of right-of-use assets	65,129	-	-	65,129
Amortisation of deferred acquitsion costs	64,294	-	-	64,294

Notes to the condensed consolidated interim financial statements
for the half year ended 30 June 2019

6 SEGMENT INFORMATION (Cont'd)

	Insurance ZW$	Microlending ZW$	Other ZW$	Group ZW$
Finance costs	1,413,930	165,608	-	1,579,538
Fair value gains on equities	3,865,770	38,562	232,646	4,136,978
Fair value gains on investment property	28,726,282	483,900	735,891	29,946,073
Tax expense	838,085	503,101	3,706	1,344,892
Additions to non-current assets	347,095	17,650	-	364,745
Segmental performance for the half year ended 30 June 2018				
Total revenue	**23,587,181**	**1,878,487**	**517,751**	**25,983,419**
Inter-segment revenue	(78,830)	(31,956)	(109,414)	(220,200)
Total revenue from external customers	**23,508,351**	**1,846,531**	**408,337**	**25,763,219**
Total benefits claims and other expenses	(21,016,273)	(524,970)	(523,525)	(22,064,768)
Profit before tax	**2,492,078**	**1,321,561**	**(115,188)**	**3,698,451**
Depreciation of property and equipment	298,678	11,062	38,465	348,205
Amortisation of intangible assets	2,300	20,333	3,457	26,090
Amortisation of deferred acquitsion costs	14,750	-	-	14,750
Finance costs	1,205,713	31,956	-	1,237,669
Fair value losses on equities	1,207,923	15,158	1,809	1,224,890
Fair value gains on investment property	-	-	-	-
Tax expense	1,069,488	352,224	14,271	1,435,983
Additions to non-current assets	318,560	15,015	4,641	338,216
Segment assets and liabilities				
As at 30 June 2019				
Reportable segment non-current assets	107,742,828	923,521	1,532,549	110,198,898
Reportable segment current assets	106,285,899	12,254,103	24,185,821	142,725,823
Reportable segment liabilities	224,677,431	5,016,745	1,046,599	230,740,775
As at 31 December 2018				
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

GEOGRAPHICAL INFORMATION

	Zimbabwe ZW$	Malawi ZW$	Total ZW$
Segmental performance for the half year ended 30 June 2019			
Revenue			
Total revenue	**52,016,806**	**10,467,651**	**62,484,457**
Inter-segment revenue	-	-	-
Total revenue from external customers	**52,016,806**	**10,467,651**	**62,484,457**
Group's revenue per statement of profit or loss and other comprehensive income	**52,016,806**	**10,467,651**	**62,484,457**
Depreciation of property and equipment	657,703	191,357	849,060
Amortisation of intangible assets	23,793	6,478	30,271
Amortisation of right-of-use assets	-	65,129	65,129
Amortisation of deferred acquisition costs	-	64,294	64,294
Finance costs	1,515,904	63,634	1,579,538
Fair value gains on equities	3,693,763	443,215	4,136,978
Fair value gains on investment property	29,946,073	-	29,946,073
Tax expense	605,990	738,902	1,344,892
Additions to non-current assets	197,133	167,612	364,745
Segment profit before tax	**3,546,825**	**1,023,972**	**4,570,797**
Segmental performance for the half year ended 30 June 2018			
Revenue			
Total revenue	**23,076,520**	**2,711,815**	**25,788,335**
Inter-segment revenue	(25,116)	-	(25,116)
Total revenue from external customers	**23,051,404**	**2,711,815**	**25,763,219**
Group's revenue per statement of profit or loss and other comprehensive income	**23,051,404**	**2,711,815**	**25,763,219**
Depreciation of property and equipment	310,895	37,310	348,205
Amortisation of intangible assets	24,073	2,017	26,090
Amortisation of deferred acquisition costs	-	14,750	14,750
Finance costs	1,231,155	6,514	1,237,669
Fair value (gains)/losses on equities	1,365,613	(140,723)	1,224,890
Fair value gains on investment property	-	-	-
Tax expense	1,358,857	77,126	1,435,983
Additions to non-current assets	91,862	246,354	338,216
Segment profit before tax	**3,621,324**	**77,127**	**3,698,451**
Segment assets and liabilities			
As at 30 June 2019			
Reportable segment non current assets	90,520,543	19,678,355	110,198,898
Reportable segment current assets	75,558,280	67,167,543	142,725,823
Reportable segment liabilities	155,037,977	75,702,798	230,740,775
As at 31 December 2018			
Reportable segment non current assets	41,977,309	2,964,639	44,941,948
Reportable segment current assets	69,252,854	8,530,724	77,783,578
Reportable segment liabilities	103,944,791	9,853,150	113,797,941

7 CYCLICALITY OF OPERATIONS

Stand sale revenues do not follow a defined pattern as their recognition is dependent on receipt of compliance certificates from the local authorities. The timing of receipt of compliance certificates varies, such that revenues may or may not be recognised within a given period. During the half year ended 30 June 2019, revenues from sale of stands amounted to ZW$56,261, compared to ZW$12m generated in the same period in 2018. During the year ended 31 December 2018, 78% of the stand sales revenue was generated in the first half of the year, and 22% in the second half.

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

8 BORROWINGS
8.1 LONG-TERM BORROWINGS

	GROUP Jun-19 ZW$	Dec-18 ZW$
FBC Bank Limited	5,481,744	6,731,744
Infrastructure Development Bank of Zimbabwe	1,564,066	2,086,531
Standard Chartered Bank of Zimbabwe Limited	958,422	1,278,422
Agribank Limited	400,000	539,600
NMB Bank Limited	8,960,858	10,225,584
First Capital Bank Malawi	1,844,471	338,486
Long term borrowings	**19,209,561**	**21,200,367**
Current portion of long-term borrowings	(5,830,443)	(4,969,393)
Non-current portion of long term borrowings	**13,379,118**	**16,230,974**

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 ZW$16 million, when it acquired Langford Estates (1962) (Private) Limited through a land-for-debt swap arrangement in 2015. The borrowings accrue interest at

FIDELITY LIFE
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Reviewed Financial Results
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Notes to the condensed consolidated interim financial statements
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8 BORROWINGS (Cont'd)

8.1 LONG-TERM BORROWINGS (Cont'd)

FBC Bank Limited, Infrastructure Development Bank of Zimbabwe, Standard Chartered Bank of Zimbabwe Limited, CBZ Bank Limited and Agribank Limited (Cont'd)

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 on 30 June 2018. The principal is repaid in annual instalments per the agreed repayment schedule whilst interest is paid bi-annually on the outstanding principal amount. The loans are secured through a mortgage bond over land inventory.

The interest rate on these loans varies from market rates as it is a fixed rate. As at 30 June 2019, market interest rates on similar loans approximated 15% per annum. At this interest rate, the fair value of the loan approximates ZW$7,368,682, compared to its carrying amount of ZW$8,404,233.

NMB Bank Limited

The loan with NMB Bank was acquired to enable settlement of the Redeemable Bonds that were issued to fund the Southview development project. The bonds matured in 2017 and were refinanced through this facility with NMB in 2018. The NMB loan accrued interest at 10% per annum, until 1 May 2019 when the interest rate was revised to 15% in line with market borrowing rates. The interest rate is subject to variation at the bank's discretion and is influenced by bank interest rates prevailing on the market for long term borrowings. The loan has fixed monthly repayments to 31 January 2023. The facility is secured through cession of residential stand sales receivables worth ZW$12m and first mortgage bonds over the properties securing the debtors, up to a value of ZW$15m.

The fair value of the loan with NMB Bank is not materially different to its carrying amount as the interest rate on this borrowing is a variable interest rate that is adjusted to approximate market rates when these change significantly.

First Capital Bank Malawi

The loan with FCB Malawi was used to refinance Vanguard Life Assurance through a rights issue. The loan is denominated in Malawi Kwacha and accrued interest at 23% per annum, until 11 February 2019 when the rate was revised to 20.5%. 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. The terms of the loan require security of 110% of the facility amount to be kept in deposit with First Capital Bank Zimbabwe for the duration of the facility, which would amount to US$377,750. However, the loan is currently secured by a lien over cash amounting to ZW$377,750 after the deposit previously placed with the bank was converted to RTGS$ when SI33 of 2019 became effective. The Group is engaged in discussions with First Capital Bank to render additional security to meet the US$377,750 requirement.

The fair value of the loan with FCB Malawi is not materially different to its carrying amount as the interest rate on this borrowing is a variable interest rate that is adjusted to approximate market rates when these change significantly.

8.2 SHORT-TERM BORROWINGS	**Jun-19 ZW$**	**Dec-18 ZW$**
Ecobank Zimbabwe Limited	2,625,000	-
ZimRe Holdings Limited	252,911	458,333
Current portion of non-current borrowings	5,830,443	4,969,393
	8,708,354	**5,427,726**

ZimRe Holdings Limited

The loan with Zimre Holdings Limited 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.

Ecobank Zimbabwe Limited

The micro-finance business acquired a ZW$3m loan facility with Ecobank Zimbabwe Limited to increase its lending capacity. The facility amount is drawn down in tranches in line with the business' needs. Drawdowns on the facility accrue interest at varying interest rates depending on the prevailing interest rate on each drawdown date. Currently, ZW$1,875,000 of the outstanding amount accrues interest at 10% per annum, whilst ZW$750,000 accrues interest at 16% per annum. The facility is available for one year, expiring on 28 February 2020.

8.3 MOVEMENT IN BORROWINGS

	6 months to Jun-2019 ZW$	**12 months to Dec-2018 ZW$**
Movements in borrowings during the year were as follows:		
Balance at the beginning of the period	**21,658,700**	**24,247,160**
Net cash out flow on borrowings	428,772	(2,588,460)
Proceeds from borrowings	3,250,000	12,445,150
Repayment of borrowings	(2,821,228)	(15,033,610)
Non-cash movement in borrowings	-	-
Balance at the end of the period	**22,087,472**	**21,658,700**
Current borrowings	8,708,354	5,427,726
Non-current borrowings	13,379,118	16,230,974
Borrowings at the end of the period	**22,087,472**	**21,658,700**

9 TRADE AND OTHER RECEIVABLES	**Jun-19 ZW$**	**Dec-18 ZW$**
Residential stand sales debtors	27,519,523	32,779,380
Micro-finance loans receivable	13,241,126	8,346,630
Insurance debtors	9,775,877	3,613,844
Other trade debtors	416,959	234,003
Trade receivables - gross	**50,953,485**	**44,973,857**
Less: expected credit losses on trade receivables	(3,777,899)	(3,478,918)
Trade receivables - net	**47,175,586**	**41,494,939**
Receivables from related parties, net of ECL	828,808	289,381
Loans to employees, net of ECL	1,152,447	223,666
Total receivables classified as financial assets at amortised cost	**49,156,841**	**42,007,986**
Prepayments	2,105,244	148,769
Other receivables, net of ECL	147,363	1,811,783
Total trade and other receivables	**51,409,448**	**43,968,538**
Less non current portion		
Trade receivables	(20,620,245)	(18,517,632)
Current portion	**30,789,203**	**25,450,906**

The carrying value of trade and other receivables classified as financial assets at amortised cost approximates their fair value.

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 as shown in the table below.

The total impairment allowance is made up of the following:	**Jun-19 ZW$**	**Dec-18 ZW$**
Expected credit loss on trade receivables	3,777,899	3,478,918
Expected credit loss on loans to employees	107,141	107,141
Expected credit loss on other receivables	732,614	732,614
	4,617,654	**4,318,673**

Movements in expected credit loss are as follows:

	Jun-19 ZW$	**Dec-18 ZW$**
Balance at the beginning of the period - calculated under IAS 39	**4,318,673**	**11,948,939**
IFRS 9 Adjustment - restated through retained earnings	-	762,551
Opening loss allowance as at 1 January - calculated under IFRS 9	**4,318,673**	**12,711,490**
Receivables written off during the year as uncollectable	(2,565)	(9,599,112)
Net increase during the year through profit or loss	301,546	1,816,959
Reversal of unutilised amounts through profit or loss	-	(610,664)
Balance at the end of the period	**4,617,654**	**4,318,673**

Notes to the condensed consolidated interim financial statements
for the half year ended 30 June 2019

9 TRADE AND OTHER RECEIVABLES (Cont'd)

9.1 Expected credit loss on financial assets

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

(i) Micro-finance loans receivable	**Stage 1 12-month ECL ZW$**	**Stage 2 Lifetime ECL ZW$**	**Stage 3 Lifetime ECL ZW$**	**Total ZW$**
As at 30 June 2019				
Performing	11,155,821	-	-	11,155,821
Overdue	-	1,206,673	-	1,206,673
Default	-	-	878,632	878,632
Gross carrying amount	**11,155,821**	**1,206,673**	**878,632**	**13,241,126**
Expected credit loss on micro-finance receivables	(686,173)	(312,389)	(658,481)	(1,657,043)
Net carrying amount	**10,469,648**	**894,284**	**220,151**	**11,584,083**
As at 31 December 2018				
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 receivables	(467,661)	(146,080)	(743,466)	(1,357,207)
Net carrying amount	**6,156,608**	**791,804**	**41,011**	**6,989,423**

(ii) Residential stand sales debtors

	Lifetime ECL ZW$	**Stage 2 Lifetime ECL ZW$**	**Stage 3 Total ZW$**
As at 30 June 2019			
Performing	22,136,144	-	22,136,144
Overdue	1,661,183	-	1,661,183
Default	-	3,722,196	3,722,196
Gross carrying amount	**23,797,327**	**3,722,196**	**27,519,523**
Expected credit loss on residential stand sales debtors	(504,991)	(642,088)	(1,147,079)
Net carrying amount	**23,292,336**	**3,080,108**	**26,372,444**
As at 31 December 2018			
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**

(iii) Cash and short term deposits

The short term deposits are for periods less than 3 months. No significant increases in credit risk were noted on these instruments over the period to 30 June 2019. 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.

10 CASH AND DEPOSITS WITH BANKS

GROUP

	Jun-19 ZW$	**Dec-18 ZW$**
Money market investments	47,950,561	6,367,618
Bank and cash	10,364,231	2,777,061
Cash and cash equivalents	**58,314,792**	**9,144,679**
Restricted cash	377,750	377,750
Cash and deposits with banks	**58,692,542**	**9,522,429**

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 8.

11 FINANCIAL ASSETS AT FAIR VALUE

Listed equities are the only financial instruments held by the Group that are measured at fair value. These are shown as equities at fair value through profit or loss in the statement of financial position. The fair values of the equities are determined as Level 1 fair values in the fair value heirarchy. Level 1 fair values are determined based on quoted prices in active markets, which values are taken unadjusted. The Group holds equities listed on the Zimbabwe and Malawi Stock Exchanges and these amounted to ZW$23,859,837 as at 30 June 2019 (31 December 2018: ZW$15,203,896).

12 EVENTS AFTER THE PERIOD END

Subsequent to the reporting date, annual inflation (based on the Consumer Price Index statistics as published by the Reserve Bank of Zimbabwe) has continued to exhibit an upward trend. As of August 2019, the year-on-year inflation was 246,7% according to statistics from the Reserve Bank of Zimbabwe and this has, as a result, triggered considerations over the applicability of IAS 29 – Hyperinflation ("IAS 29") to the financial results of the Group.

IAS 29 considers the following characteristics of the economic environment of a country to be strong indicators of the existence of hyperinflation which includes but are not limited to the following:

a. the general population prefers to keep its wealth in non-monetary assets or in a relatively stable foreign currency. Amounts of local currency held are immediately invested to maintain purchasing power;
b. the general population regards monetary amounts not in terms of the local currency but in terms of a relatively stable foreign currency. Prices may be quoted in that currency;
c. sales and purchases on credit take place at prices that compensate for the expected loss of purchasing power during the credit period, even if the period is short;
d. interest rates, wages and prices are linked to a price index;
e. the cumulative inflation rate over three years is approaching, or exceeds 100%.

An assessment of the above matters requires the application of judgment by management and conclusive evidence on the quantitative and qualitative characteristics, above, may be difficult to obtain during these subsequent reporting periods.

Management will continue to evaluate these characteristics, including any communication from relevant regulators. Should the conclusion be reached that IAS 29 is applicable to the Group, the financial information presented at subsequent reporting dates may be subject to significant restatement. An estimate of the potential financial impact cannot be made at this stage as this is reliant on the determination of an appropriate index at such reporting dates.

Building a better working world

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INDEPENDENT AUDITOR'S REVIEW CONCLUSION ON THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
TO THE MEMBERS OF FIDELITY LIFE ASSURANCE OF ZIMBABWE LIMITED

Review report on the interim condensed consolidated financial statements

Introduction

We have reviewed the accompanying interim financial information of Fidelity Life Assurance of Zimbabwe Limited as set out on pages 7 to 21 that comprise the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six month period then ended, the notes to the consolidated financial statements which include a summary of significant accounting policies and other explanatory information. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with International Financial Reporting Standards (IFRS). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Adverse Conclusion

Non-compliance with International Financial Reporting Standards IAS 21- The Effects of Changes in Foreign Exchange Rates

As explained in Note 3.2 to the interim financial information, the functional and presentation currency applied by management is the Zimbabwe Dollar (ZWL)/RTGS$, effective 22 February 2019. Prior to that date, the United States Dollar (US$) was the entity's functional and presentation currency as prescribed by law.

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$) and the interbank foreign exchange market. Furthermore, Statutory Instrument 142 of 2019 specified that for all domestic transactions, the Zimbabwe Dollar (which comprises RTGS$, Bond notes and Bond Coins) was the sole legal tender effective 24 June 2019.

These events triggered the need for reporting entities to assess whether there was a change in functional currency (from US$ to RTGS$) and to determine an appropriate spot rate as required by IAS 21.

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."

We believe that events in the market and subsequent promulgation of the ZWL/RTGS$ as a formal currency supports that there was a change in functional currency from US$ to ZWL/RTGS$ and that transactions in the market indicated a different rate between the two currencies despite the legal 1:1 ZWL/RTGS$: US$ exchange rate and this occurred effective 1 October 2018. This impacts the basis for measuring transactions that occurred between 01 October 2018 and 22 February 2019, the valuation of assets and liabilities as well as the accounting for foreign exchange differences.

Impact of modified opinion from prior period on current period (IAS 21) due to prospective correction of error not in conformance with International Financial Reporting Standards IAS 8:

We issued an adverse audit report on the consolidated and separate statements of financial position, statements of cash flows and statements of comprehensive income for the year ended 31 December 2018 due to the matter described above. Our specific modifications were in respect of the following:
As per the requirements of the law,

- Management recognised the United States Dollar (USD) as the functional currency between 1 October 2018 to 31 December 2018 instead of ZWL/RTGS$.
- A rate of USD1: ZWL/RTGS1 was applied between 1 October 2018 to 31 December 2018 instead of a market rate.

Management has not restated the opening balances to resolve the matters which resulted in the adverse audit report and consequently,

- Transactions on the statement of profit or loss and movements in the current year are materially misstated as the opening balances are materially misstated.
- The comparative amounts (corresponding numbers) have not been restated and they are materially misstated and thus impact the comparability of the current year numbers.

Because of the matter not being retrospectively adjusted for as a prior period error in terms of International Financial Reporting Standards - IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors', the opening balances and corresponding performance and cash flows remain misstated.

The opening balances enter into the determination of the results of operations and cash flows in the current year and in addition had RTGS$ been designated as the functional currency from the prior period and a different RTGS$: USD$ currency rate been determined and applied by management, the performance and cash flows for the period 1 January to 22 February 2019 included in the attached consolidated financial statements, would have been materially different.

Due to the matters discussed above, the effects of the departure from IFRS are pervasive to the cash flows and performance stated in the consolidated financial statements and have not been quantified.

Our conclusion on the current period's consolidated financial statements is also modified because of the possible effects of the above matter on the comparability of the current period's figures and the corresponding figures.

Additional Impact of incorrect application of IAS 21 in current period:

Exchange rates

The interim financial information of the Company includes balances and transactions denominated in ZWL that were not converted to US$ at a ZWL: 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 2019, 20th of February 2019 and 1st of October 2018. We believe that transactions in the market indicated a different rate between the two currencies throughout this period despite the legal 1:1 ZWL: US$ exchange rate.

On the 23rd of February 2019, being the date of change in functional currency for the Group, management translated some balances using an exchange rate of 1ZWL:1US$. Subsequently the Group applied relevant interbank rates up to 30 June 2019.The exchange rates used did not meet the criteria for appropriate exchange rates in terms of IFRS as defined below:

According to IAS 21, at the end of each reporting period; (a) foreign currency monetary items shall be translated using the closing rate; (b) 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 (c) 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. According to paragraph 8 of IAS 21, the closing rate is defined as a) spot exchange rate at the end of the reporting period, and b) the Spot exchange rate is the exchange rate for immediate delivery.

In light of the definitions above, the IFRS interpretations Committee concluded in their September 2018 paper that the closing rate is the rate to which an entity would have access at the end of the reporting period through a legal exchange mechanism

Foreign currency translation on 23 February 2019

As an additional consequence of all of the above, not all items were translated into the new functional currency as per the requirements of IAS 21 paragraph 37 which states that "*The effect of a change in functional currency is accounted for prospectively. In other words, an entity translates all items into the new functional currency using the exchange rate at the date of the change. The resulting translated amounts for non-monetary items are treated as their historical cost.*"

The effects of the above departures from IFRS are pervasive to the consolidated financial statements and have not been quantified.

Adverse Conclusion

Based on our review, due to the significance of the matters discussed in the Basis for Adverse Conclusion paragraph, the interim financial information does not present fairly the consolidated financial position of Fidelity Life Assurance of Zimbabwe Limited as at 30 June 2019, and their consolidated financial performance and cash flows for the period then ended in accordance with International Financial Reporting Standards.

The engagement partner on the review resulting in this independent review conclusion is Mr Fungai Kuipa (PAAB Practicing Certificate Number 335).

Ernst & Young

ERNST & YOUNG
CHARTERED ACCOUNTANTS (ZIMBABWE)
REGISTERED PUBLIC AUDITORS
HARARE

27 September 2019