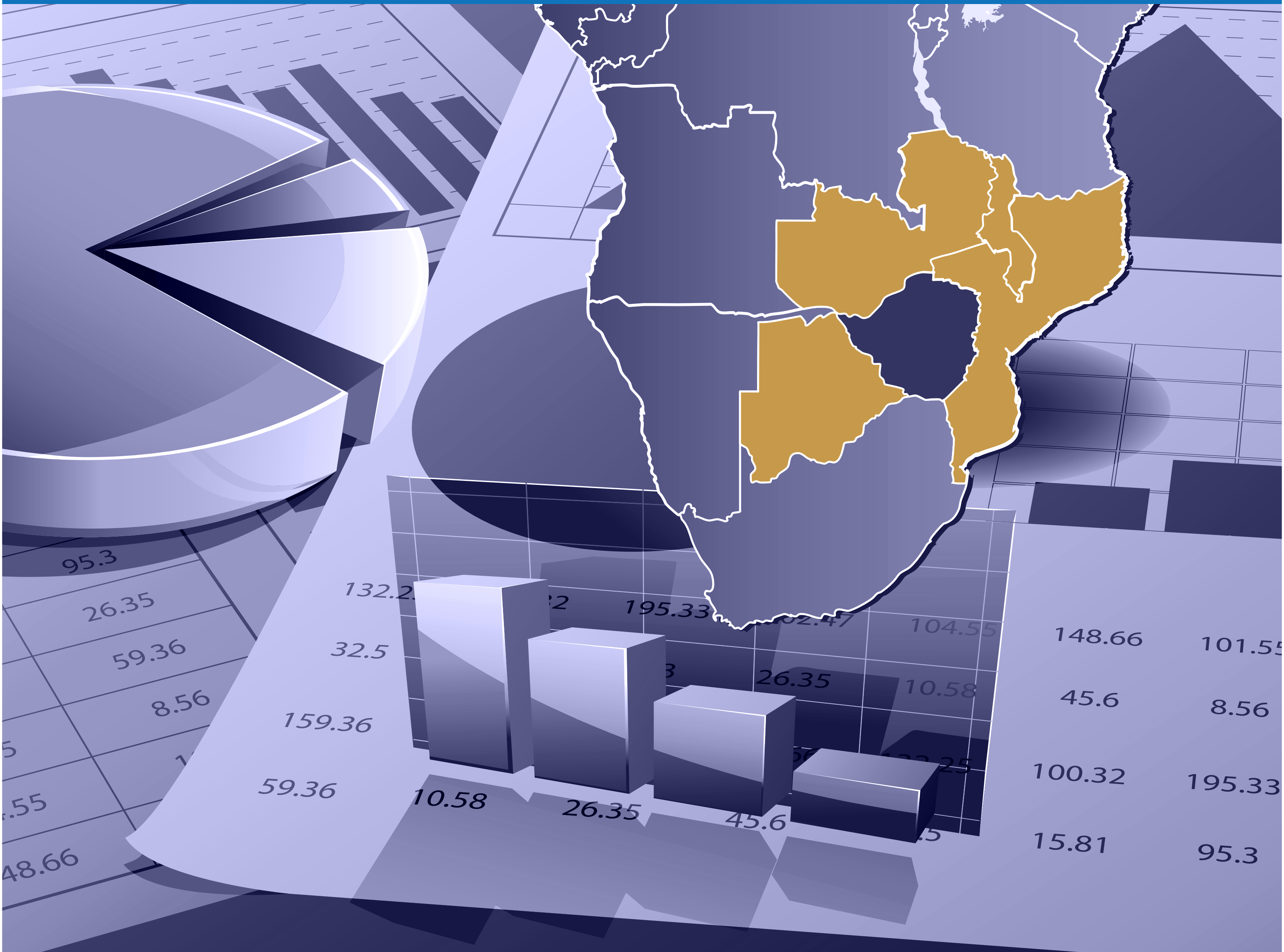


2018 ANNUALREPORT

ZIMRE HOLDINGS LIMITED

Security Growth and Profitability

Contents

CORPORATE INFORMATION

REGISTERED OFFICE
2nd Floor, D Block
S'Matsatsa Office Park
Borrowdale
Harare, Zimbabwe

Tel: +263 (242) 870 762 - 8
Email: zhl@zimre.co.zw
Website: www.zhl.co.zw

INDEPENDENT AUDITOR
PricewaterhouseCoopers Chartered Accountants (Zimbabwe)
Building Number 4, Arundel Office Park, Norfolk Road,
P O Box 453
Mount Pleasant, Harare

TRANSFER SECRETARIES
ZB Transfer Secretaries (Private) Limited,
21 Natal Road
Avondale
Harare, Zimbabwe

PRINCIPAL BANKERS
NMB Bank Limited
Angwa City Branch
Harare, Zimbabwe

LEGAL ADVISORS
Chinogwenya and Zhangazha Legal Practioners
Chinz Law Chambers
21 Nigel Philip Road, Eastlea
Harare, Zimbabwe

Kantor Immerman Legal Practitioners
Macdonald House, 20 Selous Avenue
Harare, Zimbabwe

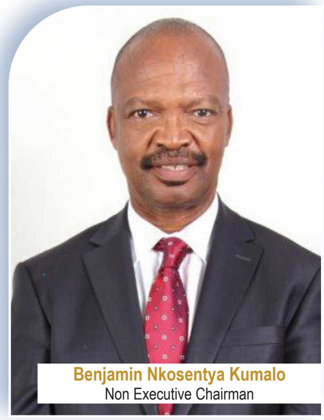
Company Profile

ZimRe Holdings Limited ("ZHL" or "the Company") is a diversified investment holding company with sustainable core competencies in insurance and property businesses. It has investments and operations located in Zimbabwe and the Southern African Region. ZHL is an active growth-oriented investor that provides strategic leadership and guidance to subsidiaries and associates investments and ensures value creation and portfolio optimization

Established in 1983, as Zimbabwe Reinsurance Corporation through an Act of Parliament, the Company's principal business was reinsurance. Soon it grew to be among the country's largest reinsurers and first resident reinsurer in many Southern African countries namely Botswana, Malawi, Mozambique and Zambia.

The Company listed on the Zimbabwe Stock Exchange in 1999 having assumed the mantle of holding company for a broad range of interests in the insurance,reinsurance, reassurance, property management and development services, and agro processing both locally and within the region.

BOARD OF DIRECTORS


Benjamin Nkosentya Kumalo
Non Executive Chairman

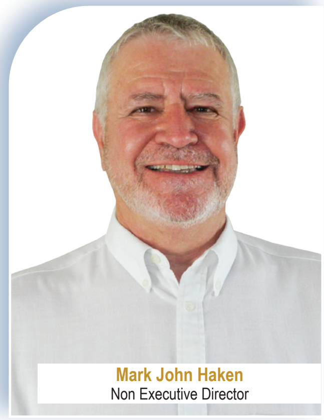

Stanley Kudenga
Group Chief Executive Office


Aadil Ebrahim Adamjee
Non Executive Director

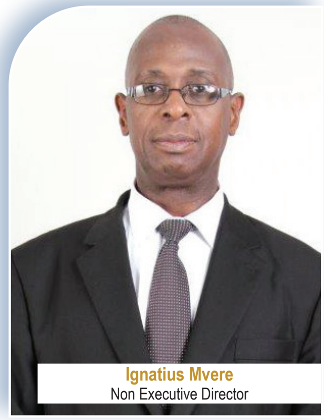

Jean Maguranyanga
Non Executive Director


Robert Cron von Seidel
Non Executive Director


Hamish Brian Wilburn Rudland
Non Executive Director


Mark John Haken
Non Executive Director


Edwin Zvandasara
Non Executive Director


Ignatius Mvere
Non Executive Director

CORPORATE **GOVERNANCE**

MAIN BOARD

B N Kumalo ***(Chairman)***

C von Seidel

I Mvere

A E Adamjee

H B W Rudland

J Maguranyanga

M J Haken

E Zvandasara

S Kudenga ***(Group Chief Executive Officer)***

BOARD COMMITTEES

Audit and Risk Management Committee

E Zvandasara ***(Chairman)***

I Mvere

M J Haken

J Maguranyanga

FINANCE AND INVESTMENTS COMMITTEE

H B W Rudland ***(Chairman)***

C von Seidel

A E Adamjee

HUMAN RESOURCES AND NOMINATION COMMITTEE

B N Kumalo ***(Chairman)***

I Mvere

J Maguranyanga

H B W Rudland

EXECUTIVE MANAGEMENT

S Kudenga – ***Group Chief Executive Officer***

L Madzinga – ***Group Finance Executive***

P Mundangepfupfu – ***Group Corporate Affairs Executive***

Introduction

The ZHL Group's corporate governance approach promotes strategic decision making that is attune to the Group's goals and the interests of its stakeholders and society so as to create sustainable and shared value. To this end, the Group remains committed to maintaining the highest standards of Corporate Governance as guided by the National Code on Corporate Governance of Zimbabwe and the King Report on Corporate Governance as amended from time to time. Corporate governance is the responsibility of the Board and Management applies the tone set by the Board in its integration of the governance principles to all the Group's operations. In line with the Group's belief in continuous improvement, the Board annually reviews its corporate governance philosophy and if necessary improves the same to ensure full and consistent compliance with legal and regulatory requirements.

Directorate

The Board serves as the focal point for and custodian of the Group's corporate governance principles. To this end, the Group strives to reflect the same in its composition which we believe is qualitatively and quantitatively balanced in terms of skills, nationalities, experience, tenure and independence. The ZHL Board comprises eight non-executive directors and one executive director. In order to strengthen its independence and in line with best practice, it is chaired by an independent non-executive director.

It is the responsibility of the Board to provide ethical and effective leadership to the Group. In this regard, the role of the Board is to determine overall policies, plans and strategies which are used to measure the organization's performance. The Board meets regularly, at least four times a year, and guides corporate strategy, risk management practices, annual budgets and business plans. Special Board meetings may be convened on an ad-hoc basis to consider issues requiring urgent attention or decisions.

In line with the Group's belief of continuous development, in 2018 it introduced an annual Board Evaluation programme. The programme is meant to assess the effectiveness of the Board and its committees while also facilitating self and peer evaluation of the members. To promote openness and independence, the programme is externally facilitated. Aside from induction training, following a new appointment, the ZHL Board also attends trainings and workshops. In 2018, the Board underwent corporate governance training focusing on leadership and good corporate governance.

CORPORATE GOVERNANCE *(continued)*

Attendance of Directors at Board and Committee meetings during the year ended 31December 2018:

Director	Main Board	Human Resources and Nominations Committee	Finance and Investments Committee	Audit and Risk Management Committee
B N Kumalo	5/5 (chairperson)	4/4 (chairperson)	n/a	n/a
A E Adamjee	5/5	n/a	4/4	n/a
M J Haken^	1/5	n/a	n/a	n/a
J Maguranyanga	4/5	4/4	n/a	3/4
I Mvere	4/5	3/4	n/a	4/4
B Ndebele*	3/5	n/a	2/4	n/a
H B W Rudland	5/5	2/4	4/4 (chairperson)	n/a
C von Seidel	3/5	n/a	3/4	n/a
E Zvandasara	5/5	n/a	n/a	4/4 (chairperson)
S Kudenga	5/5	n/a	4/4	n/a

Key
^ appointed 22 October 2018
* resigned 24 August 2018

BOARD COMMITTEES

Board Accountability and Delegated Functions

The Board is supported by various committees in executing its responsibilities. The committees meet quarterly to review performance and provide guidance to management on both operational and policy issues.

Each committee acts within written terms of reference under which certain functions of the Board are delegated with clearly defined purposes. The Board and board committees may take independent advice at the Group's expense where necessary.

Audit and Risk Management Committee

The Audit and Risk Management Committee, chaired by a non-executive director, comprises three non-executive directors and meets at least four times in a year. The main roles and responsibilities of the Audit and Risk Management Committee include the monitoring of the financial reporting process, the effectiveness of the Group's internal control, internal audit and risk management system and the audit of the annual consolidated financial statements. The Committee is also responsible for managing the relationship with independent and internal auditors. The independent and internal auditors have unrestricted access to the Committee and attend all meetings.

Financial Reporting and Disclosure, Internal Control and Role of the Auditors

The Board has, through the Audit and Risk Management Committee, established transparent arrangements for financial reporting, independent auditing and the review of the internal control environment including compliance issues. The Audit and Risk Management Committee's terms of reference extend to the Group's compliance and risk management activities as a whole and not just the financial aspects of internal control.

The Audit and Risk Management Committee has access, as it may require, to the Group's independent and internal auditors throughout the year, in addition to presentations from both on a quarterly basis. Any significant findings or identified risks are closely examined and are reported by the Audit and Risk Management Committee Chairman to the Board with recommendation for action.

Financial Reporting and Disclosures

The Board, with the assistance of the Audit and Risk Management Committee, has ultimate responsibility for the preparation of the financial statements and for the monitoring of systems of internal control. The Board strives to present a balanced assessment of the Group's financial position and prospects and it endeavors to present all financial and other information so as to be comprehensible to investors. The Group publishes half yearly financial reports so that its shareholders can monitor the Group's financial position regularly.

CORPORATE **GOVERNANCE** *(continued)*

Risk Management, Compliance and Internal Control

The Board recognizes its overall responsibility to maintain risk management and internal control systems to safeguard shareholders' investments, assets of the Group and for reviewing the effectiveness of the systems. Such systems are designed to manage the risk of failure to achieve business objectives and to give reasonable assurance against material misstatement or loss. Through the Audit and Risk Management Committee, the Board reviews processes and procedures to ensure the effectiveness of the Group's system of internal controls which are monitored by the Internal Audit Department.

In 2018, the Board reviewed procedures and the key risks faced by the Group and the effectiveness of the risk management and internal control systems. The Board delegates the responsibility to the Audit and Risk Management Committee for more regular reviews of both key risks and internal controls and for monitoring the activities of the internal audit function. The Committee has kept these areas under regular reviews during 2018.

Internal Audit

The Head of Internal Audit reports to the Chairman of the Audit and Risk Management Committee functionally and to the Group Chief Executive Officer operationally and has direct and regular access to the Audit and Risk Management Committee Chairman and other members of the Committee. He attends and regularly presents at the Audit and Risk Management Committee meetings. The main activities of the Internal Audit Department are to address the following issues at each of the business units of the Group:

- appraising of systems, procedures and management controls;
- evaluating the integrity of management and financial information;
- assessing the controls over the Group's assets, and
- reviewing compliance with applicable legislation, regulation, Group policies and procedures.

Independent Auditing

The Audit and Risk Management Committee has the primary responsibility for making recommendations on the appointment, re-appointment and removal of the independent auditor as well as for determining the remuneration of, and overseeing the work of, the independent auditors. The Audit and Risk Management Committee assesses annually at least the objectivity and independence of the independent auditor taking into account relevant regulatory requirements. The Committee reviews and approves the annual independent audit plan for each year and ensures it is consistent with the scope of the auditor's engagement.

The Committee also considers the fees paid to the independent auditor and whether the fee levels for non-audit services, individually and in aggregate, relative to the audit fee are appropriate so as not to undermine their independence.

Finance and Investments Committee

The Group Finance and Investments Committee, chaired by a non-executive director, comprises four non-executive directors and meets at least four times in a year. The committee is responsible for the formulation of investment policies and reviewing investment strategies affecting the assets and liabilities to ensure optimum return on resources. The Finance and Investments Committee also deals with the Group and Company resource requirements and major acquisitions and disposals.

Human Resources and Nominations Committee

The Human Resources and Nomination Committee, chaired by a non-executive director, is made up of four non-executive directors and meets as often as directed by changes in the environment with the Group Chief Executive Officer in attendance. The committee assists the Board in the review of critical personnel issues. Staff compensation policies and manpower development proposals made by the Committee are presented to the Board for approval. It also deals with the identification and recommendation of potential directors to the Board.

Analyst Briefing

The Group recognizes the importance of maintaining dialogue with its shareholders and stakeholders and of keeping the market informed to ensure that its strategies and performance are well understood. The Group makes presentations on the results to investors, analysts and the media biannually.

Annual General Meeting

The Group communicates with its shareholders through an Annual General Meeting annually and also at half year when half year results are announced. The Board also ensures that sufficient contact is maintained with major shareholders to understand their issues and concerns.

CORPORATE **GOVERNANCE** *(continued)*

Social Performance and Labour Practices

ZHL strives to strike a balance between generating good business results and managing its environmental and social responsibilities. The Group's role therefore goes beyond provision of insurance, reinsurance and related services but the empowerment of the communities within which it operates. To this end the Group runs a number of training and development programmes aimed at capacitating communities with insurance and underwriting skills.

Our human capital strategy aims at enhancing the Group's competitive advantage by developing and retaining a smart, independent, energic, motivated and innovative multigenerational workforce. The Group achieves this strategy through diverse worker participation methods such as regular Works Council and Worker's Committee meetings, annual employee engagement surveys, trainings on deficient or emerging skills and regular team building excursions.

BN Kumalo
Chairman
29 April 2019

S Kudenga
Group Chief Executive Officer
29 April 2019

REPORT OF THE **DIRECTORS**

The Directors present their 21st Directors' Report together with the Audited Financial Statements of the Group for year ended 31 December 2018.

Changes in Functional Currency

Post year-end the Reserve Bank of Zimbabwe ("RBZ") announced the redenomination of RTGS and bond note balances to RTGS dollars ("RTGS$ or ZWL") which were added to the existing basket of multi-currencies and became the functional currency of the country.

These financial statements have been presented on the basis of parity between the RTGS$ and the US$, and are consistent with prior year figures for comparative purposes as guided by the Public Accountants and Auditors Board ("PAAB") and Statutory Instrument ("SI") 33 of 2019.

Share Capital

The authorised share capital of the Company remains $20 000 000 comprising 2 000 000 000 ordinary shares with a nominal value of $0.01 per share. As there were no new shares issued during the 2018 financial year, the issued share capital amounted to $15 326 649 made up of 1 532 903 493 ordinary shares with a nominal value of $ 0.01 per share.

Dividends

The Company's dividend policy states that the Company's ability to declare and pay dividends is based on the Company's level of profitability after providing for all contingent liabilities and reserves. After a detailed consideration of the above policy, the Company's growth strategy in light of the prevailing economic challenges, and the need to invest in the Group, the Directors deemed it fit to not declare dividends for the year ended 31st December 2018.

Purchase of Own Shares

At the last Annual General Meeting ("AGM"), authority was granted for the Company to purchase its own shares up to a maximum of 5% of the number of shares in issue as at 20 June 2018. The authority is due to expire at the conclusion of the next AGM in May 2019. The Notice of the AGM proposes that shareholders approve a resolution renewing the authority for the share buyback. The authority was utilized to purchase 435 444 ordinary shares amounting to $13 240.

Going Concern

The Directors consider that the Group has adequate resources to continue operating for the foreseeable future and therefore have continued to adopt the going concern basis in preparing the annual financial statements. The Directors are satisfied that the Group is in a sound financial position and has access to facilities and resources to meet its foreseeable cash requirements.

Directorate

During the year under review, Mr Mark Haken was appointed as a non-executive director on 22 October 2018. Mr Haken shall retire at the end of his interim appointment and offer himself for re-election. Messrs Kumalo, Mvere and von Seidel are due to retire by rotation. All being eligible, they offer themselves for re-election.

Messrs Belmont Ndebele and Aadil Adamjee resigned effective 24 August 2018 and 5 March 2019 respectively. On behalf of the Board, we thank them for their invaluable contribution and wish them all the best in their future endeavors.

Director's Remuneration

A resolution will be proposed at the AGM to approve the Directors' Remuneration amounting to $92 433 for the period 1st January 2018 to 31st December 2018.

Directors' Shareholding

The directors' shareholding, directly and indirectly, in the Company, are shown on the Shareholders Analysis on page 97.

Auditors

Shareholders will be requested to approve the remuneration of the independent auditors amounting to $44 275 for the financial year ended 31 December 2018 at the AGM and to appoint PricewaterhouseCoopers Chartered Accountants (Zimbabwe), being willing, as the auditors for the ensuing year.

Annual General Meeting

The 21st Annual General Meeting of members of the Company will be held on the 26th of June 2019 in the Aquarium Room of Crowne Plaza Monomotapa Hotel, 54 Park Lane, Harare at 10:00 hours.

By order of the Board

L Madzinga
Group Company Secretary
29 April 2019

Chairman's Statement

"Shareholders equity increased by 11.5% compared to the position at 31 December 2017 due to the positive profit outturn and the acquisition of additional equity stakes in Emeritus Resegguros, SA and ZPI."

Benjamin Nkosentya Kumalo
Chairman

Introduction

I am pleased to present the ZimRe Holdings Limited ("ZHL") Group results for the year ended 31 December 2018. The results were achieved against the backdrop of a very challenging business environment, particularly in the domestic market.

Operating environment

The business environment in Zimbabwe remained largely constrained, characterised by increasing macro-economic volatility. The domestic macro-economic environment was characterized by foreign currency shortages, pricing distortions, rising inflation and low industry capacity utilisation. Adverse weather conditions that negatively affected agricultural output, and subdued aggregate demand due to low disposable incomes, also impacted negatively on economic performance. Re-engagement of the international community and restoration of investor confidence which are major focus areas of the Government, are still to yield the expected results.

CHAIRMAN'S STATEMENT *(continued)*

The International Monetary Fund ("the IMF") reported in its April 2019 World Economic Outlook that the Zimbabwean economy grew by 4.7% in 2017, and 3.4 % in 2018. The economy was, however, expected to contract by 5.2% in 2019 before recovering to 3.3% in 2020. Whilst the Government is implementing fiscal and monetary policy measures aimed at economic stabilisation and recovery, the macro-economic environment will remain highly constrained in the short to medium term. Consequently, the insurance and property sectors' performance remain largely subdued for the foreseeable future as their fortunes are correlated to economic growth trends.

Macro-economic indicators in the Southern African Development Community ("SADC") region where the Group has operations remained largely stable. The Zambian economy grew by 3.5% in 2018 aided by rising global demand for copper, the continued infrastructure development drive, improving power output and recovery of the agricultural sector. At 3.2% in 2018, the Malawian economy continued on a growth trajectory spurred by increased agricultural output, growing infrastructure investment and return of development partners. The Mozambican economy continued on a recovery path growing by 3.3% in 2018 and is expected to grow by 4.0% in 2019, on the back of increased coal output, agricultural production and implementation of measures to re-establish investor confidence. The Botswana economy grew by 4.6% in 2018 driven by broad based expansion in non-mining activities and a rebound in the demand for and the prices of diamonds.

Changes in functional currency

Post year-end the Reserve Bank of Zimbabwe ("RBZ") announced the redenomination of RTGS and bond note balances to RTGS dollars ("RTGS$ or ZWL") which were added to the existing basket of multi-currencies and became the functional currency of the country. These financial statements have been presented on the basis of parity between the RTGS$ and the US$, and are consistent with prior year figures for comparative purposes as guided by the Public Accountants and Auditors Board ("PAAB") and Statutory Instrument ("SI") 33 of 2019. However, compliance with the SI resulted in the Group not complying with the requirements of International Accounting Standard ("IAS") 21, *'The effects of changes in foreign exchange rates'*, which among other things, requires that financial statements be presented at an exchange rate that approximates the market exchange rate. Consequently, the independent auditor, PricewaterhouseCoopers Chartered Accountants (Zimbabwe) ("PwC"), issued an adverse opinion on the financial statements for the year ended 31 December 2018.

Group performance summary

Despite the difficult operating environment prevailing in Zimbabwe, the Group's various operations continued to demonstrate resilience and recorded overall profitable performance with the local reinsurance operations continuing to record positive performance.

Statement of comprehensive income

Gross premium written

At $32.28 million, gross premium written increased by 17% from that achieved in the same period in 2017. Domestic reinsurance operations trading as Emeritus Reinsurance, achieved a 29.0% growth in premium income from $12.93 million in 2017 to $16.70 million in 2018. Credit Insurance Zimbabwe Limited ("Credsure") recorded a growth of 36.0% in gross premium written from $2.37 million achieved in 2017 to $3.23 million in 2018. This was mainly attributed to the strong off-take in the performance of the Underwriting Management Agencies ("UMAs") that were accredited to the business.

Recovery in the domestic insurance and reinsurance operations could have been more robust if the macroeconomic environment had been more conducive. The performance of the regional operations was constrained by the absence of optimal capital to support aggressive business acquisition.

Total income

At $33.55 million in 2018, total income growth slowed down by 8% when compared to that achieved in the previous year. This was mainly attributed to: -

- The low capital bases in the regional operations and limited business retention levels. This was more pronounced in the Zambian and Mozambican reinsurance subsidiaries which were not able to absorb the existing market insurance capacity. Additional capital amounting to $1.5 million was injected into the subsidiaries in order to enhance capacity. The impact of the additional capital will be felt in 2019.
- Investment income growth was constrained mainly due to underperformance of the money and capital markets especially in Zimbabwe. Because of the short-term nature of the liabilities of the insurance and reinsurance subsidiaries, the profile of their investments is expected to mirror this and be skewed in favour of near liquid investments. The obtaining investment options can result in high concentration risk which your Board and Management has had to manage diligently.

CHAIRMAN'S STATEMENT *(continued)*

- Property portfolio restructuring at ZimRe Property Investments Limited ("ZPI") which resulted in a temporary dip in rental incomes as the conversion, construction and refurbishment of properties with higher rental yields were taking place. Stand disposals were also suspended as a value preserving strategy pending improvement in economic fundamentals in Zimbabwe.

Profit for the year

The Group recorded profit for the year of $3.55 million in 2018. The reduction in the contribution from property and subdued investment income performance accounted for the 39.0% decline in profit for the year. The profit outturn in 2018 reflects a more sustainable outcome which should be maintained and improved on in the future. Non-recurring income and expense items declined from a net income of $3.31 million in 2017 to $1.46 million in 2018.

Statement of financial position

The Group statement of financial position remained strong with total assets increasing by 4.0% from $106.03 million in 2017 to $109.91 million mainly due to the 22.0% increase in investment properties arising from the construction of Sawanga Mall in Victoria Falls and refurbishment of Nicoz House in Bulawayo as part of property portfolio restructuring at ZPI.

At $55.39 million in 2018, shareholders equity increased by 11.5% compared to the position at 31 December 2017 due to the positive profit outturn and the acquisition of additional equity stakes in Emeritus Resegguros, SA and ZPI.

Cash and cash equivalents decreased from $24.42 million in 2017 to $9.8 million in 2018 mainly due to the property development activities at ZPI and deployment of other cash resources to the listed equities investment portfolio.

Significant matters affecting the Group and other investments

Further to our communication in the half year report, the Group has embarked on a transaction to raise capital at Emeritus International Reinsurance Company Limited incorporated and domiciled in Botswana, via a private placement to selected international investors with capacity to offer strategic, financial and technical support to the Group insurance and reinsurance operations. If successful, the capital raised will be deployed to the Group's regional reinsurance subsidiaries in order to transform their rating and financial performance and improve their competitiveness in the markets in which they conduct business. The units are expected to benefit from emerging regulations in the regional markets requiring the exhaustion of local capacity before externalising risks. Shareholders will be updated on further developments on this proposed transaction in due course.

CFI Holdings Limited ("CFI") remains suspended from trading on the Zimbabwe Stock Exchange due to breach of governance requirements that have not yet been addressed. ZHL continues to engage the board and management of CFI together with the various regulators with the aim of resolving the matter in a manner that is beneficial to all stakeholders.

ZHL remains a 49% equity shareholder in the Zimbabwe United Passenger Company (Private) Limited ("ZUPCO") and has been a dormant shareholder in that Company since 2004. The Board of ZHL is now seized with re-establishing active participation and its rights as a shareholder in ZUPCO.

Directorate

During the year under review, Mr Belmont Ndebele resigned from the Board with effect from 24 August 2018. I would like to thank Mr Ndebele for his invaluable contribution to the ZHL Board. Mr Ndebele was retained on the Board of Emeritus Reinsurance (Private) Limited in Zimbabwe.

Subsequent to year end, Mr Aadil Adamjee resigned from the Board. I would like to thank him for his service to the Board and wish him success in his future endeavours.

Mr Mark Haken, a South African citizen and seasoned reinsurance expert, was appointed to the Board with effect from 20 October 2018. I would like to welcome Mr Haken to the Board and am confident that his long and illustrious experience in the insurance industry will be of immense benefit to the Board.

Dividend

In view of the need to preserve cash to meet working capital requirements in a difficult economic environment, the Board of Directors resolved not to declare a dividend.

CHAIRMAN'S STATEMENT *(continued)*

Outlook and Strategy

We expect to continue facing challenges in the Zimbabwean business environment in the short to medium term. Declining disposable incomes and inflationary pressures are expected to pose an immediate threat to the viability of the insurance industry in Zimbabwe. Stable macro-economic conditions are expected to continue in the regional markets where the Group trades and has a presence. Weak capital positions in the regional reinsurance operations are anticipated to pose a challenge to the growth of those businesses. The Board and Management will continue to move the business forward premised on the following key strategic initiatives that are expected to enhance performance: -

Zimbabwe

Focus in the Zimbabwean operations will be mainly on: -

- value preservation and building foreign currency reserves. Post year end, there has been a significant depreciation of RTGS balances and management will maintain minimum cash balances going forward.
- new investments into businesses in the respective value chains to achieve vertical integration and create new revenue lines; and
- continuation of property portfolio restructuring and realignment to include property classes with higher yields and releasing additional space for renting.

Region

The Group will place more focus on the regional operations as a new growth frontier and uplift their performance through, among other initiatives: -

- the provision of adequate and competitive capital to enhance underwriting capacity and consolidate market positions;
- penetration and expansion into other markets on the African continent; and
- implementing innovative business acquisition models.

The above strategic initiatives are expected to drive business growth and preserve shareholder value. We are confident that in the medium to long term, the Group's regional operations will continue to increase their contribution to the Group's overall performance.

Appreciation

I would like to express my sincere gratitude to all the Boards, executives, management and staff throughout the Group for their efforts in delivering these results especially given the difficult business environment that prevailed in 2018. I would also want to thank the Group's various business partners and stakeholders for their continued support and trust.

B N Kumalo
CHAIRMAN
29 April 2019

DIRECTORS' RESPONSIBILITY STATEMENT

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

The Directors acknowledge that they are ultimately responsible for the system of financial control established by the Group and place considerable importance on maintaining a strong control environment. To enable the Directors to meet these responsibilities, the Board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored through the Group and all employees are required to maintain the highest ethical standards in ensuring the Group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Group is on identifying, assessing, managing and monitoring of risk across the Group.

While operating risk cannot be fully eliminated, the Group endeavours to minimize it by ensuring that appropriate infrastructure, controls, systems and ethical behavior are applied and managed within predetermined procedures and constraints.

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

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

The independent auditor is engaged to express an independent opinion on the financial statements. The independent auditor is responsible for independently auditing and reporting on the Group's financial statements. The financial statements and related notes have been examined by the independent auditor and their report is presented on pages 22 to 29.

The financial statements and the related notes set out on pages 36 to 99, which have been prepared on the going concern basis, were approved by the Board and were signed on its behalf by:

B N Kumalo
Chairman
Date: 29 April 2019

S Kudenga
Group Chief Executive Officer
Date: 29 April 2019

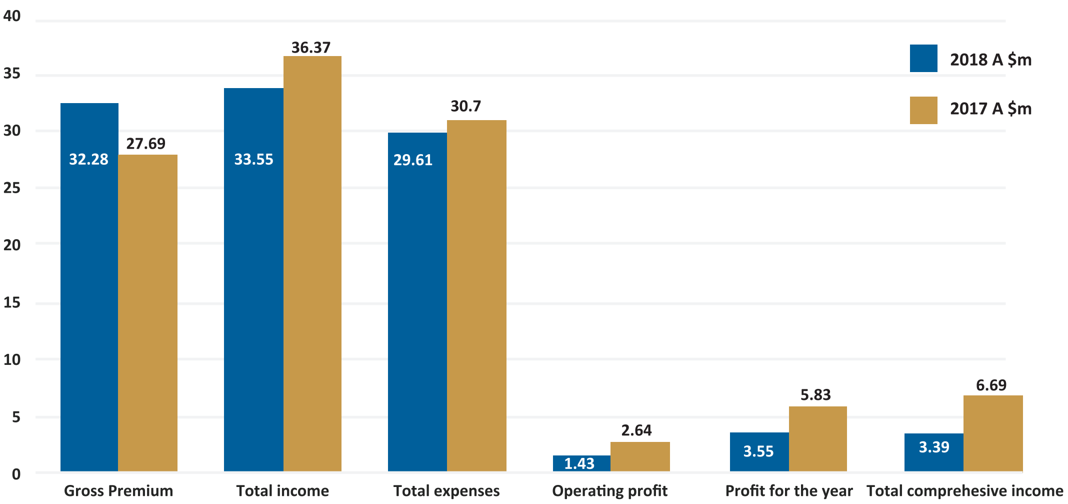
GROUP CEO'S REVIEW OF OPERATIONS

BUSINESS ENVIRONMENT

While efforts to reform and revive Zimbabwe's shrinking economy were taking place, the insurance sector performance continued to be subdued in the period under review mainly due to low disposable incomes.

Political stability, stable currencies, recovering commodity prices, and growing infrastructure investments among other things, underpinned the 3.65% average economic growth rate in the Southern Africa Development Committee ("SADC") region where the Group reinsurance operations have a presence. However, significant opportunities in growing the business from the regional operations were lost mainly due to sub-optimal capital levels. The Group is implementing business growth strategies anchored on capacitating its strategic business units ("SBUs") for sustainable business growth and profitability.

ZIMRE HOLDINGS LIMITED ("ZHL") GROUP FINANCIAL PERFORMANCE



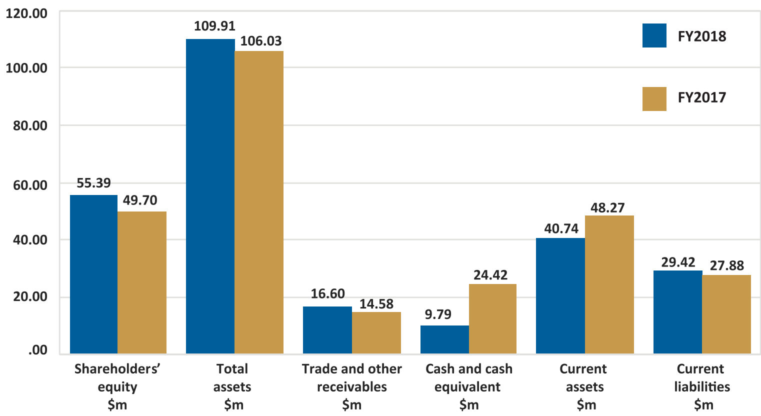
The Group recorded overall profitability despite the existence of an extremely challenging business environment in Zimbabwe, weak performance of regional operations operating with low capital bases, and the absence of non-recurring income items when compared to 2017. The sustainable turnaround in the Zimbabwe based reinsurance and insurance operations was the major factor contributing to the Group profitability.

The positive Group performance is expected to be sustained and enhanced through the following measures:

- Capital raising in Botswana and deployment of adequate and competitive capital to the regional operations in order to enable them to improve capacity and consolidate their market positions aided by regulations requiring the exhaustion of local capacity before externalizing risks.
- Realigning property portfolio imbalance for enhanced future performance.
- Deepening and expanding the Underwriting Management Agency ("UMA") business acquisition model to regional markets.
- Digitization and product development focusing on niche markets.
- Expansion and penetration into other profitable markets on the African continent.
- Investment in businesses in respective value chains to achieve vertical integration and new revenue lines.
- Value preservation and building of foreign currency reserves.

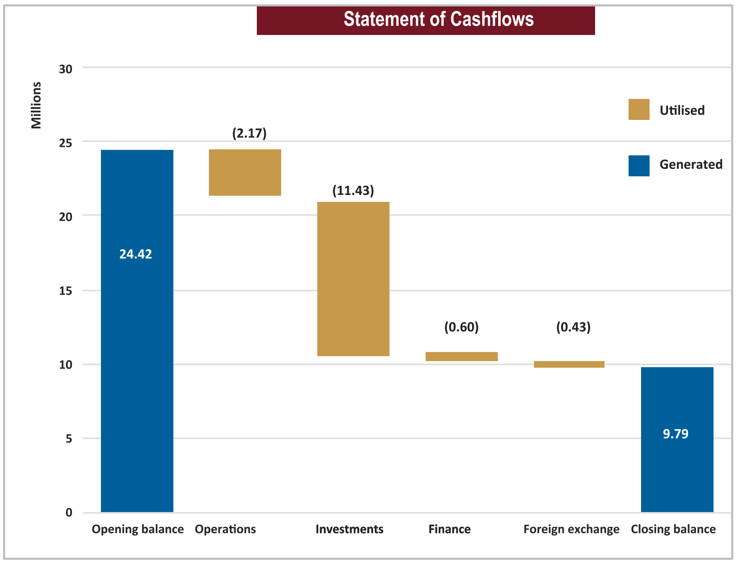
GROUP CEO'S REVIEW OF OPERATIONS *(continued)*

ZHL FINANCIAL POSITION



Key ratios and indicators	FY2018	FY2017
ROE %	4%	12%
ROA %	2%	5%
Current assets /current liabilities	1.38	1.73
ZHL share price	2.56	2.10
NAV/share (US cents)	3.53	3.24
Basic and diluted earnings per share (US cents):	0.20	0.36

ZHL GROUP CASH POSITION

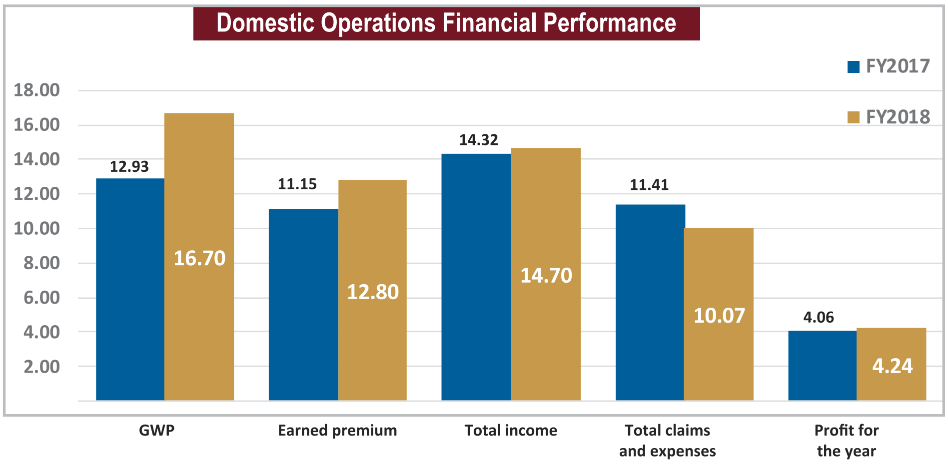


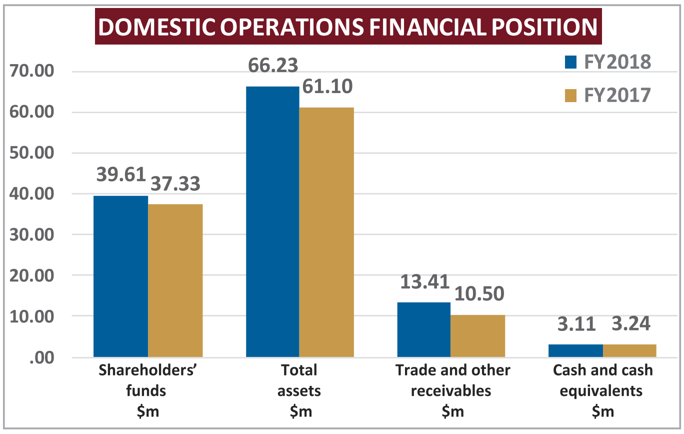
Cash and cash equivalents decreased from $24.42 million as at 31 December 2017 to $9.79 million mainly due to:

- Property development activities at ZimRe Property Investments Limited ("ZPI");
- Deployment of cash resources to quoted equities investment portfolio to enhance investment income returns and value preservation;
- Acquisition of additional stakes in ZPI and Emeritus Resegguros SA (Emeritus Re in Mozambique); and
- Increase in claims and operating expenses in line with business growth trajectory in the domestic operations

GROUP CEO'S REVIEW OF OPERATIONS *(continued)*

DOMESTIC REINSURANCE OPERATIONS





Key Ratios & Indicators	FY2018	FY2017
Retention ratio %	84%	83%
Combined ratio %	90%	98%
ROE %	5%	11%
ROA %	3%	7%
Solvency ratio %	282%	346%
Underwriting margin	10%	2%
GPW /shareholders equity	0.42	0.35
Expense ratio	33%	31%
Claims ratio	29%	39%
Debtors/total assets	20%	17%
Debtors/GPW	80%	81%
Current assets /current liabilities	1.57	1.70

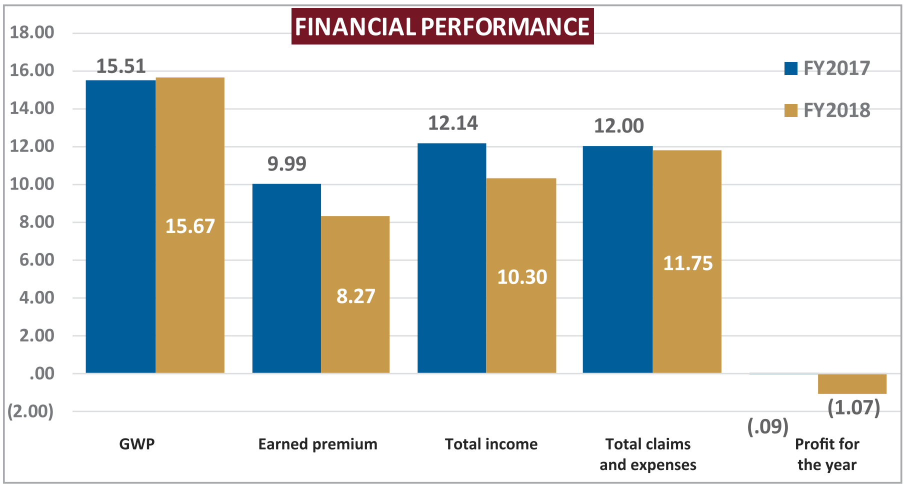
The Domestic Reinsurance operations, continued to consolidate their position in the market and recorded strong topline performance which was mainly attributed to product innovation, upscaling of business sourced from quality cedants and growth of the business pipeline derived from the UMAs accredited to Credit Insurance Zimbabwe Limited ("Credsure").

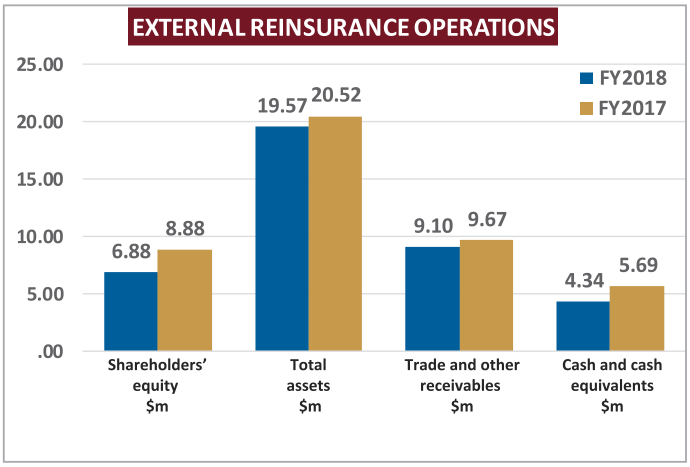
Measures being implemented to sustain and enhance the performance of the domestic operations include:

- Writing United States of America dollar ("US$") denominated business leveraging on offshore foreign currency reserves being built;
- Efficient debtors' management to improve cash position and general liquidity;
- Growing of external book in order to grow foreign currency reserves;
- Building brand equity through low cost amplification and marketing activities; and
- Enhanced risk management and repricing.

GROUP CEO'S REVIEW OF OPERATIONS *(continued)*

EXTERNAL REINSURANCE OPERATIONS





Key ratios and indicators	FY2018	FY2017
Retention ratio %	55%	60%
Combined ratio %	121%	102%
ROE %	-16%	-1%
ROA %	-5%	0%
Solvency ratio %	80%	95%
Underwriting margin	-21%	-2%
Expense ratio	59%	45%
Claims ratio	38%	33%
Debtors/total assets	47%	47%
Current assets /current liabilities	1.27	1.48

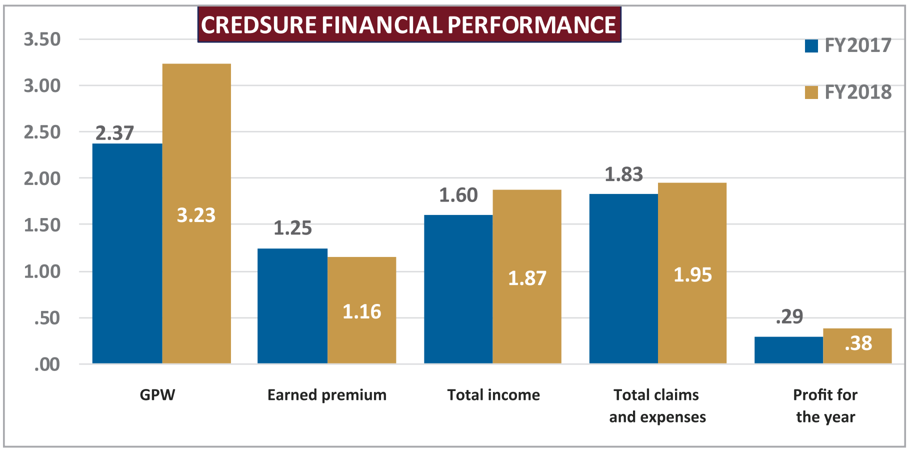
The regional subsidiaries which include Emeritus Re Malawi, Emeritus Re Zambia, Emeritus Re Mozambique and Emeritus Re Botswana, started to benefit from synergies created by the monolithic branding. The Botswana and Malawi based operations recorded commendable growth in both revenue and profitability in 2018. The overall performance of the external operations was, however, depressed by the weak performance of the Zambian and Mozambican based operations mainly due to weak capital bases, low credit ratings and soft insurance markets.

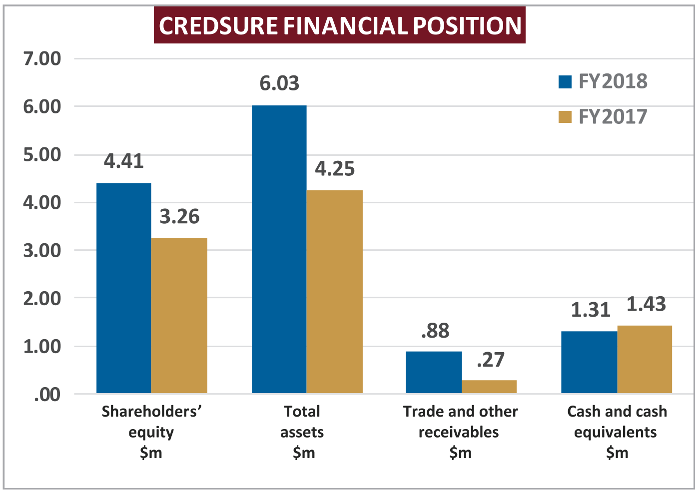
The following measures are being implemented to further enhance the performance of the regional subsidiaries.

- Product development and selective underwriting and focus on growing niche markets and strategic business alliances and rolling out UMAs;
- Improve credit ratings;
- Introduction of life and health products to increase revenue lines;
- Digitalization of systems and operations for efficient service delivery; and
- Develop expertise in underwriting specialist risks (oil and gas) and technical partnerships.

GROUP CEO'S REVIEW OF OPERATIONS *(continued)*

CREDIT INSURANCE ZIMBABWE LIMITED ("CREDSURE")





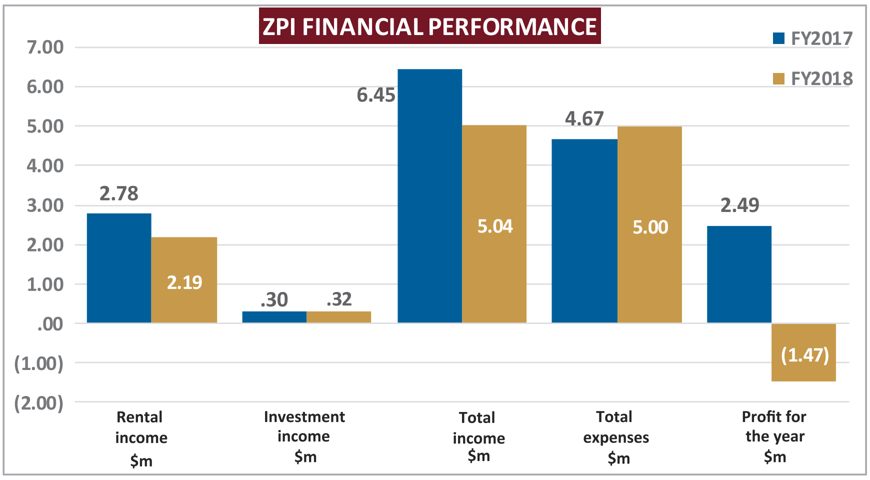
Key ratios and indicators	FY2018	FY2017
Retention ratio %	28%	50%
Combined ratio %	119%	123%
ROE %	9%	9%
ROA %	6%	7%
Solvency ratio %	488%	277%
Underwriting margin	-14%	-23%
Expense ratio	90%	80%
Claims ratio	24%	44%
Debtors/total assets	15%	6%
Debtors/GPW	27%	11%
Current assets /current liabilities	2.30	2.02

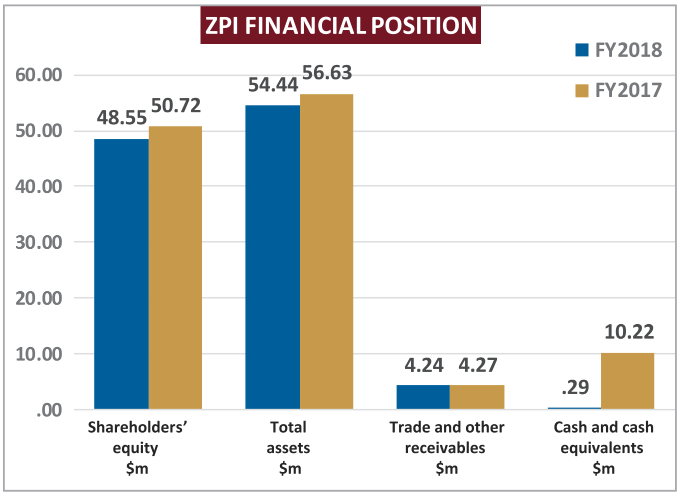
Credsure continued on a positive revenue growth trajectory driven by the adoption and implementation of the UMA business acquisition model. Measures being implemented to penetrate the market and sustain the growth while enhancing profitability of the business include:

- Launch of specialized products into the market and digitization of marketing activities;
- Maintain lean structures and promote operational efficiencies through utilization of ICT systems; and
- Brand refreshment for repositioning and increased visibility.

GROUP CEO'S REVIEW OF OPERATIONS *(continued)*

ZIMRE PROPERTY INVESTMENTS LIMITED ("ZPI")





Key ratios and indicators	FY2018	FY2017
ROE %	-3%	5%
ROA %	-3%	4%
Operating profit/total income	1%	4%
Expense ratio	50%	30%
Debtors/total assets	8%	8%
Earnings/share (US Cents)	-0.09	0.14
ZPI share price	2.52	1.35
NAV/share (US Cents)	2.83	2.95
Current assets /current liabilities	3.14	4.36

ZPI experienced a temporary dip in revenue generated mainly due to the strategic decision taken to restructure and realign the property portfolio through the disposal of Central Business District ("CBD") properties and ploughing the proceeds into property classes with higher rental yields. The performance of the company is expected to recover significantly in 2019 when construction work and refurbishment of the Sawanga Mall in Victoria Falls and Nicoz House in Bulawayo respectively, are completed and more space released for leasing. The following measures are being implemented to ensure recovery, enhanced profitability and general sustainability of the entity's performance.

- Continuation of the portfolio restructuring and realignment to enhance revenue generation;
- Income diversification through expansion into adjacent and complementary businesses in the property value chain;
- Sales of stands in foreign currency to preserve value and to fund projects;
- Create long term project pipeline; and
- Close revenue gap through completion of development projects.

GROUP CEO'S REVIEW OF OPERATIONS *(continued)*

KEY ASSOCIATES AND INVESTMENTS

Life and Pensions

Fidelity Life Assurance of Zimbabwe Limited

The negative impact of the Group's legacy issues was still evident in the 2018 financial results but a turnaround in performance is expected in 2019 as the restructuring comes to a close.

Short term Insurance

Cell Insurance Company (Private) Limited

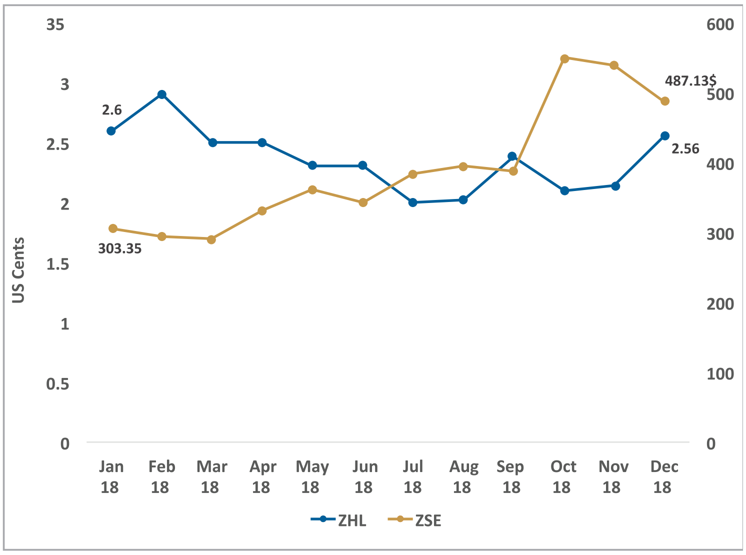
The Company remains a niche business focusing on energy and mining risks.

Agro-industrial

CFI Holdings Limited ("CFI")

The Company was still suspended from Zimbabwe Stock Exchange ("ZSE") and subsidiaries Agrifoods and Victoria Foods (Private) Limited remained under judicial management in the period under review. Notwithstanding this untenable situation, the Group's retail and farming operations experienced significant improvement in performance aided by demand from Government agricultural support schemes.

SHARE PRICE PERFORMANCE



BUSINESS OUTLOOK

Economic growth prospects for Zimbabwe in the short to medium term are expected to remain constrained by among other things, high inflation, cash and foreign currency shortages, as well as low effective demand due to low disposable incomes. The economic challenges are expected to have a negative impact on the performance of the domestic property and insurance businesses in 2019.

General economic recovery and growth in regional markets buttressed by political stability, improvement in international commodity prices, growth in mining activities, stable currencies and improved investor confidence, is expected to persist in 2019. The Group will continue to implement the measures outlined in this report so as to uplift performance, grow and preserve shareholder value.

DECLARATION BY **GROUP FINANCE EXECUTIVE**

These financial statements have been prepared under the supervision of the Group Finance Executive, Lovemore Madzinga. Lovemore is a Registered Public Accountant (PAAB No. 04417) and holds a Bachelors' Degree in Accounting from the University of Zimbabwe. He is a Fellow of the Association of Chartered Certified Chartered Accountants ("FCCA") and an Associate of the Chartered Institute of Secretaries and Administrators ("ACIS")

Lovemore Madzinga
Group Finance Executive
29 April 2019

Independent auditor's report

to the Shareholders of Zimre Holdings Limited

Our Adverse Opinion

In our opinion, because of the significance of the matter discussed in the *Basis for adverse opinion* section of our report, the consolidated and separate financial statements do not present fairly, in all material respects, the consolidated financial position of Zimre Holdings Limited (the "Company") and its subsidiaries and associates (together the "Group") and the separate financial position of the Company as at 31 December 2018, and their consolidated and separate financial performance and their consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Zimbabwe Companies Act (Chapter 24:03).

What we have audited

Zimre Holdings Limited's financial statements, set out on pages 30 to 99, comprise:

- the consolidated and separate statement of financial position as at 31 December 2018;
- the consolidated and separate statement of comprehensive income for the year then ended;
- the consolidated and separate statement of changes in equity for the year then ended;
- the consolidated and separate statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for adverse opinion

On 1 October 2018, the Reserve Bank of Zimbabwe issued a monetary policy statement that directed a separation of Foreign Currency Bank Accounts ("FCAs") into two categories, Nostro FCAs and the RTGS FCA. The Nostro FCAs were to hold individual foreign currencies permissible in Zimbabwe's multi-currency economy. The RTGS FCA would be held at the same value as the US$. Mobile money and bond notes and coins would be treated in the same way as the RTGS FCA.

As described in note 2.1.2, during the year ended 31 December 2018, the Group and the Company transacted using a combination of the Nostro FCAs and RTGS FCA, mobile money and bond notes and coins. In terms of International Accounting Standard ("IAS") 21, *The Effects of changes in foreign exchange rates* ("IAS 21"), these payment methods would have been considered to be separate currencies to be translated for financial reporting purposes to the functional and presentation currency of the Group and Company at an appropriate exchange rate. However, due to the monetary policy statement, the consolidated and separate financial statements reflect these transactions and balances at parity. The Group and Company used Nostro FCA and RTGS FCA related inputs in the measurement of these balances interchangeably. As such, current market participant assessments of uncertainties relating to the relevant functional currency would not be reflected. Had the consolidated and separate financial statements been prepared in accordance with the requirements of IAS 21, many elements in the accompanying financial statements would have been materially restated. It was not practicable to quantify the financial effects on the consolidated and separate financial statements.

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.

PricewaterhouseCoopers, Building No. 4, Arundel Office Park, Norfolk Road, Mount Pleasant
P O Box 453, Harare, Zimbabwe
T: +263 (4) 338362-8, F: +263 (4) 338395, www.pwc.com

T I Rwodzi – Senior Partner
The Partnership's principal place of business is at Arundel Office Park, Norfolk Road, Mount Pleasant, Harare, Zimbabwe where a list of the Partners' names is available for inspection.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (Parts A and B) (the "IESBA Code"). We have fulfilled our ethical responsibilities in accordance with the IESBA Code.

Our audit approach

Overview

Overall materiality

US$344,228 which represents 1% of revenue

Group audit scope

We conducted a full scope audit of seven reporting components based on their financial significance and audit risk. We also performed a full scope audit on the parent company, Zimre Holdings Limited.

Key audit matters

- Valuation of investment property;
- Expected credit losses on trade and other receivables; and
- Valuation of life reassurance contract liabilities.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance about whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Overall materiality	US$334,228
How we determined it	1% of total revenue
Rationale for the materiality benchmark applied	A benchmark of total revenue was selected. In our view, it is a benchmark against which the performance of the Group can be consistently measured in circumstances where the earnings are volatile year on year. This benchmark has remained a stable and key driver of the Group's business. We chose 1% based on our professional judgment and after consideration of the range of quantitative materiality thresholds that we typically apply when using total revenue to compute materiality.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group has seven reporting components, operating in Zambia, Zimbabwe, Malawi, Mozambique and Botswana.

In establishing the overall approach to the group audit, we determined the type of work that needed to be performed by us, as the Group engagement team, or component auditors from other firms operating under our instructions. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those operations to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis of our opinion on the consolidated financial statements as a whole. The Group engagement team inspected certain component auditors' working papers.

We, as the Group engagement team, sent out group audit instructions to the component audit teams requesting specific audit deliverables. Full scope audits were performed at all seven of the components based on their financial significance and risk.

The Group engagement team audited the parent company, Zimre Holdings Limited and all the Group's components operating in Zimbabwe. All other components outside Zimbabwe were audited by component auditors.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Valuation of investment property Management engaged a professional valuer (the "expert") to perform the valuation of investment property. The expert used the income approach for developed commercial and industrial properties, and the market approach for residential properties and undeveloped land. For the income approach, management took into account the following assumptions: ● rent per square metre; ● capitalisation rate; and ● vacancy rates. For the market approach, management estimated the fair value of the investment property based on comparable transactions. We considered the valuation of investment property to be a matter of most significance to our current year audit due to the following: ● the Group's investment property portfolio is significant to the financial statements; and ● the significant judgement and estimates applied by management to determine the fair value of investment property. Refer to the following notes to the financial statements for disclosure relating to investment property: ● note 2.7 - accounting policy note, ● note 3.2.3 – significant accounting judgments, estimate and assumptions; and ● note 8- investment property.	We obtained an understanding of the process followed by management in the valuation of the investment property, including management's use of a professional valuer and the assessment and approval of the valuation results by management. We evaluated the competence, capabilities, independence and objectivity of management's expert by inspecting the company profile and curricula vitae of the individuals performing the valuation. We obtained the valuation report from the expert and assessed the appropriateness of the valuation methods used by the expert. We found that the methods used are considered generally accepted valuation methodologies for investment properties. We met with the professional valuers, to obtain an understanding of the assumptions used in applying the respective valuation methods. We considered the reasonableness of the assumptions used in both valuation methods with reference to prevailing market rentals, market yields and price per square metre. On a sample basis, we tested the assumptions in the valuation report by performing the following procedures: ● we agreed rental income to the underlying lease agreements; ● we compared the vacancy rates to the tenancy schedule prepared by management and the underlying lease agreements; ● we compared the capitalisation rates used in the valuation report to those used by other external property valuers for similar property types; and ● we compared the price per square metre to prevailing market prices in recent transactions. On a sample basis, we performed an independent calculation of the rent per square metre, by dividing the total rental income earned by total space available per building.

Key audit matter	How our audit addressed the key audit matter
Expected credit losses on trade and other receivables The Group adopted International Financial Reporting Standard ("IFRS") 9: *Financial instruments (IFRS 9)* for the first time in the 2018 reporting period. This changed the manner in which management determined the estimate of impairment of trade and other receivables. IFRS 9 requires the recognition of expected credit losses ("ECL") on all financial assets within the scope of its impairment model. Management assessed the ECL on trade and other receivables using a simplified approach which requires expected lifetime losses to be recognized from initial recognition of the trade and other receivables. The application of the new standard required management to exercise significant judgement and apply estimates in the determination of the ECL. Significant judgment was required in the determination of credit loss rates and the use of forward looking economic expectations affecting the ability of the customers to settle the trade and other receivables. We considered the ECL on trade and other receivables to be a matter of most significance to our current year audit due to the following: ● the significance of the trade and other receivables to the consolidated financial statements; and ● the judgement and estimates applied by management in determining the ECL. Refer to the following notes to the Group's financial statements for disclosure relating to this matter: ● note 2.12, accounting policy note; ● note 6, change in accounting policy; ● note 3.2.5, significant accounting judgments, estimate and assumptions; ● note 4.3, financial risk management; and, ● note 14, trade and other receivables.	Our procedures to audit the expected credit losses on trade and other receivables included the following: ● We obtained an understanding of management's process for determining the expected credit losses on trade and other receivables; ● We considered the appropriateness of the accounting policies implemented and evaluated the impairment methodologies applied by management against the requirements of IFRS 9; ● We assessed whether the financial statement disclosures, appropriately reflected the Group's exposure to credit risk in accordance with the requirements of IFRS 9 and IFRS 7: *Financial instruments: disclosures*; ● We assessed the design of management's models, including assessing the appropriateness of the forward looking economic expectations applied by management by comparing to independent sources; ● On sample basis, we assessed the accuracy of historical data used by management in determining the loss rates, through recomputation of historical credit loss rates and agreeing the inputs used to calculate historical data to prior year working papers and financial statements; ● We evaluated the appropriateness of adjustments for forward looking information by assessing the applied economic scenarios against the publicly available economic forecasts on Zimbabwe; ● On a sample basis, we tested the ageing of the trade and other receivables balances by recalculating the days past due; and ● We tested the mathematical accuracy of the ECL calculation through recomputations.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
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Valuation of life reassurance contract liabilities
We considered the valuation of life reassurance contract liabilities to be a matter of most significance to our current year audit due to the following:

the value of the Group’s life reassurance contract liabilities is significant to the consolidated financial statements; and
the valuation of the Group’s life reassurance contract liabilities involves complex calculations, significant judgements, and long and short term estimates and assumptions. The Financial Soundness Valuation Methodology involves judgements about future events, both internal and external to the Group.

Valuation assumptions include mortality, longevity, lapses, surrender rates and expense assumptions.
As at 31 December 2018 life reassurance contract liabilities amounted to US$2 029 600.
Disclosure is provided in the following notes;

note 2.15.1 - accounting policy note,
note 3.2.2 - significant accounting judgements and estimates,
note 4.6 – financial risk management; and,
note 22, life reassurance contract assets and liabilities.

</td><td>
We assessed the independence, experience and competence of the statutory actuary used by management. We inspected the actuary’s curriculum vitae and held discussions with them and management.

We utilised our actuarial expertise to evaluate the reasonableness of significant assumptions and estimates and the actuarial computations, and to evaluate the actuarial valuation report obtained from management for adequacy and reasonableness. In doing so, the following procedures were performed:

We tested data used in the valuation by agreeing a sample of that data to the audited schedules and balances;
We assessed the valuation basis (Financial Soundness Valuation Methodology) through discussion with the statutory actuary and assessing its appropriateness, given the nature of the business as well as actuarial good practice;
We assessed the valuation methodology for compliance with Standard of Actuarial Practice 104;
We assessed the valuation results by rerunning the models, on a sample basis, to consider accurate application of the selected methodology and assumptions; and
We inspected the actuarial report for 2018 prepared by the statutory actuary and compared it with the prior year signed actuarial report in order to identify any significant changes in assumptions and methodology.
We compared the mortality, longevity, lapses, surrender rates to the prior year valuation in order to test whether they were consistently applied by management.

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Other information

The directors are responsible for the other information. The other information comprises the information included in the *Zimre Holdings Limited 2018 Annual Report.* Other information does not include the consolidated and separate financial statements and our auditor’s report thereon.

Our opinion on the 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 financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information, 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 and the Company have not applied IAS 21 in preparing the financial statements. We have concluded that the other information is materially misstated for the same reason, with respect to the amounts or other items in the *Zimre Holdings Limited Annual Report 2018* affected by the failure to apply the requirements of IAS 21.

Responsibilities of the directors for the 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 in the manner required the Zimbabwe 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 and the Company'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 and/or the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the 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 judgment 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 and the Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company'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 and / or the Company to cease to continue as a going concern; and
- 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.

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 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.

PricewaterhouseCoopers

Clive K Mukondiwa
Registered Public Auditor
Public Accountants and Auditors Board, Public Auditor, Registration No. 0439
Institute of Chartered Accountants of Zimbabwe Public Practice Certificate No.253 168
Partner, for and on behalf of
PricewaterhouseCoopers Chartered Accountants (Zimbabwe)

7 June 2019

Harare, Zimbabwe

STATEMENTS OF **FINANCIAL POSITION**

As at 31 December 2018

ASSETS	Notes	Group 2018 US$	Group 2017 US$	Company 2018 US$	Company 2017 US$
Property and equipment	7	5 279 987	4 077 383	255 285	391
Investment property	8	46 008 667	37 784 845	-	-
Intangible assets	9.1	139 387	123 681	-	-
Goodwill	9.2	325 803	325 803	-	-
Investment in subsidiaries	10	-	-	41 247 428	40 122 053
Investment in associates	11	5 352 764	5 415 437	863 749	713 218
Deferred tax asset	12	2 764 128	1 902 755	-	-
Inventory	13	2 805 445	3 393 994	-	-
Trade and other receivables	14	16 603 024	14 583 142	1 316 296	754 536
Life reassurance contract asset	22.1	156 100	569 900	-	-
Current income tax receivable		1 022 781	721 502	-	-
Deferred acquisition costs	15	2 002 809	1 517 042	-	-
Financial assets :					
at amortised cost	16.1.1	6 156 876	-	1 846 864	-
held to maturity investments	16.1.2	-	2 661 550	-	-
at fair value through profit or loss	16.2	6 314 770	975 534	2 846 992	582 164
at fair value through other comprehensive income	16.3	5 181 669	-	1 575 775	-
available for sale	16.4	-	7 556 385	-	1 700 758
Cash and cash equivalents	18	9 792 554	24 417 087	591 792	3 484 147
Total assets		**109 906 764**	**106 026 040**	**50 544 181**	**47 357 267**
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the parent					
Share capital	19	15 326 649	15 331 003	15 326 649	15 331 003
Share premium		11 427 034	11 427 034	11 427 034	11 427 034
Treasury shares		(8 886)	-	(8 886)	-
Revaluation reserve		14 017 038	13 920 328	-	-
Mark-to-market		-	650 181	-	(5 310 540)
Financial assets at fair value through other comprehensive income reserve		1 990 559	-	(4 287 759)	-
Foreign currency translation reserve		(8 165 707)	(7 512 006)	-	-
Retained earnings		20 803 807	15 882 487	20 101 086	20 115 312
Total equity attributable to equity holders of the parent		**55 390 494**	**49 699 027**	**42 558 124**	**41 562 809**
Non-controlling interest		18 714 474	21 828 246	-	-
Total equity		**74 104 968**	**71 527 273**	**42 558 124**	**41 562 809**
Liabilities					
Deferred income tax liability	12	1 697 790	1 330 614	49 631	-
Short term insurance contract liabilities	20	12 056 034	11 932 762	-	-
Other provisions	21	874 587	1 177 408	71 083	-
Life reassurance contract liabilities	22.2	2 029 600	4 632 265	-	-
Borrowings	23	3 962 351	1 799 361	-	-
Trade and other payables	24	15 181 434	13 626 357	7 865 343	5 794 458
Total liabilities		**35 801 796**	**34 498 767**	**7 986 057**	**5 794 458**
TOTAL EQUITY AND LIABILITIES		**109 906 764**	**106 026 040**	**50 544 181**	**47 357 267**

BN Kumalo
Chairman

S Kudenga
Group Chief Executive

STATEMENTS OF **COMPREHENSIVE INCOME**

For the year ended 31 December 2018

Continuing operations	Notes	Group 2018 US$	Group 2017 US$	Company 2018 US$	Company 2017 US$
INCOME					
Gross written premium	**25**	**32 280 406**	**27 688 451**	**-**	**-**
Retrocession premium	26	(8 796 191)	(6 671 379)	-	-
Net premium written		23 484 215	21 017 072	-	-
Change in unearned premium reserve	27	(1 261 066)	1 181 011	-	-
Net premium earned		**22 223 149**	**22 198 083**	**-**	**-**
Brokerage commission and fees	28	2 013 178	1 829 665	-	-
Total insurance income		**24 236 327**	**24 027 748**	**-**	**-**
Rental income from investment property	8.1	2 269 360	2 725 893	-	-
Fair value adjustments on investment property	8.2	(869 524)	(807 852)	-	-
Income from sale of inventory property	29	1 715 728	2 403 553	-	-
Property operating costs recoveries	30	582 831	843 308	-	-
Dividend income	31	472 709	1 434 438	325 076	286 282
Interest from financial assets at amortised cost	31	973 223	-	35 802	-
Other income	32	4 172 605	5 741 927	2 659 126	5 148 386
Total income		**33 553 259**	**36 369 015**	**3 020 004**	**5 434 668**
EXPENDITURE					
Insurance benefits and claims:					
Non-life insurance claims		(8 991 946)	(9 366 162)	-	-
Life reassurance benefits and claims		(648 228)	(2 274 593)	-	-
Movement in life reasurance contract liabilities	22.2	2 188 865	-	-	-
Claims ceded to reinsurers		2 444 304	3 636 438	-	-
		(5 007 005)	(8 004 317)	-	-
Commission and acquisition expenses		(7 584 026)	(7 428 578)	-	-
Operating and administrative expenses	33	(14 977 315)	(14 891 485)	(1 860 253)	(1 744 638)
Net impairment losses on financial assets		(1 929 618)	(382 975)	-	-
Finance costs		(110 507)	(15 405)	-	-
TOTAL EXPENSES		**(29 608 471)**	**(30 722 760)**	**(1 860 253)**	**(1 744 638)**
Profit before share of profit of associate		**3 944 788**	**5 646 255**	**1 159 751**	**3 690 030**
Share of profit of associates	11	48 463	280 247	-	-
Profit before income tax		**3 993 251**	**5 926 502**	**1 159 751**	**3 690 030**
Income tax (expense)/credit	12.2	(443 607)	32 050	-	-
Profit for the year from continuing operations		**3 549 644**	**5 958 552**	**1 159 751**	**3 690 030**
Discontinued operations					
Loss for the year from discontinued operations	17	-	(134 962)	-	-
Profit for the year		**3 549 644**	**5 823 590**	**1 159 751**	**3 690 030**
OTHER COMPREHENSIVE INCOME					
Items that will not be reclassified to profit or loss:					
Gains from property and equipment revaluations		116 922	67 711	-	-
Share of other comprehensive income of associates		5 330	(29 290)	-	-
Income tax relating to components of other comprehensive income		(25 477)	93 322	-	-
		96 775	**131 743**	**-**	**-**
Items that may be reclassified subsequently to profit or loss:					
Exchange (losses)/gain on translating foreign operations		(700 677)	509 178	-	-
Fair value gains for available for sale financial assets		-	232 803	-	-
Fair value gains for financial assets at FVOCI		459 350	-	125 037	-
Income tax relating to components of other comprehensive income		(18 978)	(11 640)	(2 262)	-
		(260 305)	**730 341**	**122 775**	**-**
Other comprehensive (loss)/income for the year net of tax		**(163 530)**	**862 084**	**122 775**	**-**
Total comprehensive income for the year		**3 386 114**	**6 685 674**	**1 282 526**	**3 690 030**

STATEMENTS OF **COMPREHENSIVE INCOME** *(continued)*

For the year ended 31 December 2018

	Notes	Group Audited 2018 US$	Group Audited 2017 US$	Company Audited 2018 US$	Company Audited 2017 US$
Profit/(loss) attributable to:					
Equity holders of Zimre Holdings Limited		4 424 810	4 877 957	1 159 751	3 690 030
Non-controlling interests		(875 166)	945 633	-	-
		3 549 644	5 823 590	1 159 751	3 690 030
Total comprehensive income/(loss) attributable to:					
Equity holders of Zimre Holdings Limited		4 308 191	5 516 835	1 282 526	3 690 030
Non-controlling interests		(922 077)	1 168 839	-	-
		3 386 114	6 685 674	1 282 526	3 690 030
Total comprehensive income/(loss) attributable to owners of Zimre Holdings Limited arising from:					
Continuing operations		4 308 191	5 651 797	1 159 751	3 690 030
Discontinued operations		-	(134 962)	-	-
		4 308 191	5 516 835	1 159 751	3 764 007
Earnings per share from profit of continuing operations attributable to owners of Zimre Holdings Limited					
Basic and diluted earnings per share (US cents):		0.28	0.37	0.08	0.24
Earnings per share from loss of discontinued operations attributable to owners of Zimre Holdings Limited					
Basic and diluted loss per share (US cents):		-	(0.01)	-	-
Earnings per share from profit attributable to owners of Zimre Holdings Limited					
Basic and diluted earnings per share (US cents):		0.28	0.36	0.08	0.24

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

For the year ended 31 December 2018

	Notes	Share capital US$	Share premium US$	Treasury shares US$	Revaluation reserve US$	Mark to market reserve US$	Financial assets at fair value through other comprehensive income reserve US$	Foreign currency translation reserve US$	Retained earnings/ (accumulated losses) US$	Attributable equity holders of parent US$	Non-controlling interest US$	Total equity US$
Year ended 31 December 2017												
Balance as at 1 January 2017		**15 331 003**	**11 427 034**	**-**	**13 759 295**	**429 018**	**-**	**(7 768 687)**	**6 574 047**	**39 751 710**	**25 219 840**	**64 971 550**
Profit for the year		-	-	-	-	-	-	-	4 877 957	4 877 957	945 633	5 823 590
Other comprehensive income for the year, net of tax	37	-	-	-	161 033	221 163	-	256 681	-	638 877	223 207	862 084
Acquisition of subsidiary	10.2	-	-	-	-	-	-	-	-	-	137 159	137 159
Disposal of subsidiary	10.1	-	-	-	-	-	-	-	-	-	51 286	51 286
Total comprehensive income for the year		**-**	**-**	**-**	**161 033**	**221 163**	**-**	**256 681**	**4 877 957**	**5 516 834**	**1 357 285**	**6 874 119**
Dividend declared and paid		-	-	-	-	-	-	-	-	-	(318 396)	(318 396)
Change in degree of control	36	-	-	-	-	-	-	-	4 430 483	4 430 483	(4 430 483)	-
Transactions with owners in their capacity as owners :		**-**	**-**	**-**	**-**	**-**	**-**	**-**	4 430 483	4 430 483	(4 748 879)	(318 396)
Balance as at 31 December 2017		**15 331 003**	**11 427 034**	**-**	**13 920 328**	**650 181**	**-**	**(7 512 006)**	**15 882 487**	**49 699 027**	**21 828 246**	**71 527 273**
Year ended 31 December 2018												
Balance as at 1 January 2018, as previously reported		**15 331 003**	**11 427 034**	**-**	**13 920 328**	**650 181**	**-**	**(7 512 006)**	**15 882 487**	**49 699 027**	**21 828 246**	**71 527 273**
Change in accounting policy due to adoption of IFRS 9	6	-	-	-	-	(650 181)	1 550 187	-	(282 516)	617 490	(105 985)	511 505
Balance as at 1 January 2018, as restated		**15 331 003**	**11 427 034**	**-**	**13 920 328**	**-**	**1 550 187**	**(7 512 006)**	**15 599 971**	**50 316 517**	**21 722 261**	**72 038 778**
Profit for the year		-	-	-	-	-	-	-	4 424 810	4 424 810	(875 166)	3 549 644
Other comprehensive income for the year, net of tax	37	-	-	-	96 710	-	440 372	(653 701)	-	(116 619)	(46 911)	(163 530)
Total comprehensive income for the year		**-**	**-**	**-**	**96 710**	**-**	**440 372**	**(653 701)**	**4 424 810**	**4 308 191**	**(922 077)**	**3 386 114**
Dividend declared and paid		-	-	-	-	-	-	-	(1 100 000)	(1 100 000)	(206 684)	(1 306 684)
Share buy-back	19	(4 354)	-	(8 886)	-	-	-	-	-	(13 240)	-	(13 240)
Change in degree of control	36	-	-	-	-	-	-	-	1 879 026	1 879 026	(1 879 026)	-
Transactions with owners in their capacity as owners :		**(4 354)**	**-**	**(8 886)**	**-**	**-**	**-**	**-**	**779 026**	**765 786**	**(2 085 710)**	**(1 319 924)**
Balance as at 31 December 2018		**15 326 649**	**11 427 034**	**(8 886)**	**14 017 038**	**-**	**1 990 559**	**(8 165 707)**	**20 803 807**	**55 390 494**	**18 714 474**	**74 104 968**

COMPANY STATEMENT OF **CHANGES IN EQUITY**

For the year ended 31 December 2018

	Notes	Share capital US$	Share premium US$	Treasury shares US$	Mark-to-market reserve Mark-to-market reserve	Financial assets at fair value through other comprehensive income reserve US$	Retained earnings US$	Total equity US$
Year ended 31 December 2017								
Balance as at 1 January 2017		**15 331 003**	**11 427 034**	**-**	**(5 310 540)**	**-**	**16 351 305**	**37 798 802**
Profit for the year		-	-	-	-	-	3 690 030	3 690 030
Other comprehensive income for the year, net of tax		-	-	-	-	-	-	-
Comprehensive income for the year		**-**	**-**	**-**	**-**	**-**	**3 690 030**	**3 690 030**
Transactions with owners in their capacity as owners :		**-**	**-**	**-**	**-**	**-**	**-**	**-**
Balance as at 31 December 2017		**15 331 003**	**11 427 034**	**-**	**(5 310 540)**	**-**	**20 041 335**	**41 488 832**
Year ended 31 December 2018								
Balance as at 1 January 2018		**15 331 003**	**11 427 034**	**-**	**(5 310 540)**	**-**	**20 041 335**	**41 488 832**
Change in accounting policy due to adoption of IFRS 9	6	-	-	-	5 310 540	(4 410 534)	-	900 006
Balance as at 1 January 2018, as restated		**15 331 003**	**11 427 034**	**-**	**-**	**(4 410 534)**	**20 041 335**	**42 388 838**
Profit for the year		-	-	-	-	-	1 159 751	1 159 751
Other comprehensive income for the year, net of tax	37	-	-	-	-	122 775	-	122 775
Comprehensive income for the year		**-**	**-**	**-**	**-**	**122 775**	**1 159 751**	**1 282 526**
Dividend declared and paid		-	-	-	-	-	(1 100 000)	(1 100 000)
Share buyback	19	(4 354)	-	(8 886)	-	-	-	(13 240)
Transactions with owners in their capacity as owners :		**(4 354)**	**-**	**(8 886)**	**-**	**-**	**(1 100 000)**	**(1 113 240)**
Balance as at 31 December 2018		**15 326 649**	**11 427 034**	**(8 886)**	**-**	**(4 287 759)**	**20 101 086**	**42 558 124**

CONSOLIDATED STATEMENT OF **CASH FLOWS**

For the year ended 31 December 2018

	Notes	Group 2018 US$	Group 2017 US$	Company 2017 US$	Company 2018 US$
Profit before income tax		**3 993 251**	**5 926 502**	**1 159 752**	**3 690 030**
Adjustments for non-cash items:					
Depreciation	7	402 273	390 481	23 208	-
Fair value adjustments on investment property	8.2	869 524	807 852	-	-
Amortisation of intangible assets	9	24 433	71 753	-	-
Fair value of initial investment in subsidiary	10.1	-	(60 197)	-	-
Share of profit of associate	11	(48 463)	(280 247)	-	-
Movement in life reassurance contract liabilities	22	(2 188 865)	-	-	-
Movement in deferred acquisition costs	15	(485 767)	240 159	-	-
Movement in reinsurance contract liabilities	20	605 742	(1 539 307)	-	-
Movement in non insurance provisions	21	(302 821)	134 222	-	-
Loss from disposal of investments	32	-	(2 670 109)	-	(4 874 561)
Loss from disposal of investment property		298 202	-	-	-
Profit from disposal of financial assets at fair value through profit or loss		(2 105 023)	-	(2 105 023)	-
Profit from disposal of financial assets at fair value through other comprehensive income		(4 046)	-	-	-
Gain from share split of financial asset at fair value through profit or loss	16.2	(215 431)	-	-	-
Fair value gains on financial assets at fair value through profit or loss	32	(1 087 229)	(776 264)	(537 497)	(254 039)
Unrealised exchange (gains)/losses	32	(73 963)	438 988	-	-
Profit from disposal of property and equipment	32	(12 694)	(119 273)	-	-
Movement in retrocession provisions		288 504	(1 533 464)	-	-
Impairment of trade receivables		-	-	-	-
Impairment of non-current assets		-	-	391	-
(Gains)/losses from disposal of subsidiary		-	365 684	-	(20 000)
Gain from disposal of associate		(5 129)	-	(5 129)	-
Other non-cash movements		-	-	-	27 674
Adjustments for separately disclosed items:					
Finance costs		110 507	15 405	-	-
Dividend received		(472 709)	(275 348)	(325 076)	(278 032)
Interest received		(973 223)	(1 159 090)	(35 802)	(8 250)
Working capital changes:					
Increase in trade and other receivables		(2 413 724)	136 040	(561 760)	(288 105)
Decrease/(increase) in inventory		588 549	(638 934)	-	-
Increase/(decrease) in trade and other payables		1 555 077	(663 824)	2 067 990	1 929 805
Cash flows from operations		**(1 653 025)**	**(1 188 971)**	**(318 946)**	**(75 478)**
Finance costs		(104 707)	(15 405)	-	-
Income tax paid		(410 407)	(487 186)	-	-
Net cash flows from operating activities		**(2 168 139)**	**(1 691 562)**	**(318 946)**	**(75 478)**
Cash flows from investing activities					
Purchase of property and equipment	7	(1 751 597)	(330 452)	(278 493)	-
Purchase of intangible assets	9.1	(41 074)	-	-	-
Acquisition and development of investment property	8	(10 893 181)	(3 542 041)	-	-
Acquisition of subsidiary net of cash acquired	10.1	-	(916 902)	-	-
Disposal of subsidiary	10.2	-	20 000	-	20 000
Disposal of investment property		1 444 298	10 800 000	-	-
Purchase of held to maturity financial assets	16.1	-	(397 983)	-	(2 623 506)
Purchase of financial assets at fair value through profit or loss	16.2	(7 053 914)	-	(4 782 612)	-
Purchase of financial assets at amortised cost		(643 731)	-	(800 000)	-
Proceeds from disposal of financial assets through profit or loss	16.2	5 160 304	-	5 160 304	-
Proceeds from disposal of financial assets at amortised cost		692 849	-	-	-
Proceeds from disposal of financial assets through OCI		183 805	-	-	-
Proceeds from disposal of an associate		5 129	-	5 129	-
Disposal of investments		-	2 791 724	-	-
Loan to subsidiary		-	-	-	(1 000 000)
Disposal of non current assets held for sale	17.4	-	6 474 596	-	6 474 596
Dividends received	31	472 709	275 348	325 076	278 032
Interest received		899 531	1 159 090	35 802	8 250
Proceeds from sale of property and equipment		95 256	251 780	-	-
Cash flows (used in)/generated from investing activities		**(11 429 616)**	**16 585 160**	**(334 794)**	**3 157 372**
Financing activities					
Dividends paid		(1 306 684)	(318 396)	(1 100 000)	-
Loan drawdown	23.1	3 487 122	1 338 855	-	-
Loan repayment	23.1	(1 403 950)	(804 620)	-	-
Purchase of further investment in subsidiaries	36.5	(1 362 434)	(2 028 280)	(1 125 375)	-
Share buy-back		(13 240)	-	(13 240)	-
Cash used in financing activities		**(599 186)**	**(1 812 441)**	**(2 238 615)**	**-**
Net (decrease)/increase in cash and cash equivalents		**(14 196 941)**	**13 081 157**	**(2 892 355)**	**3 081 894**
Cash and cash equivalents at the beginning of the year		**24 417 087**	**11 077 397**	**3 484 147**	**402 253**
Effects of exchange rate changes on cash and cash equivalents		(427 592)	258 533	-	-
Cash and cash equivalents at the end of the year	**18**	**9 792 554**	**24 417 087**	**591 792**	**3 484 147**

NOTES TO THE **GROUP FINANCIAL STATEMENTS**

For the year ended 31 December 2018

1 **GENERAL INFORMATION**

The principal activity of Zimre Holdings Limited (the "Company") and its subsidiaries and associates (together "the Group") is the provision of insurance, reinsurance and reassurance and property management and development services.The Group also has an associate that operates in the agro industrial sector.

Zimre Holdings Limited is a public company incorporated and domiciled in Zimbabwe whose shares are publicly traded on the Zimbabwe Stock Exchange.

The registered office is located at Block D, 2nd Floor, Smatsatsa Office Park, Stand Number 10667, Borrowdale, Harare, Zimbabwe.

The financial statements of the Group and the Company for the year ended 31 December 2018 were authorised for issue by a resolution of the Board of Directors on 23 April 2019.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 **Basis of preparation and presentation**

2.1.1 **Basis of preparation**

The financial statements have been prepared in accordance with International Financial Reporting Standards, ("IFRS") issued by the International Accounting Standards Board ("the IASB"), International Financial Reporting Interpretations Committee ("IFRIC") as issued by the International Financial Reporting Interpretations Committee ("IFRS IC"), except for the non compliance with International Accounting Standards ("IAS") 21, 'The effects of foreign exchange rates', and in a manner required by the Zimbabwe Companies Act (Chapter 24:03). The financial statements are based on statutory records that are maintained under the historical cost convention except for investment property, financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss at fair value and life assurance contract liabilities measured using the Financial Soundness Valuation Methodology.

2.1.2 **Foreign currency translation**

Zimbabwe currency developments

From 2009 to 2017:

Since 2009, Zimbabwe has been under a multi-currency system, under which the United States of America dollar ("US$") had emerged as the currency of reference for business and government. New legislation was promulgated in the form of Statutory Instruments 133 of 2016 and 122a of 2017 which prescribed bond notes and coins issued by the Reserve Bank of Zimbabwe as legal tender at parity with the US$. With the acute shortage of US$ cash and other foreign currencies in the country, increases in the utilisation of different modes of payment for goods and services such as settlement via the Real Time Gross Settlement ("RTGS") system overseen by the Reserve Bank of Zimbabwe ("RBZ"), point of sale machines ("POS") and mobile money platforms, were observed. In addition, the unavailability of the US$ in cash and in nostro accounts made processing of payments to foreign suppliers and creditors difficult for businesses, with waiting periods being experienced.

As a result of these and other factors, the directors made an assessment of whether the use of the US$ as the Group and Company's functional currency was still appropriate. In doing so the directors considered the following parameters as set out in IAS 21:

-the currency that mainly influences sales prices for goods and services (normally the currency in which the sales price for goods or services are denominated and settled)

-the currency of the competitive forces and regulations that mainly determine the sales prices of goods and services.

-the currency that mainly influences labour, material and other costs of providing goods or services;

-the currency in which funds from financing activities are generated: and

-the currency in which receipts from operating activities are usually retained.

It was the view of the directors, that the US$ remained the primary driver for most of the factors above. It should be also be noted that in line with guidance set by the RBZ, banks and other financial intermediaries, did not maintain separate customer accounts for US$; bond notes and coins; and payment made electronically whose values were considered to be at par. Obligations to our clients were settled via cash, in the case of small banking withdrawals. as well as through various electronic platforms available through the national payments system, including RTGS.

The directors therefore, took the view for purposes of preparing the 2017 financial statements, that the US$ was still the Group and Company's functional currency for accounting and financial reporting purposes. This was also consistent with guidance provided by the Public Accountants and Auditors' Board ("PAAB").

Key developments in 2018 and 2019

In February 2018 the RBZ instructed the banks to ring-fence actual foreign currency deposits from RTGS transfer deposits in customer accounts.

Through the Monetary Policy Statement ("MPS") delivered on 1 October 2018, the RBZ further instructed banks to separate US$ balances from RTGS Balances and bond notes and required the opening of a RTGS Foreign Currency Account ("FCA") for local electronic money transfers and bond note transactions and the Nostro FCA for actual foreign currency deposits or export proceeds. The MPS referred to the need to "eliminate the commingling or dilution effect of RTGS balances on Nostro foreign currency accounts". The RBZ set the rate of exchange between the two at 1:1. However the same MPS also alluded to the existence of "escalating foreign currency premiums" and "a thriving parallel market". The RBZ reported money supply in Zimbabwe at $9.1 billion as at 30 June 2018, of which the estimated foreign currency in circulation was less than US$500 million. The increase in money supply saw a corresponding increase in premiums obtaining in the unofficial parallel market for hard currency. Although RTGS FCA and the Nostro FCA bank accounts were pegged at 1:1 during 2018, local banks had difficulty meeting foreign payment requests, unless an entity has directly deposited actual US$ cash in advance of the bank facilitating payment, received export proceeds or has been allocated foreign currency officially for imports on the priority list which included fuel and medicines, among others.

Statutory Instrument 252A of 23 November 2018 brought into effect the payment of customs duty of certain designated dutiable goods in foreign currency instead of RTGS transfers or bond notes as had been the case previously. The payment of value added tax ("VAT") in foreign currency, was brought into effect through Finance Act number 1 of 2019 which was gazetted on 22 February 2019 with an effective date of 1 January 2019. The output VAT on supplies is remitted to ZIMRA in the currency in which it is paid for.

Observed market developments and responses are summarized as follows:

-significant increases in premiums on the unofficial currency market since the beginning of October 2018.

-a greater prevalence of multiple pricing regimes with higher prices being charged for non-US$ payments, while foreign currency or US$ cash purchases were at heavily discounted prices. This has been justified by the need to secure foreign currency for vital imports on the part of the suppliers and retailers concerned. The difference in the US$ and local prices seemed indicative of a premium for hard currency outside the official parity rate prescribed.

-the Zimbabwe Stock Exchange rose over 30% between 1 October 2018 and 31 December 2018 (increase of 46% for the full year 2018), amid reports of a sharp decline in sell offers on the market especially in the months of October and November.

-monthly inflation during the month of October was 16% while October 2018 year on year inflation was recorded at 21% compared to 5% in September. In November, year on year inflation further increased to 31% and then to 42% in December

NOTES TO THE **GROUP FINANCIAL STATEMENTS** *(continued)*

For the year ended 31 December 2018

2018 (2017: 3%). which is far above the inflation levels that would be typical of a US$ based economic environment. Inflation in the United States of America for December 2018 was 2% (2017: 2%).
-on 12 January 2019, the government increased fuel prices by 150% in response to worsening fuel shortages.

On 20 February 2019, the RBZ Governor announced a new MPS whose highlights were:
-denomination of RTGS balances, bond notes and coins collectively as RTGS dollars. RTGS dollars became part of the multi-currency system.
-RTGS dollars to be used by all entities (including government) and individuals in Zimbabwe for purposes of pricing of goods and services, recording debts, accounting and settlement of domestic transactions.
-establishment of an inter-bank foreign exchange market where the exchange rate will be determined by market forces.

The MPS was followed by the publication of Statutory Instrument 33 of 2019 ("SI33") on 22 February 2019, which effect to the introduction of the RTGS dollar as legal tender and prescribed that "for accounting and other purposes" certain assets and liabilities on the effective date would be deemed to be RTGS dollars at a rate of 1:1 to the US$ and would become opening RTGS dollar values from the effective date.

Functional currency assessment

In making a functional currency assessment for 2018, the directors have made a critical evaluation of the same factors as for 2017 as outlined above , The directors also considered the following additional factors:

- the significant deterioration in the ability by the Group during 2018 to meet foreign payment obligations, with some obligations remaining unpaid for over 12 months, despite sufficient electronic cash resources held. The Group did not resort to unofficial foreign currency markets or pay premiums to obtain foreign currency, and relied on the official market to meet foreign payment obligations;
- the regulatory requirement, announced on 1 October 2018 to separate hard currency or nostro balances from bond notes and RTGS balances, which was not the case in 2017;
- the fact that a significant majority of the Group's operating cashflows are retained in RTGS accounts, as opposed to nostro FCA accounts;
- the assessment that hard currency or nostro account based transactions, constitute a relatively small proportion of the overall transactions done by the Group;
- the self-evident increase in the extent of purchasing power disparities between the US$ on one hand: and local bond notes and RTGS balances on the other hand: which was experienced in 2018, particularly in the last quarter of that year, and which have continued into 2019;
- upward asset price movements which seem de-linked from the circulation of actual US$ within the economy.

The directors were not able to arrive at the same conclusion that was arrived at in the preparation of the 2017 financial statements, which was that the US$ is the Group's functional currency. This outcome is based on the directors' interpretation of IAS 21. In particular IAS 21 defines a functional currency as the "currency of the primary economic environment in which an entity operates". The directors also believe that while underlying regulatory conditions were more supportive of an exchange rate of 1:1 between Bond/RTGS and the US$ in 2017, during 2018 a significant divergence in market perception of the relative values between the two currencies occurred. We believe that the fact that the interbank foreign currency market which was established towards the end of February 2019, opened trading at US$1: RTGS$2.5, is an indicator of the relative loss of value of bond notes and RTGS balances during 2018.

The directors, in the spirit of complying with the laws of Zimbabwe, and having considered guidance on the matter provided by the PAAB, have taken the option of adopting the accounting treatment prescribed under S133 and have used an exchange rate of 1:1 between RTGS balances, bond notes: and the US$.

Management performed a sensitivity analysis of the effect of using different exchange rates following the change in functional currency from US$ to RTGS$. The analysis is disclosed on note 38.

(a) Functional and presentation currency

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the Group operates and is domicilled ("the functional currency"). The financial statements are presented in the United States of America dollar ("US$"), as prescribed under Statutory Instrument 33 (SI 33) of 2019, notwithstanding requirements of IFRS.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of transactions or valuation where items are re-measured. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

(c) Group companies

The results and financial positions of all the Group's subsidiaries and associates that have a functional currency different from the US$ (none of which is a currency of a hyperinflationary economy) are translated into the US$ as follows:

(i) income and expenses for each statement of comprehensive income are translated at the average foreign currency exchange rate;
(ii) assets and liabilities for each statement of financial position are translated at the closing foreign currency exchange rate at the date of the statement of financial position; and
(iii) all resulting foreign currency exchange rate differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment repaid, the associated exchange differences are reclassified to statement of comprehensive income, as part of the gain or loss on sale.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in statement of comprehensive income as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale are included in other comprehensive income.

Transactions in currencies other than US$ are initially recorded at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in currencies other than US$ are translated at the functional currency spot rate of exchange ruling at the reporting date.

All differences arising from settlement or translation of monetary items are taken to statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at date of the initial transaction and are not subsequently restated.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

NOTES TO THE GROUP FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2018

2.1.3 New standards, amendments and interpretations, effective for the first time for 31 December 2018 year ends that are relevant to the Group.

Number	Effective date	Executive summary
IFRS 9 – Financial Instruments (2009 and 2010) · financial liabilities, · derecognition of financial instruments · financial assets	Annual periods beginning on or after 1 January 2018 (published July 2014)	This standard replaces the guidance in International Accounting Standards ("IAS") 39, Financial Instruments: recognition and measurement. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model. The impact of the adoption of IFRS 9 is disclosed on note 6.
IFRS 15 – Revenue from contracts with customers.	Annual periods beginning on or after 1 January 2018 (published May 2014)	The Financial Accounting Standards Board ("FASB") and the IASB issued their long awaited converged standard on revenue recognition on 29 May 2014. It is a single, comprehensive revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue. Revenue is recognised based on the satisfaction of performance obligations, which occurs when control of good or service transfers to a customer. The impact of the adoption of IFRS 15 and amendments to the standars are disclosed on note 6.
Amendment to IFRS 15 – Revenue from contracts with customers.	Annual periods beginning on or after 1 January 2018 (published April 2016)	The IASB has amended IFRS 15 to clarify the guidance, but there were no major changes to the standard itself. The amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of these areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard. The impact of the adoption of IFRS 15 and amendments to the standards are disclosed on note 6.
Amendment to IAS 40, 'Investment property' Transfers of investment property	Annual periods beginning on or after 1 January 2018 (published December 2016)	These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence.
International Financial Reporting Interpretations Committee ("IFRIC") 22, 'Foreign currency transactions and advance consideration'	Annual periods beginning on or after 1 January 2018 (published December 2016)	This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payment/receipts are made. The guidance aims to reduce diversity in practice.
Annual improvements 2014-2016, arising from the reporting cycle	Annual periods beginning on or after 1 January 2018 (published December 2016)	These amendments impact 2 standards: · IFRS 1,' First-time adoption of IFRS', regarding the deletion of short term exemptions for first-time adopters regarding IFRS 7, IAS 19, and IFRS 10. · IAS 28,'Investments in associates and joint ventures' regarding measuring an associate or joint venture at fair value. IAS 28 allows venture capital organisations, mutual funds, unit trusts and similar entities to elect measuring their investments in associates or joint ventures at fair value through profit or loss ("FVTPL"). The Board clarified that this election should be made separately for each associate or joint venture at initial recognition.
Amendment to IFRS 4, 'Insurance contracts' Regarding the implementation of IFRS 9, 'Financial instruments'	Annual periods beginning on or after 1 January 2018 (published September 2016)	These amendments introduce two approaches: an overlay approach and a deferral approach. The amended standard will: · Give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is issue, and; · Give companies whose activities are predominantly connected with insurance an optional exemption from applying IFRS 9 until 2021. The entities that defer the application of IFRS 9 will continue to apply the existing financial instruments standard – IAS 39.

The new standards, amendments and interpretation effective for the first time for the 31 December 2018 year-end, except for IFRS 9 and IFRS 15 did not have a material impact on the financial statements of the Group and Company.

NOTES TO THE GROUP FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2018

2.3.2 New standards, amendments and interpretations issued but not effective for 31 December 2018 year ends that are relevant to the Group but have not been early adopted.

Number	Effective date	Executive summary
Amendments to IFRS 9 – 'Financial instruments' on prepayment features with negative compensation and modification of financial liabilities.	Annual periods beginning on or after 1 January 2019	The narrow-scope amendment covers two issues: · The amendments allow companies to measure particular prepayable financial assets with so-called negative compensation at amortised cost or at fair value through other comprehensive income if a specified condition is met; instead of at fair value through profit or loss. It is likely to have the biggest impact on banks and other financial services entities. · How to account for the modification of a financial liability. The amendment confirms that most such modifications will result in immediate recognition of a gain or loss. This is a change from common practice under IAS 39 today and will affect all kinds of entities that have renegotiated borrowings.
IFRS 16 – Leases or after 1 January 2019 – earlier	Annual periods beginning on accounting by lessees in particular. application permitted if IFRS 15 is also applied. (published January 2016)	This standard replaces the current guidance in IAS 17-Leases and is a far reaching change in Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. IFRS 16 supersedes IAS 17, 'Leases', IFRIC 4, 'Determining whether an Arrangement contains a Lease', Standards Interpretation Committee ("SIC") 15, 'Operating Leases – Incentives' and SIC 27, 'Evaluating the substance of transactions involving the legal form of a lease'.
Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28, 'Investments in associates and joint ventures'	Effective date postponed (initially 1 January 2016)	The postponement applies to changes introduced by the IASB in 2014 through narrow-scope amendments to IFRS 10 'Consolidated financial statements' and IAS 28 'Investments in associates and joint ventures'. Those changes affect how an entity should determine any gain or loss it recognises when assets are sold or contributed between the entity and an associate or on sale or contribution of assets joint venture in which it invests. The changes do not affect other aspects of how entities account for their investments in associates and joint ventures. The reason for making the decision to postpone the effective date is that the IASB is planning a broader review that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.
Amendments to IAS 28, 'Investments in associates and joint ventures' – long-term interests in associates and joint ventures.	Annual periods beginning on or after 1 January 2019 (published October 2017)	The amendments clarified that companies account for long-term interests in an associate or joint venture, to which the equity method is not applied, using IFRS 9. The amendments are effective from 1 January 2019, with early application permitted
Annual improvements 2015-2017, arising from the reporting cycle	Annual periods beginning on or after 1 January 2019 (published December 2017)	· IAS 12,' Income taxes' - The amendment clarified that the income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised. · IAS 23,' Borrowing costs' - a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

NOTES TO THE GROUP FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2018

Number	Effective date	Executive summary
IFRIC 23, 'Uncertainty over income tax treatments'	Annual periods beginning on or after 1 January 2019 Published 7 June 2017)	IFRIC 23 provides a framework to consider, recognise and measure the accounting impact of tax uncertainties. The interpretation provides specific guidance in several areas where previously IAS 12 was silent. The interpretation also explains when to reconsider the accounting for a tax uncertainty. Most entities will have developed a model to account for tax uncertainties in the absence of specific guidance in IAS 12. These models might, in some circumstances, be inconsistent with IFRIC 23 and the impact on tax accounting could be material. Management should assess the existing models against the specific guidance in the Interpretation and consider the impact on income tax accounting.
IFRS 17, 'Insurance contracts'	Annual periods beginning on or after 1 January 2021 Early application is permitted for entities that apply IFRS 9, 'Financial Instruments', and IFRS 15, 'Revenue from Contracts with Customers', at or before the date of initial application of IFRS 17. (published May 2017)	The IASB issued IFRS 17, 'Insurance contracts', and thereby started a new epoch of accounting for insurers. Whereas the current standard, IFRS 4, allows insurers to use their local generally accepted accounting principles ("GAAP"), IFRS 17 defines clear and consistent rules that will significantly increase the comparability of financial statements. For insurers, the transition to IFRS 17 will have an impact on financial statements and on key performance indicators. Under IFRS 17, the general model requires entities to measure an insurance contract at initial recognition at the total of the fulfilment cash flows (comprising the estimated future cash flows, an adjustment to reflect the time value of money and an explicit risk adjustment for non-financial risk) and the contractual service margin. The fulfilment cash flows are remeasured on a current basis each reporting period. The unearned profit (contractual service margin) is recognised over the coverage period. Aside from this general model, the standard provides, as a simplification, the premium allocation approach. This simplified approach is applicable for certain types of contract, including those with a coverage period of one year or less. For insurance contracts with direct participation features, the variable fee approach applies. The variable fee approach is a variation on the general model. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the contractual service margin. As a consequence, the fair value changes are not recognised in profit or loss in the period in which they occur but over the remaining life of the contract.

2.3.3 New standards, amendments and interpretations issued but not effective for 31 December 2018 year ends that are not relevant to the Group and have not been early adopted.

Number	Effective date	Executive summary
Annual improvements 2015-2017, arising from the reporting cycle	Annual periods beginning on or after 1 January 2019 (published December 2017)	These amendments include minor changes to: · IFRS 3, 'Business combination' - a company remeasures its previously held interest in a joint operation when it obtains control of the business. · IFRS 11,'Joint arrangements', - a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

NOTES TO THE GROUP FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2018

2.3.4 New standards, amendments and interpretations, effective for the first time for 31 December 2018 year ends that are not relevant to the Group.

Number	Effective date	Executive summary
Amendments to International Financial Reporting Standard ("IFRS") 2 – 'Share-based payments' Clarifying how to account for certain types of share-based payment transactions.	Annual periods beginning on or after 1 January 2018 (published June 2016)	This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.
Amendment to IFRS 9 -'Financial instruments', - on general hedge accounting	Annual periods beginning on or after 1 January 2018	The IASB has amended IFRS 9 to align hedge accounting more closely with an entity's risk management. The revised standard also establishes a more principles-based approach to hedge accounting and addresses inconsistencies and weaknesses in the current model in IAS 39. Early adoption of the above requirements has specific transitional rules that need to be followed. Entities can elect to apply IFRS 9 for any of the following: · the own credit risk requirements for financial liabilities. · classification and measurement ("C&M") requirements for financial assets. · C&M requirements for financial assets and financial liabilities. · the full current version of IFRS 9 (that is, C&M requirements for financial assets and financial liabilities and hedge accounting). The transitional provisions described above are likely to change once the IASB completes all phases of IFRS 9.

2.1.4 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 these financial statements on a going concern basis is appropriate.

2.2 Basis of consolidation

Group

The consolidated financial statements comprise the financial statements of the Zimre Holdings Limited (the "Company") and its subsidiaries and associates (together the "Group") as at 31 December 2018 and 31 December 2017.

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Specifically, the Group controls an investee if and only if the Group has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- exposure, or rights, to variable returns from its involvement with the investee, and
- the ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; or
- the Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired during the year are included in the statement of comprehensive income and statement of financial position from the date the Group gains control until the date the Group ceases to control the subsidiary.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

NOTES TO THE **GROUP FINANCIAL STATEMENTS** *(continued)*

For the year ended 31 December 2018

Acquisition-related costs are expensed as incurred.
If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in statement of comprehensive income.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS 9 financial instruments(2017: IAS 39, Financial instruments: recognition and measurement') either in statement of comprehensive income or as a change to the comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

All subsidiaries of the Company have 31 December year ends and are consolidated in the presented financial statements.

(b) Loss of control
If the Group loses control over a subsidiary, it;
- derecognises the assets (including goodwill) and liabilities of the subsidiary;
- derecognises the carrying amount of any non-controlling interest;
- derecognises the cumulative transaction 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 the statement of comprehensive income; and
- reclassifies the parent's share of components previously recognised in other comprehensive income to statement of comprehensive income or retained earnings, as appropriate.

(c) Changes in ownership interests in subsidiaries without change of control
Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses from disposal to non-controlling interests are also recorded in equity.

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

(e) Associates
Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. If the holding is less than 20%, the Group will be presumed
not to have significant influence unless such influence can be clearly demonstrated. The existence of significant influence by the Group is usually evidenced in one or more of the following ways:
- representation on the board of directors or equivalent governing body of the investee;
- participation in the policy-making process;
- material transactions between the investor and the investee;
- interchange of managerial personnel; or
- provision of essential technical information.

Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost and the carrying amount is increased or decreased to recognise the investor's share of profit or loss of the investee and movements in other reserves after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

When the investment, or portion of an investment, meets the criteria to be classified as held for sale, the portion so classified is accounted for in accordance with IFRS 5, 'Non-current assets held for sale and discontinued operations'. Any remaining portion is accounted for using the equity method until the time of disposal, at which time the retained investment is accounted under IFRS 9 Financial instruments (2017: IAS 39, 'Financial instruments : recognition and measurement'), unless the retained interest continues to be an associate.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to statement of comprehensive income where appropriate.

NOTES TO THE **GROUP FINANCIAL STATEMENTS** *(continued)*

For the year ended 31 December 2018

The Group's share of post-acquisition profit or loss is recognised in the statement of comprehensive income and its share of post- acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of an associate' in the statement of comprehensive income.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates.

Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Accounting polices of associates have been changed where necessary to ensure consistency with the polices adopted by the Group.

The associates, except for CFI Holdings Limited that has a 30 September year end, have 31 December year-ends, are included in the financial statements based on audited year end financial statements.

2.3 Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

· the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares;

· by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

· the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and

· the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the "Group Executive Committee" which is made up of Group Chief Executive Officer, Group Finance Executive and Managing Directors of subsidiaries.

2.5 Fair value

The Group measures financial assets such as quoted and unquoted investments and non-financial assets such as investment property at fair value at 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:

- in the principal market for the asset or liability, or
- 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 to 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.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing the 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.

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 and liabilities 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; and
- level 3 - valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

2.6 Property and equipment

Property and equipment are initially measured at historical cost. Subsequently they are measured at historical cost less accumulated depreciation and impairment losses recognised. Repairs and maintenance costs are recognised in statement of comprehensive income as incurred.

Land and buildings are measured at fair value less accumulated depreciation and impairment loss recognised after the date of the revaluation. Valuations are performed annually to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any revaluation surplus is credited to revaluation reserve included in the equity section of the statement of financial position, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the revaluation reserve.

Depreciation is calculated on a straight-line basis over the useful life of the asset as follows:

· Freehold buildings	40 years
· Vehicles5 years	
· Computers and office equipment	5 years
· Furniture and fittings	10 years

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising

NOTES TO THE **GROUP FINANCIAL STATEMENTS** *(continued)*

For the year ended 31 December 2018

on de-recognition is included in statement of comprehensive income in the year the asset is de-recognised.

The asset's residual values, useful lives and methods of depreciation are reviewed at each financial year-end, and adjusted prospectively if appropriate. Changes in the asset's depreciation method, residual value or useful life are treated as a change in accounting estimates in accordance with IAS 8, 'Accounting policies, changes in accounting estimates and errors.

Owner occupied properties comprises property which is owned by the Group and is significantly occupied by group companies, regardless of the leasing of the property being at market related rentals and terms. Significant occupation by group companies is considered as 25% (2017 - 25%) of the space of the property occupied or above. Such owner occupied properties are classified under property and equipment and depreciated in line with the Group accounting policies.

2.7 Investment property

Investment property comprises land and buildings that are either held for capital appreciation or to earn rentals or both.

Buildings under construction to be used for rental to others or for capital appreciation or both are also classified as investment property.

Investment property is measured initially at historical cost, including transaction costs. Subsequent to initial recognition, investment property is stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment property is included in statement of comprehensive income in the year in which they arise, including the corresponding tax effect. Fair values are determined using the income capitalisation approach based on an annual evaluation performed by an accredited external, independent valuer, applying a valuation model recommended by the International Valuation Standards Committee.

Investment property is derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in statement of comprehensive income in the year of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner- occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. The difference between the cost based measurement and fair value is treated as a revaluation adjustment. The revaluation reserve is realised on disposal of the property.

Valuation approach

The valuations have been undertaken in an environment of poor liquidity conditions and limited transaction evidence.

In undertaking the valuations for commercial, industrial and retail properties, reliance has been placed on rental market evidence, void rates and arrears currently applying to the individual properties in the portfolio. The achieved rentals for the property portfolio are generally in line, and in some instances, higher than the rental rates being achieved in the market.

With regards to the residential properties, various properties were identified that were sold or which are on sale and situated in comparable low density residential suburbs. In analysing the comparable properties, the Main Space Equivalent ("MSE") principle was applied. The total MSE of the comparable was then used to determine the value per square meter of MSE. The objective is to arrive at a common basis of comparison. After adjustments for quality, location and size, the rates per MSE reflected by the comparable were then applied to the subject residential properties.

The yields have been obtained from the limited concluded transactions and have also been assessed taking into account asking prices and offers that may have been received for properties currently on the market, formally or otherwise, although the transactions may not have been concluded. Refer note 7 for the carrying amount of investment property and the estimates and assumptions used to value investment property.

2.8 Intangible assets

Intangible assets acquired separately are measured on initial recognition at historical cost. The historical cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

The useful lives of intangible assets are assessed as 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 the end of each reporting period. 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 statement of comprehensive income in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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 statement of comprehensive income when the asset is derecognised.

2.9 Inventory

Inventory comprises property acquired or being constructed for sale in the ordinary course of business, consumables and other stocks.

Property classified as inventory is residential property that the Group is developing and intends to sell before or on completion of construction. Cost includes;

- amounts paid to contractors for construction; and
- borrowing costs, planning and design costs, costs of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs.

Net Realisable Value ("NRV") is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date and less costs to completion and the estimated costs of sale. NRV for completed inventory property is assessed with reference to market conditions and prices existing at the reporting date, and is determined by the Group in light of recent market transactions.

Consumables and other stocks are valued on the basis of weighted average cost and at the lower of cost or estimated NRV, inventory is valued at the lower of cost or estimated NRV, but is based on the specific identification of the property.

NOTES TO THE GROUP FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2018

2.10 Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of the asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in statement of comprehensive income.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount.

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 asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified; an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.
A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in statement of comprehensive income.

2.11 Deferred acquisition costs

Deferred acquisition costs, relate to commission incurred to acquire insurance business, are deferred over a period in which the related premiums are earned. The deferred portion is calculated by applying the actual commission rate on the unearned premium reserve balance.

2.12 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

2.12.1 Financial assets

2.12.1.1 IFRS 9 policies applied from 1 January 2018

i) Classification

From 1 January 2018, the Group and Company adopted IFRS 9, Financial instruments and classify their financial assets in the following measurement categories:
- those to be measured subsequently at fair value (either through other comprehensve income or through profit or loss), and
- those to be measured at amortised cost.
The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income.

For investments in equity instruments that are not held for trading, this will depend on whether the Group and Company have made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Group and Company reclassify debt investments when and only when their business model for managing those assets changes.

ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. 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.

iii) 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.

Debt instruments

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 is one measurement category into which the Group classifies its debt instruments:

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 finance income using the effective interest rate method. The effective interest method is a technique for calculating the actual interest rate in a period based on the amount of a financial instrument's book value at the beginning of the accounting per in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected 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 other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

The Group has classified investments in quoted equities as financial assets at FVPL because they are held for trading with expected disposal in the short-term. Unquoted equity investments are long-term strategic investments and not expected to be disposed in the short-term, as such have been classified as financial assets at FVOCI.

iv) Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 6 for further details.

NOTES TO THE **GROUP FINANCIAL STATEMENTS** *(continued)*

For the year ended 31 December 2018

Financial assets are considered to be in default if the following characteristics are noted:

- involuntary roll-over of instrument on maturity;
- inability to pay by counterparty when instrument is recalled; and
- inability to pay interest when due.

2.12.1.2 Accounting policies applied until 31 December 2017

The Group has applied IFRS 9, elected not to restate comparative information and to account for the impact of IFRS 9 has adjusted retained earnings as at 1 January 2018 . As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous policy.

i) Classification

Financial assets within the scope of IAS 39, Financial instruments : recognition and measurement were classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available for-sale financial assets as appropriate. Financial assets were recognised initially at fair value plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. Fair value gains/(losses) on financial assets at fair value through profit or loss were recognised in statement of comprehensive income. The Group and Company determined the classification of its financial assets on initial recognition and where allowed and appropriate, re-evaluatesd the designation at each financial year-end. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) were recognised on the trade date, i.e., the date that the Group and Company commit to purchase or sell the asset.

ii) Subsequent measurement

The subsequent measurement of financial assets depended on their classification as follows;

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss included financial assets held-for-trading and financial assets designated upon initial recognition at fair value through profit or loss. The Group and Company designated a financial asset or financial liability at fair value through profit or loss where designation significantly reduced a measurement inconsistency which may have arisen where a financial asset and a liability were measured using different methods. Financial assets at fair value through profit or loss were carried in the statement of financial position at fair value with gains or losses recognised in statement of comprehensive income.

Loans and receivables

Loans and receivables were non-derivative financial assets with fixed and determinable payments that were not quoted in an active market. Such financial assets were carried at amortised cost using the effective interest rate method, which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instruments or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Gains or losses were recognised in the profit or loss statement when the loans and receivables were derecognised or impaired, as well as through the amortisation process.

Held-to-maturity investments

These were non-derivative financial assets with fixed or determinable payments and maturities of which the Group and Company had the positive intention and ability to hold until maturity. Subsequent to initial recognition, these investments were carried at amortised cost, using the effective interest method. Gains and losses were recognised in statement of comprehensive income when the investments are de-recognised or impaired, as well as through the amortisation process.

Available-for-sale financial investments

Available-for-sale financial assets were non-derivative financial assets that were designated as available-for-sale or were not classified as financial assets at fair value through profit or loss, loans and receivables, or held-to-maturity. After initial measurement, available-for-sale financial assets were measured at fair value with unrealised gains or losses recognised in other comprehensive income and accumulated in an available-for-sale reserve (a separate component of equity) until the investment is derecognised or determined to be impaired at which time the cumulative gain or loss previously recorded in the available-for- sale reserve is reclassified out of other comprehensive income into statement of comprehensive income.

iii) Impairment of financial assets

The Group and Company assessed, at each reporting date, whether there was objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets was deemed to be impaired if there were objective evidence of impairment as a result of one or more events that has occurred since the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of a financial asset or a group of financial assets that can be reliably estimated.

Evidence of impairment included indications that a debtor or a group of debtors was experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group and Company first assessed whether objective evidence of impairment existed individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group and Company determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it included the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that were individually assessed for impairment and for which an impairment loss was recognised were not included in a collective assessment of impairment.

If there was objective evidence that an impairment loss had been incurred, the amount of the loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows were discounted at the financial asset's original effective interest rate. If a loan had a variable interest rate, the discount rate for measuring any impairment loss was the current effective interest rate. The carrying amount of the asset was reduced through the use of an allowance account and the loss was recognised in statement of comprehensive income.

Interest income continued to be accrued on the reduced carrying amount and was accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as finance income in the statement of comprehensive income. Financial assets at amortised cost together with the associated allowance were written off when there was no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group and Company. If, in a subsequent year, the amount of the estimated impairment loss increased or decreased because of an event occurring after the impairment was recognised, the previously recognised impairment loss was increased or reduced by adjusting the allowance account. If a write off is later recovered, the recovery is credited to statement of comprehensive income.

2.12.1.3 De-recognition of financial assets

A financial asset is de-recognised when the right to receive cash flows from the asset has expired or the Group and Company have their transferred rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and have transferred substantially all the risks and rewards of the asset to another party,

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For the year ended 31 December 2018

or the Group and Company have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset. When the Group and Company have transferred their rights to receive cash flows from an asset or have entered into a pass-through arrangement, they evaluate if and to what extent they have retained the risks and rewards of ownership.

When they have neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and Company continue to recognise the transferred asset to the extent of the Group and Company's continuing involvement. In that case, the Group and Company also recognise an associated liability.

The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and Company have retained.

2.12.2 Financial liabilities

2.12.2.2 IFRS 9 policies applied from 1 January 2018

Classification From 1 January 2018, the Group and Company adopted IFRS 9, Financial instruments and classify their financial liabilities as measured at amortised cost.

The Group's financial liabilities include trade and other payables, bank borrowings, policyholder liabilities, and investment contracts.

Measurement

Financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, less directly attributable transaction costs.

Subsequent to initial recognition, financial liabilities are measured at amortised cost using the effective interest rate method. Gains and losses are recognised in statement of comprehensive income when the liabilities are derecognised.

2.12.2.1 Accounting policies applied to 31 December 2017

Financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, less directly attributable transaction costs.

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, at amortised cost, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

The Group's financial liabilities include trade and other payables, bank borrowings, policyholder liabilities, and investment contracts.

All the Group's financial liabilities are classified as other financial liabilities at amortised costs.

Subsequent to initial recognition, financial liabilities are measured at amortised cost using the effective interest rate method. Gains and losses are recognised in statement of comprehensive income when the liabilities are derecognised.

2.12.2.1 De-recognition of financial liabilities

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in statement of comprehensive income.

2.12.3 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported, on the statement of financial position when there is 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. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group and Company or the counterparty.

There were no financial instruments that were offset during the year ended 31 December 2018 (2017: US$nil).

2.12.4 Amortised cost of financial instruments

Amortised cost is computed using the effective interest method less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.14 Share capital and reserves

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of income tax from the proceeds.

2.14.1 Share capital

Where the Company purchases its own shares or a group company purchases the Company's ordinary share capital ("treasury shares"), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects is included in equity attributable to the Company's equity holders.

2.14.2 Shared-based incentives: share option

Employees (including senior executives) of the Group participate in the Group's Employee Share Option Scheme, whereby employees pay a predetermined exercise price as consideration for equity instruments ("equity-settled transactions"). The exercise price is determined as an average price with reference to the rules of the option scheme. The cost of equity- settled transactions with employees is measured by reference to the fair value at the date on which the shares are exercised. The fair value is determined with reference to market prices.

The cost of equity – settled transactions is recognized together with a corresponding increase in equity, on the date on which the relevant employees exercise the rights to the options by paying an amount for the options exercised. This is the date on which the employees become fully entitled to the award (" the vesting date"). The cumulative expense recognized for equity – settled transactions at each reporting date reflects the extent to which the employees have paid for the options.

No expense is recognized for awards that do not ultimately vest.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of the earnings per share.

2.14.3 Reserves

Revaluation reserve - relates to revaluation of property and equipment

Financial assets at FVOCI reserve - relates to the fair valuation of financial assets classified as financial assets at FVOCI.

Mark-to-market reserve - relates to fair valuation gain/(loss) on available for sale financial assets

NOTES TO THE **GROUP FINANCIAL STATEMENTS** *(continued)*

For the year ended 31 December 2018

Foreign currency translation reserve - relates to translation of financial statements of foreign operations whose functional and reporting currency is not United States of America dollar

2.15 Reinsurance contract liabilities

Reinsurance contract liabilities relate to life reassurance and non-life reinsurance. At the end of the year, a liability adequacy test is carried out by a registered actuary to determine the sufficiency of the insurance contract liabilities.

2.15.1 Life reassurance policy holder liabilities

Life reassurance policy holder liabilities are policyholders' liabilities computed by an independent actuary in accordance with the Financial Soundness Valuation Methodology as set out in the guidelines issued by the Actuarial Society of South Africa. Under this method, the policyholders' liabilities are valued using realistic expectations of future experience with prescribed margins for prudence and deferral profit emergence.

2.15.2 Non-life reinsurance contract liabilities

These include the outstanding claims and the incurred but not reported reserve ("IBNR") (disclosed as insurance payable) and the provision for unearned premium.

Outstanding claims

The outstanding claims is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, together with related claims handling costs and reduction for the expected salvage and other recoveries.

Incurred but not reported - ("IBNR")

The provision for incurred but not reported claims ("IBNR") represents all claims incurred before the reporting date but only reported subsequent to year-end. IBNR is estimated using a rate of 10% (2017 - 10%) of net premium written and actuarially tested for adequacy as at reporting.

Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of these cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim project techniques, based on empirical data and current assumptions that include a margin for adverse variation. The liability is not discounted for the time value of money. The liabilities are derecognised when the obligation to pay a claim expires, is discharged or is cancelled.

Unearned premium reserves - ("UPR")

The unearned premium reserve represents that portion of premiums received or receivable that relates to risks that have not yet expired at the reporting date. The provision is recognised on contracts are entered into with maturities beyond the financial year end of the Group and earned premiums is brought to account over the term of the contract in accordance with the pattern of insurance service provided under the contract. The Group uses the 1/8 method to account for unearned premium reserve.

2.16 Retrocession

The Group cedes reinsurance risk in the normal course of business for its reinsurance businesses to retrocessionaires.

Retrocession receivables and payables are disclosed as part of insurance trade receivables and payables respectively.

Retrocession income and expenses are disclosed in profit or loss.

2.17 Provisions

Provisions are recognised when the Group and Company have a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. When the Group and Company expect some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in statement of comprehensive income net of any reimbursement.

Restructuring provisions are recognised only when the recognition criteria for provisions are fulfilled. The Group and Company have a constructive obligation when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs, and an appropriate timeline. Furthermore, the employees affected have been notified of the plan's main features.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

The Group and Company recognise obligations for retrenchments as a liability and expense when there is a demonstrable commitment to either terminate the employment of an employee or group of employees before normal retirement date as a result of an offer made in order to encourage voluntary redundancy.

The Group and Company will recognise such termination benefits when and only when, there is a detailed formal plan for the termination and there is no realistic possibility for withdrawal for such plans. The detailed formal plan will include the location, function and approximate number of employees whose services are to be terminated, the termination benefits for each job classification or function and the time that the plan will be implemented.

2.18 Revenue recognition

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines:

	Revenue recognition criteria	Group 2018 US$	Group 2017 US$
Rental income from investment property	over time	2 269 360	2 725 893
Sale of inventory stands	at a point in time	1 715 728	2 403 553
Property operating cost recoveries	over time	582 831	843 308
		4 567 919	**5 972 754**

2.18.1 Insurance premium income

Premiums are recognised as revenue (earned premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the reporting date is reported as the unearned premium liability. Premiums are shown before deduction of commission and are net of any taxes or duties levied on premiums.

2.18.2 Rental income

The Group is the lessor on operating lease transactions. Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature.

Services and management charges are recognised in the accounting period in which they are incurred.

Tenant lease incentives are recognised as a reduction of rental revenue on a straight-line basis over the term of the lease.

The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, the Directors are reasonably certain that the tenant will exercise that option.

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For the year ended 31 December 2018

Amounts received from tenants to terminate leases or to compensate for dilapidations are recognised in the statement of profit or loss when the right to receive them arises.

2.18.3 Property services income

Property services income comprises income received from property-related services to other parties. The income is recognised when the related services have been provided. Property services income will be generated, and revenue recognised as indicated, from the following services:

- Project management - over time ;
- Property management - over time;
- Property purchases - at a point in time;
- Property sales - at a point in time; and
- Property valuations - at a point in time.

2.18.4 Sale of inventory property and stands

The Group develops and sells residential properties. Revenue is recognised when control over the property has been transferred to the customer. The properties have generally no alternative use for the Group due to contractual restrictions.

However, an enforceable right to payment does not arise until legal title has passed to the customer. Therefore, revenue is recognised at a point in time when the legal title has passed to the customer.

The revenue is measured at the transaction price agreed under the contract. The consideration is due upon signing the sale contract. Deferred payment terms may be agreed in some cases for periods up to 36 months. In such cases, the transaction price is adjusted for the effects of a significant financing component.

The Group has contracts with customers where the period between signing of the sale contract and payment by the customer exceeds one year. As a consequence, the Group adjusts the transaction prices for the time value of money at the effective interest. rate.

Deferred income

Where conditions precedent to the sale of completed stands have not been met, any related revenue is recognised as deferred income. Amounts recognised in deferred income will only be recognised as revenue after all conditions precedent have been met and significant risks and rewards have been transferred to the buyer, and the buyer has accepted the property.

2.19 Other income

2.19.1 Dividend income

Dividend income is recognised when the Group and Company's rights to receive the payment is established, when the investee`s Board of Directors has declared the dividend.

2.19.2 Interest income

Interest earned on cash invested with financial institutions is recognised on an accrual basis using the effective interest method, which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instruments or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in the statement of comprehensive income.

2.19.3 Fee income

Insurance contract policyholders are charged for policy administration services, surrenders and other contract fees. These fees and charges are recognised as income over the period in which the related services are performed. Actuarial and consultancy fee income is recognised on an accrual basis, based on the values of the services provided and disclosed under other income.

2.19.4 Commission income

Commission income received or receivable under reinsurance contracts for non life insurance contracts is recognised as revenue proportionally over the period of the insurance contract.

2.19.15 Realised gains and losses

Realised gains and losses recorded in statement of comprehensive income on investments include gains and losses on financial assets at FVPL and investment properties. Gains and losses on financial assets are from financial assets at FVPL

Gains from financial assets at FVOCI are recognised through other comprehensive income and are not recycled to profit or loss on disposal. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortised cost and are recorded on occurrence of the sale transaction.

2.20 Insurance claims and benefits

2.20.1 Life and health reassurance

Insurance benefits and claims relating to group life assurance contracts are recognised in profit or loss based on the estimated liability for compensation owed to the contract holder. Death, disability and severe illness and surrender claims are accounted for when notified. These claims include outstanding claims and claims incurred but not reported ("IBNR").

The IBNR estimate is determined taking into account the likelihood of the claim being valid and the expected severity of the claim. The proportion to be included is estimated separately for each benefit type. An estimate of the expected claim amount is charged to profit or loss and included in liabilities under insurance contracts. Maturity and income disability are recorded as incurred. Liabilities are held to reflect IBNR claims. The IBNR is modified to reflect actual current operating conditions. The liabilities are calculated gross of reinsurance. An asset is then raised to allow for the expected recoveries from reinsurers.

Claims are accounted for as incurred and consist of claims paid, movement in the provision for outstanding claims and relates claims handling expenses. The provision for outstanding claims is based on estimates of the cost of settling all claims incurred but unpaid at the reporting date, whether reported or not.

2.20.2 Non-life insurance

Benefits payable under non-life insurance contracts are accounted for as incurred. Liabilities are held to reflect IBNR claims. The IBNR calculation is performed using the chain ladder approach. This allows for the historical patterns of claims payment in determining the likely future emergence of claims. The IBNR is further modified to reflect current operational conditions or known events.

2.20.3 Retrocession recoveries

Related retrocession recoveries are disclosed separately as assets in the statement of financial position and are included in recoveries from retrocessions in profit or loss.

Acquisition costs on reinsurance contracts

Acquisition costs on reinsurance and insurance contracts comprises commission and other acquisition costs over the life of the reinsurance and insurance contracts.

Commission

Commission is recognised as an expense in statement of comprehensive income when the premium is received through an intermediary or agent. The period of the commission and the commission rate differ per product depending on the product design structure. Commission is deferred in deferred acquisition costs over the duration of the contract.

NOTES TO THE **GROUP FINANCIAL STATEMENTS** *(continued)*

For the year ended 31 December 2018

Other acquisition costs

Other acquisition costs are expenses incurred to acquire reinsurance and insurance business including staff costs directly associated with obtaining business.

2.22 Employee benefits

The Group operates two defined contribution plans, the assets of which are held in separate trustee administered funds.

The pension plans are funded by payments from employees and the relevant group companies. The Group's contributions to the defined contribution pension plans are charged to statement of comprehensive income in the period in which the contributions relate. Retirement benefits are also provided for the Group's employees through the National Social Security Authority ("NSSA") Scheme. The cost of retirement benefits ("social security costs") applicable to the NSSA Scheme is determined by the systematic recognition of legislated contributions.

2.23 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

2.24 Current income and deferred taxes

2.24.1 Current income tax

Current income 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 laws used to compute the amounts are those that are enacted or substantively enacted by the reporting date.

Current income tax relating to items recognised in other comprehensive income or equity is also recognised in other comprehensive income or equity and not in statement of comprehensive income.

Taxable income for the life reassurance subsidiary is calculated in accordance with the insurance formula as laid down in the Eighth Schedule to the Zimbabwe Income Tax Act (Chapter 23:06).

2.24.2 Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except;

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint arrangements, except for deferred tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only were there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognised.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and carry forward of unused tax credits and unused tax losses can be utilised except, when the deferred tax asset relating to deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss; and in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised in other comprehensive income or equity is also recognised in other comprehensive income or equity and not in statement of comprehensive income.

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 taxes relate to the same taxable entity and the same taxation authority.

2.24.3 Value added tax ("VAT")

Expenses and assets are recognised net of the amount of VAT, except, when the value added tax incurred on a purchase of assets or services is not recoverable from the tax authority, in which case, the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.

2.25 Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group, as lessee, are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight -line basis over the period of the lease.

NOTES TO THE GROUP FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

During preparation of the financial statements of the Group and Company, management makes judgements and estimates that affect reported amounts, of income, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. The uncertainty about the judgements and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

3.1 Judgements other than estimates

In the process of applying the Group and Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

3.1.1 Taxes

The Group is subject to income and capital gains taxes in Botswana, Malawi, Mozambique, Zambia and Zimbabwe.

Significant judgement is required to determine the charge for current income and deferred taxes.

There are many transactions and calculations for which the ultimate tax determination and timing of payment is uncertain. In particular, when calculating deferred tax, the effective tax rate applicable on the temporary differences on investment property depends on the method by which the carrying amount of investment property will be realised Management has rebutted the presumption that the investment property measured at fair value will be recovered through sale. Management has rebutted the presumption as the objective of its business model is to consume substantially all of the economic benefits embodied in the investment property over time rather than through sale. As a result the Group will continue to apply the income tax rate of 25.75% (2017: 25.75%) for the purpose of recognising deferred tax for its investment property with the exception of land. The Group will recover the carrying amount of land recognised as investment property through sale and in that respect, the capital gains tax rate is used to determine deferred tax.

3.2 Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group and Company based their assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group and Company.

Such changes are reflected in the assumptions when they occur.

3.2.1 Incurred but not reported ("IBNR") claims

The provision for incurred but not reported claims ("IBNR") represents an estimate of claims incurred before the reporting date but that are only reported subsequent to year end.

3.2.2 Insurance contract liabilities (policyholders' funds) and actuarial assumptions.

The life policyholder funds, under un-matured policies, are computed at the reporting date by the Group and Company's independent actuary, in accordance with prevailing legislation, guidelines issued by the Actuarial Society of South Africa ("SAP") 104. Under this method, the insurance contract liabilities are valued using realistic expectations of future experience with prescribed margins for prudence. The insurance contract liabilities reflected in the statement of financial position represent the increase or decrease in actuarial liabilities, calculated using the Financial Soundness Valuation method.

The main assumptions used relate to mortality, longevity, investment returns, expenses, lapses, surrender rates and discount rates. Estimates are also made as to future investment income arising from the assets backing the life insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments. Assumptions on future expenses are based on current expense levels adjusted for expected expense inflation adjustments if necessary. Lapse and surrender rates depend on product features, policy duration and external circumstances such as sales trends. Discount rates are based on current expense levels adjusted for expected inflation adjustments if appropriate.

Life and health sensitivity analysis

Sensitivity analysis for life and health policyholder contract liabilities has not been disclosed as the unit is significantly small, the trends reflect unreliable wide fluctuations and there is not sufficient historical information.

3.2.3 Fair value of investment property

The Group carries its investment property at fair value, with changes in fair value being recognised in the statement of comprehensive income. The approach mostly used on commercial and industrial properties is the comparative approach.

This method seeks to ascribe the subject property a value similar to that achieved for comparable properties. Another method is the yield method which converts anticipated future cash flow benefits in the form of rental income into present value. This approach requires careful estimation of future benefits and the application of investor yield or return requirements.

The determined fair value of the investment properties is most sensitive to the estimated yield as well as the long-term void rate.

The property valuations have been undertaken in an environment of poor liquidity conditions and limited transaction evidence. In undertaking the valuations for commercial, industrial and retail properties, reliance has been placed on rental market evidence, void rates and arrears currently applying to the individual properties in the portfolio. The achieved rentals for the portfolio are generally in line and in some instances higher than the rental rates being achieved in the market. With regards to the residential properties, various properties were identified that were sold or which are on sale and situated in comparable residential suburbs. In analysing the comparable properties, the main space equivalent ("MSE") principle was applied. The total MSE of the comparable property was then used to determine a value per square metre of MSE. The objective is to arrive at a common basis of comparison. After adjustments for quality, location and size, the rates per MSE reflected by the comparable were then applied to the subject residential properties. The yields, have been obtained from the limited concluded transactions and have also been assessed taking into account asking prices and offers that may have been received for properties currently on the market, formally or otherwise, although the transactions may not have been concluded. Refer to note 8 for the carrying amount of investment property and more information on the estimates and assumptions used to determine the fair, value of investment property.

3.2.4 Useful lives and residual values of property and equipment

The Group assesses the useful lives and residual values of property and equipment each year taking to consideration past experience, technology changes and the local operating environment. No changes to the useful lives and residual values have been considered necessary during the year. Refer to note 7 for the carrying amount of property, vehicles and computer equipment and accounting policy note 2.5 for the useful lives of property, vehicles and equipment.

3.2.5 Allowances for credit losses

In determining whether an impairment loss should be recorded in statement of comprehensive income, 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 impairment for insurance receivables is calculated on a specific basis, based on historical default rates, adjusted for national and industry specific economic conditions and other indicators present at the reporting date that correlate with defaults on each debtor.

NOTES TO THE **GROUP FINANCIAL STATEMENTS** *(continued)*

For the year ended 31 December 2018

GROUP FINANCIAL RISK MANAGEMENT

The Group is exposed to financial risk through its financial assets and liabilities, insurance and reinsurance assets and liabilities. The most important components of financial risk are investment risk, market risk(foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk.

Risk Governance Framework

The Group has an Audit and Risk committee that is part of the Board. Below it is a Financial Risk Management Committee ("FRMC") that comprises senior management of the Group from departments of Finance, Investments, Audit and Operations. The FRMC reports to the Group Audit and Risk Committee on a quarterly basis on the risks identified, how they are being managed and the quantification and sensitivities around the risks. Both committees have clear terms of reference that feed into the overall Group risk management strategy policy framework. The terms of reference are set, approved and regularly reviewed by the Board. The primary objective of the Group's risk management framework is to protect the Company's shareholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities.

4.1 Investment risk

The Group's investment risk management system operates through a hierarchy of investment limit approvals. Investments in excess of the specified limits require the approval of the Group Finance and Investment Committee. In addition, the Group Finance and Investment Committee makes all decisions regarding property investments and unquoted company's share transactions.

4.2 Market risk

Market risk is the risk that the fair value or future cashflows of a financial instrument will fluctuate because of changes in the market prices. Market risk comprises of three types of risks; foreign currency risk, interest rate risk and equity price risk.

4.2.1 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of holdings of monetary assets and liabilities denominated in currencies other than functional currencies of the individual entities.

Group companies are required to maintain bank accounts in the US$ to reduce losses from fluctuations in foreign exchange rates. There are no hedging instruments.

4.2.1.1 Foreign currency risk

The table below shows the balances of monetary assets and liabilities denominated in foreign currency

As at 31 December 2018	Botswana pula US$	Malawian kwacha US$	Mozambican metical US$	Zambian kwacha US$	Other US$
Assets					
Trade and other receivables	1 103 365	4 148 259	1 824 065	1 761 503	265 558
Cash and cash equivalents	1 183 194	1 617 112	481 186	786 965	272 505
Financial assets at amortised cost	-	14 981	250 266	-	-
	2 286 559	**5 780 352**	**2 555 517**	**2 548 468**	**538 063**
Liabilities					
Trade and other payables	270 486	1 984 785	1 339 471	600 621	-
Borrowings	-	-	561 164	26 041	-
	270 486	**1 984 785**	**1 900 635**	**626 662**	**-**
Net foreign currency exposure	**2 016 073**	**3 795 567**	**654 882**	**1 921 806**	**538 063**
As at 31 December 2017					
Assets					
Trade and other receivables	1 321 119	3 019 287	3 349 062	1 616 585	363 035
Cash and cash equivalents	1 561 563	1 562 157	465 545	1 449 435	646 444
Held to maturity investments	-	-	135 321	-	-
	2 882 682	**4 581 444**	**3 949 928**	**3 066 020**	**1 009 479**
Liabilities					
Trade and other payables	461 369	900 911	2 199 923	552 917	373 076
Borrowings	-	-	-	-	-
	461 369	**900 911**	**2 199 923**	**552 917**	**373 076**
Net foreign currency exposure	**2 421 313**	**3 680 533**	**1 750 005**	**2 513 103**	**636 403**

NOTES TO THE **GROUP FINANCIAL STATEMENTS** *(continued)*

For the year ended 31 December 2018

4.2.1.2 Foreign exchange risk sensitivity analysis

The following analysis is performed for reasonably possible movements in the foreign exchange rates to US$ (assumption:+/- 10%) with all other variables held constant, showing the impact on profit/(loss) before income tax and equity due to changes in the fair value of currency sensitive monetary assets and liabilities including insurance contract claim liabilities. There are no changes from prior year on this assumption.

Effect on profit/(loss) before income tax	Change	Botswana pula US$	Malawian kwacha US$	Mozambican metical US$	Zambian kwacha US$
31 December 2018	10%	201 607	379 557	65 488	192 181
31 December 2018	-10%	(201 607)	(379 557)	(65 488)	(192 181)
31 December 2017	10%	10 520	4 798	30 831	27 671
31 December 2017	-10%	(10 520)	(4 798)	(30 831)	(27 671)
Effect on equity					
31 December 2018	10%	149 693	281 821	48 625	142 694
31 December 2018	-10%	(149 693)	(281 821)	(48 625)	(142 694)
31 December 2017	10%	7 811	3 563	22 892	20 546
31 December 2017	-10%	(7 811)	(3 563)	(22 892)	(20 546)

As shown in the table above, the Group is primarily exposed to changes in US$ exchange rates against other functional currencies used by the group companies in their respective jurisdictions. The main functional currencies that are used to denominate monetary assets and liabilities are shown in the sensitivity table above.

4.2.1.3 Exchange rates used by the Group in preparing financial statements

US$1 is equivalent to the rates below

	2018		2017	
	Average	At year-end	Average	At year-end
Botswana pula	10.1990	10.7006	10.3653	9.8256
Malawi kwacha	726.8436	773.9812	725.8742	724.9392
Mozambican metical	60.3685	61.3948	63.5935	59.1188
South African rand	13.2549	14.3750	13.3197	12.3450
Zambian kwacha	10.4683	11.9174	9.5443	10.0150

Amounts recognised in profit or loss and other comprehensive income

During the year, the following foreign-exchange related amounts were recognised in profit or loss and other comprehensive income:

Amounts recognised in profit or loss	2018 US$	2017 US$
Net foreign exchange gain/(loss) included in other income/other expenses	197 380	(453 640)
Net gains (losses) recognised in other comprehensive income		
Translation of foreign operations	(700 677)	509 177

4.2.2 Equity price risk

Equity price risk is the potential loss arising from changes in the market price of a financial instrument as a result of fluctuations in the market price. A substantial part of the equity portfolio comprises listed counters. Unquoted counters are subjected to periodic financial analysis and review. The Group's equity price risk policy is to manage such risks by setting and monitoring objectives on investments, diversification of portfolios and setting limits on investment in each sector.

At the reporting date, the total exposure to listed equity securities at fair value through profit or loss was US$6 314 770 (2017:US$975 534).

The following analysis is based on the assumption that the equity indexes had increased by 10% respectively or decreased by 10% with all other variables held constant, and that all the Group's equity instruments moved in line with the indexes. There were no changes in the assumptions from prior year.

NOTES TO THE **GROUP FINANCIAL STATEMENTS** *(continued)*

For the year ended 31 December 2018

	Change in assumption %	Change in reported value US$	Profit before income tax US$	Change in equity US$
December 2018				
Increase in market price	10%	631 477	472 029	472 029
Decrease in market price	10%	(631 477)	(472 029)	(472 029)
December 2017				
Increase in market price	10%	101 348	75 757	75 757
Decrease in market price	-10%	(101 348)	(75 757)	(75 757)

4.2.3 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long- term debt obligation which carry fixed interest rates. As a result of the fixed nature of interest rates, no interest rate sensitivity analysis has been presented.

The Group manages its cash flow interest rate risk by renegotiating fixed interest rates whenever there are changes in the market.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Group calculates the impact on profit or loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run for all interest-bearing positions.

Currently, the Group does not undertake any hedging of its short-term loans due to the nature and terms of the loan facilities. On long-term loans, the Group assesses risks and considers hedging where necessary. As at 31 December 2018, there were no hedges in place (2017:US$nil).

Sensitivity

Profit or loss is sensitive to higher/lower interest income from cash and cash equivalents as a result of changes in interest rates. The key assumption to this sensitivity is that the interest rates will increase or decrease by 1%, holding all other variables constant.

	Change in assumption %	Change in reported value US$	Profit before income tax US$	Change in equity US$
December 2018				
Increase in interest rate	1%	61 569	46 023	46 023
Decrease in interest rate	-1%	(61 569)	(46 023)	(46 023)
December 2017				
Increase in interest rate	1%	26 616	19 895	19 895
Decrease in interest rate	-1%	(26 616)	(19 895)	(19 895)

4.3 Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. Credit risk arises from cash and cash equivalents, trade and other receivables and financial assets at amortised cost. The following policies and procedures are in place to mitigate the Group's exposure to credit risk:

Cash and cash equivalents

• The Group has a credit policy that establishes counterparty trading limits for each banking institution that the Group trades with. These counter party limits are reviewed at least quarterly and submitted to the Group Finance and Investments Committee for approval. In this process the financial results of the banking institutions which are published semi annually, are reviewed and together with other qualitative factors that may be noted. The limits worked out are proposed to the Group Finance and Investments Committee for approvals.

The Group only trades with and receives service from banking institutions that meet regulatory requirements;
Key considerations in the review of limits and security requirements include:-
- compliance with minimum capital requirements set by the Reserve Bank of Zimbabwe ("RBZ"),
- conformance with the minimum rating as set out in the RBZ periodic capital adequacy, asset quality, management, earnings liquidity and sensitivity("CAMELS") ratings,
- total shareholder equity,
- total assets,
- ratios such as loan to deposit ratios and non-performing loans ("NPLs"),
- overall profitability and cash generation,
- historical performance and outlook, and
- ability of the bank to provide collateral security.

• The Group further considers the following information in determining the trading limits:-
- other qualitative factors covered under the CAMELS rating system of the RBZ.
- qualitative factors include additional opinion formed through market intelligence on the financial institution, shareholder profile, management and segment of market being served.

• Approved collateral security instruments are as follows:
- treasury bills; or
- bankers acceptances.

NOTES TO THE GROUP FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2018

The financial institutions holding the cash and cash equivalents of the Group have the following external credit ratings by the Global Credit Rating Company:

Credit rating:	Group 2018 US$	Group 2017 US$	Company 2018 US$	Company 2017 US$
AA+	1 557 442	3 888 364	-	-
AA-	221 659	553 402	-	-
A+	2 228 429	5 563 576	-	-
A	1 664 368	4 155 321	237 462	3 431 844
BBB+	66 130	165 103	-	-
BBB-	9 925	24 780	-	-
BB+	1 695 217	4 232 338	354 330	52 303
BB-	616 093	1 538 159	-	-
B+	1 723 033	4 301 785	-	-
	9 782 296	**24 422 828**	**591 792**	**3 484 147**

Definition of ratings:

AA+ AA-	Has very strong financial security characteristics.
A+ A-	Has strong financial security characteristics, but is somewhat more likely to be affected by adverse business conditions than banks with higher ratings.
BBB+ BBB-	Has good financial security characteristics, but is much more likely to be affected by adverse business conditions than banks with higher ratings.
BB+ BB-	Has good financial security characteristics, but is much more likely to be affected by adverse business conditions than banks with higher ratings.
B+	Possessing substantial risk that obligations will not be paid when due.

Trade and other receivables

Policies applied from 1 January 2018

•The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

- To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due.
- The expected loss rates are based on the payment profiles of income over a period of 5 years before 31 December 2018 or 1 January 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macro-economic factors affecting the ability of the customers to settle the receivables. The Group has identified the introduction of IFRS 9 and expected changes in legislation to enforce cash before cover to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors. On that basis, the loss allowance as at 31 December 2018 and 1 January 2018 (on adoption of IFRS 9) was determined as follows for both trade receivables:

Group

Reinsurance receivables: 31 December 2018	Current US$	Not in default 31 - 60 days US$	Not in default 61 - 120 days US$	In default 121 - 180 days US$	In default more than 180 days US$	Total US$
Default rate (%)	6%	6%	9%	10%	70%	
Gross carrying amount (US$)	1 527 861	3 930 053	841 415	1 687 712	3 978 624	11 965 665
Credit Loss allowance (US$)	84 484	227 050	77 352	170 212	2 801 203	3 360 301
1 January 2018						
Default rate (%)	6%	7%	11%	12%	82%	
Gross carrying amount (US$)	1 086 258	2 794 137	598 218	1 199 907	2 828 669	8 507 189
Credit Loss allowance (US$)	69 930	187 935	64 026	140 889	2 318 628	2 781 408

NOTES TO THE GROUP FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2018

Rental and property sales receivables: As at 31 December 2018	Current US$	Not in default 31 - 60 days US$	Not in default 61 - 120 days US$	In default 121 - 180 days US$	In default more than 180 days US$	Total US$
Default rate (%)	8%	19	36%	95%		
Gross carrying amount (US$)	136 607	92 457	135 593	1 123 742		1 488 399
Credit Loss allowance (US$)	11 378	17 855	48 167	1 071 711		1 149 111
As at 1 January 2018						
Default rate (%)	6%	15%	27%	87%		
Gross carrying amount (US$)	503 666	212 003	258 188	1 077 460		2 051 317
Credit Loss allowance (US$)	32 197	31 817	70 792	932 515		1 067 321
Company						
As at 31 December 2018						
Default rate (%)	-	-	-	-	-	-
Gross carrying amount (US$)	1 316 296	-	-	-	-	1 316 296
Credit Loss allowance (US$)	-	-	-	-	-	-
As at 1 January 2018						
Default rate (%)	-	-	-	-	-	-
Gross carrying amount (US$)	754 536	-	-	-	-	754 536
Credit Loss allowance (US$)	-	-	-	-	-	-

Policies applied to 31 December 2017

• Debtors are assessed for creditworthiness in line with Group criteria prior to entering into lease arrangements and sale agreements. For lessees and purchasers of stands, the assessment includes reference checks with institutions that have the debtors previous trading information. Credit risk is managed by requiring tenants to pay rentals in advance and good tenancy deposit; and in the case of purchasers of land, title is withheld until such a time the outstanding balance has been settled and a substantial deposit is paid.

Outstanding trade receivables are regularly monitored and all debtors that accrue arrears are closely monitored. An impairment analysis is performed at each reporting date on an individual basis for all debtors. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial asset.

When determining specific allowance for credit losses in respect of past due tenant rent and operating costs amounts, the following criteria is used;

(i) Length of period of non-payment;

The length of period a tenant stays without making payment towards past due balances is used as a measure of the extent of delinquency of outstanding amounts All past due amounts over three months are referred to collection agencies and lawyers for collection while amounts that are over six months past due may qualify for specific write-off subject to the fulfilment of additional qualification criteria. All tenant account balances that are over three months are profiled with relevant percentages of general provisions applied to arrive at a general provision amount.

(ii) Analysis of results of collection efforts undertaken so far in order to recover amounts that are past due

When the efforts of lawyers, collection agencies or direct approaches by the Group to tenants does not yield significant recovery of past due amounts and the prospects of significant recoveries consider remote, the outstanding balance should be considered for specific write off. Significant managerial judgment is exercised in analysing the likelihood of success of current collection efforts with assessment of prospects of recovery rated from more highly probable to remote.

(iii) Liquidity and solvency status of the debtor

As may be revealed by a review of the tenant's financial records and through other means such as reading press reports, it may be determined that a deteriorating liquidity and solvency status of a defaulting tenant renders the past due amount uncollectable and therefore qualifying them for specific write-off.

(iv) Security arrangements

The Group considers directors guarantees as vital security in the event that all other means of recovery of past due amounts does not yield meaningful results. In this regard, directors of tenant companies provide guarantees which are called upon in the event that the tenant fails to pay. Unsecured past due amounts that have gone through all reasonable recovery effort and remain uncollectable qualify for specific write-off subject to fulfilment of additional qualifying criteria.

- For retrocession, arrangements are placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year by the Board of Directors and are subject to regular reviews. As at each reporting date, the Group Reinsurance Committee performs an assessment of creditworthiness of reinsurers and updates the reinsurance purchase strategy, ascertaining suitable allowances for impairment.
- The credit risk in respect of customer balances incurred on non-payment of premiums or contributions will only persist during the grace period specified in the policy document when the policy is either paid up or terminated. Commission paid to intermediaries is netted off against amounts receivable from them to reduce the risk of doubtful debts.

NOTES TO THE GROUP FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2018

Debt investments at amortised cost

All of the Group's debt investments at amortised cost have not shown signs of deterioration of credit quality, and the loss allowance recognised during the period was therefore limited to 12 months expected losses. The credit risk of the investments is considered to have increased significantly if there have been missed payments of principal and/or interest during the period of investment.

Financial assets available for sale (2017)

• Financial assets available for sale consist of treasury bills and other bonds such as agro bills and power generation bills, which are considered to be low risk investments as these are government guaranteed and those that have matured to date have all been honoured. These form part of prescribed assets which are bonds/securities issued by the central government, local government, quasi government organisations or any other bonds/securities that may be accorded the prescribed asset status by the Minister of Finance and Economic Development. All these financial instruments were considered to be low risk as they had no history of default.

The financial assets as at 31 December 2018 were held as follows:

	Group 2018 US$	Group 2017 US$	Company 2018 US$	Company 2017 US$
Issued by the Government:				
-Bonds	1 327 324	1 822 502	-	-
-Treasury bills	2 673 622	3 772 241	-	-
Issued by other financial institutions, rated:				
BB-	990 649	606 261	-	-
Unrated	1 165 281	46 864	46 864	46 864
	6 156 876	**6 247 868**	**46 864**	**46 864**

Credit risk analysis

As at 31 December 2018 the analysis of financial assets that were past due but not impaired is set out below:

Group	Neither past due nor impaired 30 days US$	Past due but not impaired 60 days US$	90 days US$	Past due net of impairment 120 days US$	Total US$
As at 31 December 2018					
Trade and other receivables:					
- reinsurance receivables	5 146 380	764 063	1 517 500	1 177 421	8 605 364
- rental receivables	199 831	87 426	52 031	-	339 288
- debtors for inventory sales	935 484	-	-	-	935 484
Financial assets at amortised cost	5 181 669	-	-	-	5 181 669
Cash and cash equivalents	9 792 554	-	-	-	9 792 554
Total	**21 255 918**	**851 489**	**1 569 531**	**1 177 421**	**24 854 359**
As at 31 December 2017					
Trade and other receivables:					
- reinsurance receivables	4 276 331	1 336 271	1 104 426	2 720 256	9 437 284
- rental receivables	160 451	191 562	214 856	236 073	802 942
- debtors for inventory sales	1 847 411	-	-	-	1 847 411
Financial assets available for sale	6 247 868	-	-	-	6 247 868
Cash and cash equivalents	24 417 087	-	-	-	24 417 087
Total	**36 949 148**	**1 527 833**	**1 319 282**	**2 956 329**	**42 752 592**

NOTES TO THE GROUP FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2018

Company	Neither past due nor impaired 30 days US$	Past due but not impaired 60 days US$	90 days US$	Past due net of impairment 120 days US$	Total US$
As at 31 December 2018					
Other receivables	1 316 296	-	-	-	1 316 296
Financial assets at amortised cost	1 846 864	-	-	-	1 846 864
Cash and cash equivalents	591 792	-	-	-	591 792
Total	**3 754 952**	**-**	**-**	**-**	**3 754 952**
As at 31 December 2017					
Other receivables	754 536	-	-	-	-
Financial assets held to maturity	1 046 864	-	-	-	1 046 864
Cash and cash equivalents	3 484 147	-	-	-	3 484 147
Total	**4 531 011**	**-**	**-**	**-**	**4 531 011**

4.4 Liquidity risk

It is the Group's policy to ensure that cash resources are available at all times to meet commitments as they arise. Cash outflows arise from the payment of intimated claims and benefits falling due, purchase of investments and other operating commitments. Such outflows are adequately matched by inflows from premium income, maturing investments and investment income. Management monitors rolling forecasts of the Group's cumulative liquidity gap and cash and cash equivalents on the basis of expected cash flows.

The table below summarises the maturity profile of the Group's financial assets and financial liabilities based on contractual and undiscounted payments on a worst case scenario.

Assets and liabilities are on an undiscounted basis.

Liquidity gap analysis

Group

As at 31 December 2018 Assets	On demand to 3 months US$	3 months to 1 year US$	> 1 year US$	Total contractual cash flows US$
Financial assets:	-			
- at fair value through profit or loss	-	6 314 770	-	6 314 770
- at amortised cost	-	5 181 669	-	5 181 669
- at fair value through other comprehensive income	-	-	-	-
Life reassurance contract assets	-	-	156 100	156 100
Loans and receivables including insurance receivables	10 913 963	5 308 143	380 918	16 603 024
Cash and cash equivalents	9 792 554	-	-	9 792 554
Total assets	**20 706 517**	**16 804 582**	**537 018**	**38 048 117**

NOTES TO THE GROUP FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2018

As at 31 December 2018 Group	On demand to 3 months US$	3 months to 1 year US$	> 1 year US$	Total contractual cash flows US$
Liabilities				
Non-life insurance liabilities	909 594	5 250 891	5 895 550	12 056 035
Life reassurance liabilities	-	-	2 029 600	2 029 600
Borrowings	544 756	1 612 125	2 409 160	4 566 041
Trade and other payables (excluding statutory liabilities)	15 181 434	-	-	15 181 434
Total liabilities	**16 635 784**	**6 863 016**	**10 334 310**	**33 833 110**
Liquidity gap	**4 070 733**	**9 941 566**	**(9 797 292)**	**4 215 007**
Cumulative liquidity gap	**4 070 733**	**14 012 299**	**4 215 007**	**-**
As at 31 December 2017				
Financial assets:				
-available for sale	40 385	864 033	3 557 185	4 461 603
- at fair value through profit or loss	159 421	254 997	667 299	1 081 717
- held to maturity investments	140 972	2 399 377	1 787 045	4 327 394
Life reassurance contract assets	-	-	569 900	569 900
Loans and receivables including insurance receivables	7 945 783	3 864 531	277 323	12 087 637
Cash and cash equivalents	24 417 087	-	-	24 417 087
Total assets	**32 703 648**	**7 382 938**	**6 858 752**	**46 945 338**
Liabilities				
Non-life insurance liabilities	1 072 062	6 188 786	6 948 592	14 209 440
Life reassurance liabilities	451 373	372 302	-	823 675
Borrowings	303 336	1 009 657	486 470	1 799 463
Trade and other payables (excluding statutory liabilities)	5 408 633	4 579 485	973 830	10 961 948
Total liabilities	**7 235 404**	**12 150 230**	**8 408 892**	**27 794 526**
Liquidity gap	**25 468 244**	**(4 767 292)**	**(1 550 140)**	**19 150 812**
Cumulative liquidity gap	**25 468 244**	**20 700 952**	**19 150 812**	**-**

Company As at 31 December 2018	On demand to 3 months US$	3 months to 1 year US$	> 1 year US$	Total contractual cash flows US$
Assets				
Financial assets:				
- at fair value through profit or loss	-	2 846 992	-	2 846 992
- at amortised cost	-	1 846 864	-	1 846 864
- at fair value through other comprehensive income	-	-	1 575 775	1 575 775
Loans and receivables	1 316 296	-	-	1 316 296
Cash and cash equivalents	591 792	-	-	591 792
Total assets	**1 908 088**	**4 693 856**	**1 575 775**	**8 177 719**
Liabilities				
Trade and other payables	965 325	-	-	965 325
Total liabilities	**965 325**	**-**	**-**	**965 325**
Liquidity gap	**942 763**	**4 693 856**	**1 575 775**	**7 212 394**
Cumulative liquidity gap	**942 763**	**5 636 619**	**7 212 394**	**-**

NOTES TO THE GROUP FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2018

Company As at 31 December 2017 Assets	On demand to 3 months US$	3 months to 1 year US$	> 1 year US$	Total contractual cash flows US$
Financial assets available for sale	-	5 256 531	503 363	5 759 894
Loans and receivables	568 191	186 345	-	754 536
Cash and cash equivalents	3 484 146	-	-	3 484 146
Total assets	**4 052 337**	**5 442 876**	**503 363**	**9 998 576**
Liabilities				
Trade and other payables	630 432	5 164 026	-	5 794 458
Total liabilities	**630 432**	**5 164 026**	**-**	**5 794 458**
Liquidity gap	**3 421 905**	**278 850**	**503 363**	**4 204 118**
Cumulative liquidity gap	**3 421 905**	**3 700 755**	**4 204 118**	**-**

4.5 **Capital management policies**

The Company and Group's capital comprise ordinary share capital, share premium, reserves and retained earnings. It is the Group's objective to retain a capital position that supports the development of the business. The Group manages its capital structure and makes adjustments to it, in light of changes in the economic conditions. Where necessary, capital is redeployed to subsidiaries from the holding company.

The subsidiaries with minimum capital requirements imposed by their regulators were capitalised as follows:

	2018		2017	
	Shareholders' equity	Minimum regulatory capital	Shareholders' equity	Minimum regulatory capital
Emeritus Reinsurance Zimbabwe (Private) Limited *(formerly Baobab Reinsurance (Private) Limited)*	37 902 110	7 500 000	36 655 515	7 500 000
Emeritus Reinsurance Zambia Limited *(formerly Zambian Reinsurance Company Limited)*****	1 622 262	1 632 746	2 259 311	1 970 443
Emeritus Reinsurance Company Limited Malawi *(formerly Malawian Reinsurance Company Limited)*	2 644 733	689 713	2 670 088	689 713
Emeritus Resegguros SA *(formerly Mozambique Reinsurance Company Limited)*	1 431 038	1 116 397	2 306 311	1 116 397
Emeritus Reinsurance Company Limited Botswana *(formerly First Reinsurance Company Limited)*	1 183 570	203 550	1 255 999	203 550
Credit Insurance Zimbabwe Limited	4 461 655	2 500 000	2 911 049	2 500 000

There were no changes made to the objectives, processes, or policies during the year ended 31 December 2018.
** The Group will injecting more capital to ensure the company is adequately capitalised through a capital raise at holding company level

4.6 **Insurance risk management**

4.6.1 **Definition of insurance risk**

Insurance risk is the risk that actual future underwriting policyholder behaviour and expense experience will differ from that assumed in measuring policyholder liabilities and assets and pricing products. Insurance risk arises due to uncertainty regarding the timing and amount of future cash flows from insurance contracts. This could be due to variations in mortality, morbidity, policyholder behaviour or expense experience in the case of life products, and claims incidence, claim severity or expense experience in the case of short-term insurance products. These could have adverse impacts on the Group's earnings and capital if different from those assumed.

The insurance risks that the Group is exposed to that have the greatest impact on the financial position and comprehensive income are covered in more detail in sections 4.6.8 to 4.6.9.

4.6.2 **Ownership and accountability**

The management and staff in all subsidiaries accepting insurance risk are responsible for the day-to-day identification monitoring and treatment of insurance risk. It is also management's responsibility to report any material insurance risks, risk events and issues identified to senior management through certain pre-defined escalation procedures.

The Group's Internal Audit and Risk Department provides independent oversight on compliance with the Group's risk management policies and procedures and the effectiveness of the Group's insurance risk management processes.

The Risk Committee, in place, is responsible for managing all aspects of insurance risk.

NOTES TO THE **GROUP FINANCIAL STATEMENTS** *(continued)*

For the year ended 31 December 2018

This committee reports directly or indirectly to board committees (Audit and Risk Committee and the Reinsurance Board).

The functions of the committee include:
- recommending insurance risk related policies to the reinsurance board for approval and ensure compliance therewith.
- ensuring that insurance risk is appropriately controlled by monitoring insurance risk triggers against agreed limits and/or procedures.
- gaining assurance that material insurance risks are being monitored and that the level of risk taken is in line with the risk appetite statement at all times.
- considering\ any new insurance risks introduced through new product development or strategic development and how these risks should be managed.
- monitoring, ratifying and/or escalating to Audit and RiskCommittee and Reinsurance Board all material insurance risk-related breaches. Excesses highlighting the corrective action undertaken to resolve the issue.
- monitoring insurance risk capital requirements as that apply to the management of the Group and its subsidiaries' balance sheets; and
- approving the reinsurance, underwriting and claim management strategies and oversee the implementation of those strategies.

The statutory actuaries provide oversight on the long-term insurance risks undertaken by the Group in that they are required to:
- report at least annually on the financial soundness of the life licence entities within the Group.
- oversee the setting of assumptions used to provide best estimate liabilities plus compulsory and discretionary margins (as described in the accounting policies) in accordance with the assumption setting policy; and
- report on the actuarial soundness of premium rates in use for new business, and on the profitability of the business taking into consideration the reasonable benefit expectations of policyholders and the associated insurance and market risks.

4.6.3 Risk identification, assessment, measurement and management

Risk management takes place prior to the acceptance of risks through the product development , underwriting , pricing and claims assessment process and at the point of sale. Risks continue to be managed through the measurement, monitoring and treatment of risks once the risks are contracted.

4.6.3.1 Risk management through product development, pricing and at the point of sale

The product development and pricing process defines the terms and conditions on which the Group is willing to accept risks. Once a policy has been sold, the Group is placed on risk for the duration of the contract and the Group cannot unilaterally changes the terms and conditions of the policy except where the policy allows for rate reviews. It is for these reasons that risks need to be carefully assessed and appropriately mitigated before a product is launched and before new policies are accepted onto the Group's balance sheet. In order to manage these risks, new products need to comply with the Group-wide Product Development Risk Policy.

The product development and approval process ensures that:
- risks inherent in new products are identified and quantified;
- sensitivity tests are performed to enhance understanding of the risks and appropriateness of mitigating actions;
- pricing is adequate for the risk undertaken;
- product design takes account of various factors including size and timing of fees and charges, appropriate levels of minimum premiums, commission structures and policy terms and conditions;
- the Group makes use of reinsurance or retrocession to reduce its exposures to some insurance risks;
- customers needs and expectations will be met by the product; and
- post implementation reviews are performed to ensure that intended outcomes are realised and to determine if any further action is required.

4.6.3.2 Risk management post-implementation of products and of in-force policies

The ongoing management of insurance risk, once the risk has been contracted, includes the management of costs, premium adjustments where permitted and appropriate, management strategies and training of cedents to encourage customers to retain their policies, and careful follow up on disability claims, default claims and early death claims.

Further, experience investigations are conducted at least annually on all significant insurance risks to ascertain the extent of deviations from assumptions and their financial impacts. If the investigations indicate that these deviations are likely to persist in future, the assumptions will be adjusted accordingly for the subsequent measurement of policyholder liabilities and assets. Furthermore, any deviations that are likely to persist are also used to inform the product development and pricing of new existing products.

Insurance risks are assessed and reviewed against the Group's risk appetite and risk target. Mitigating action are developed for any risks that fall outside of management's assessment of risk appetite in order to reduce the level of risk to within the approved tolerance limits.

IFRS sensitivities for insurance risks are provided in section 9. Embedded value sensitivities for insurance risks are also prepared for internal use and reporting to analysts.

4.6.4 Reporting

Each relevant customer facing unit prepares monthly and quarterly reports that include information on insurance risk. The reports are presented to the relevant customer facing unit executive committees and relevant risk committees for review and discussion. Major insurance risks are incorporated into a report of the internal audit on the Group's overall risk which is submitted to the Group audit committee. Where it is deemed necessary, material insurance risk exposures are escalated to the board.

In respect of insurance risks, the reports contain the results of experience investigations conducted along with other indicators of actual experience. These reports also raise any issues identified and track the effectiveness of any mitigation plans put in place.

NOTES TO THE GROUP FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2018

4.6.5 Policyholder behaviour risk

This is the risk of adverse financial impact caused by actual policyholders' behaviour deviating from expected policyholders' behaviour, mainly due to:

- regulatory and legislative changes (including taxation);
- changes in economic conditions;
- sales practices;
- competitor behaviour;
- policy conditions and practices; and
- policyholders' perceptions.

The primary policyholder behaviour risk is persistency risk. This generally arises when policyholders discontinue or reduce contributions, or terminate their policies at a rate that is not in line with expectations. This behaviour results in a loss of future premiums that are designed to recoup expenses and commission incurred early in the life of the contract and to provide a profit margin or return on capital. A decrease in persistency generally gives rise to a loss, as the loss of these future charges generally exceeds the charges that the Group applies too the policyholder benefits in these events. However with certain products the general principle does not always apply.

In the measurement of policyholder liabilities and assets, margins as described in the accounting policies are added to the best estimate withdrawal rates. In addition, an allowance is made for the withdrawal risk in the TCAR and OCAR calculations, with the TCAR providing a capital requirement underpin of meeting the surrender benefits on all policies where this is onerous.

In the calculation of economic capital requirements, allowance is made for the following risks in respect of policyholder behaviour:

- The risk that the actual level of withdrawals is different from expected; and
- The risk of withdrawal catastrophe to capture a run-on-a-bank type of scenario.

4.6.6 Underwriting risks

The primary purpose of underwriting is to ensure that an appropriate premium is charged for each risk and that cover is not offered to uninsurable risks.

Underwriting risks are the risks that future demographic or claims incidence experience will exceed the allowance for expected demographic or claims incidence experience, as determined through provisions, pricing, risk measures and value measures. Underwriting risks include, amongst others, mortality and morbidity risks, longevity risks and non-life (short-term insurance) risks.

4.6.6.1 Mortality and morbidity risk

Mortality risk is the risk of adverse financial impact due to actual mortality (death) claims being higher than anticipated.

Morbidity risk is the risk of adverse financial impact due to policyholder health related (disablement and dread disease) claims being higher than expected.

The Group has the following processes and procedures in place to manage mortality and morbidity risk.

a. Pricing

Premium rates are differentiated by factors which historical experience has shown are significant determinants of mortality and morbidity claims experience.

Prior to taking on individual risk policies, appropriate underwriting processes are conducted, such as medical tests, which influence pricing on the policy prior to acceptance.

The actual claims, experience or monitored on a monthly basis so that deteriorating experience can be timeously identified. Product pricing and the measurement of the liabilities are changed if the deteriorating experience is expected to continue and cannot be mitigated. Detailed mortality and morbidity investigations are conducted on a bi-annual basis for key products.

Allowance for HIV related deaths is made in product pricing and in the measurement of policyholder liabilities and assets.

b. Terms and conditions

The terms and conditions contain exclusions for non-standard and unpredictable risks that may result in severe financial loss (e.g. on life policies, a suicide exclusion applies to the sum assured for death within two years from the date of issue).

terms are built into the policy contracts that permit risk premiums to be reviewed on expiry of a guarantee period. In particular:

- for institutional risk business, the risk premiums are reviewable annually; and
- for non-Zimbabwean business, similar terms exist.

c. Underwriting

Underwriting guidelines concerning authority limits and procedures to be followed are in place.

All individual business applications for risk cover are underwritten except for some policies with smaller sums assured where specific allowance for no underwriting has been made in the product design and pricing. For other smaller sums assureds, the underwriting process is largely automated. For individual and institutional business, larger sums assured in excess of specified limits are reviewed by experienced underwriters and evaluated against established processes. For institutional risk business, these specified limits are scheme specific based on the size of the scheme , membership, average age, gender distribution , industry and distribution of sums assured. Since applications on institutional business below the specified limits are not medically underwritten, very few lives are medically tested . However, the annually reviewable terms on institutional business enable premiums to keep pace with emerging claim experience.

Specific testing for HIV and other medicals is carried out based on the assessment of the risk.

Part of the underwriting process involves assessing the current health conditions and family medical history of applicants. Terms and conditions are varied accordingly.

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For the year ended 31 December 2018

Non-standard risk, such as hazardous pursuits and medical conditions, are assessed at underwriting stage.

Financial underwriting is used where necessary to determine insurable interest

The non-life insurance risks are sensitive to certain assumptions. The table below shows the qualitative sensitivity of certain triggers related to insurance business:

Risk triggers	General effect on insurance market	Effect on the Group
1. Many cedants and competition in the domiciled market	Undercutting premium rates	Lower premiums, increase in claims ration, lower profits
	Underwriting bad business	Increase in claims, increase in bad debts, lower profits
2. Weakening local currency	Underinsurance of cedants	Increase in claim ratios on partial claims, lower profit
3. Lack of foreign currency and strict exchange controls in local markets.	Inability to discharge external claims and retrocessions	Lower premiums and risk spread, increase in claims ration, lower profits
	Substandard construction and risk management practices	Increased fire and engineering risk, increase in claims, lower profits
4. Weak risk practices of cedants and underlying clients	Having insurance as the only effective risk management item	Increase in claims, lower profit

d. Claims management
For mortality claims are validated against policy term and conditions. Early claims within a period of 1 year for non-accidental claims are assessed for non-disclosure of material facts and investigations carried out to deter fraud.

For morbidity, experienced claims assessors determine the merits of the claim in relation to the policy terms and conditions.

e. Reinsurance
Reinsurance is used by the Group to reduce exposure to a particular line of business, a particular individual, a single event, and to benefit from the management support services and technical expertise offered reinsurers.

The Group has a centralised reinsurance function that works closely with subsidiaries to optimise and monitor reinsurance at Group level to ensure consistent governance and execution of the Group's reinsurance strategy

Regular reviews, which consider risk appetite, are conducted on reinsurance arrangements for new business. The levels of reinsurance purchased for new business written in 2018 were broadly similar to those in recent previous year. Given that large proportions of the Group's business is long term individual risk business, where the proportion of the risk that is reinsured is fixed for life at the inception of the policy, the Group's overall reinsurance result is heavily influenced by historic reinsurance arrangements. In some instances where underlying policyholder benefits are annually renewable, for example institutional business, reinsurance is annually renewable.

Existing reinsurance arrangements include proportional reinsurance (quota share and surplus type arrangements) on both a treaty and facultative basis and catastrophe reinsurance which is renewed annually.

Catastrophe reinsurance is consolidated across subsidiaries and is in place to reduce the risk of many claims arising from the same event. Various events are excluded from the catastrophe reinsurance (e.g. epidemics and radioactive contamination).

4.6.7 Non-life reinsurance risk

The principal risk the Group faces under insurance contracts is that the actual claims and payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims and actual payments made. Therefore, the objective of the Group is to ensure that sufficient reserves are available to cover these liabilities. The risk exposure is mitigated by diversification across a large portfolio of insurance contracts. The variability of risks is also improved by careful selection and implementation of underwriting guidelines, as well as the use of reinsurance arrangements.

The Group purchases reinsurance as part of its risks transfer programme. Reinsurance is placed on both a proportional and non–proportional basis. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. The Group's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Group substantially dependent upon any single reinsurance contract.

The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geography.

Risk management is very vital starting from pre-risk acceptance where some large risks or business perceived risky is surveyed and improvement recommendations passed before cover commences. Selected running risks are also surveyed for risk improvement and mitigating chances and severity of losses. Risk management is thus filtered into the whole underwriting process to manage the portfolio. Furthermore, firm claim management policies to assess all new and on-going claims, regular detailed review of claims handling procedures

NOTES TO THE **GROUP FINANCIAL STATEMENTS** *(continued)*

For the year ended 31 December 2018

and frequent investigation of possible fraudulent claims are all policies and procedures put in place to reduce the risk exposure of the Group. The Group further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the business. The Group has also limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events. The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes based on the Group's risk appetite as decided by management.

Underwriting strategy

Concentration of insurance risk and policies mitigating the concentrations within the insurance process, concentrations of risk may arise where a particular event or series of events could impact heavily upon the Group's resources. The Group monitors the concentration risk by class of business and geographical spread.

Types of contracts	
Fire:	provide indemnity for loss or damage to property caused by perils such as fire, lightning, explosion, earthquakes, floods and malicious damage.
Accident:	provide indemnity for third party bodily injury, property damage, professional indemnity, group personal accident and legal expenses.
Motor:	provide indemnity for loss or damage to the insured motor vehicle.
Engineering:	provide indemnity for losses sustained through use of machinery and equipment or erection of buildings or structures.
Marine:	provide indemnity for cargo, hull and third party bodily injury or property damage classes of business.
Agriculture:	provide indemnity for loss of income or crop damage due to damage due hail, floods, pests and fire.
Aviation:	provide indemnity for cargo, hull and third party bodily injury or property damage classes of business.

The concentration of insurance risk before and after reinsurance by territory in relation to the non-life insurance accepted is summarised below, with reference to the premium revenue (gross and net of reinsurance) arising from non-life insurance contracts:

31 December 2018:					Type of contract				
		Fire	Engineering	Motor	Accident	Marine	Agriculture	Aviation	Total
		US$	US$	US$	US$	US$	US$	US$	US$
Zimbabwe	Gross	4 854 538	682 399	2 869 161	3 703 907	108 295	390 487	32 410	12 641 197
	Net	4 102 278	571 797	2 145 521	3 125 866	78 673	369 393	27 079	10 420 607
Zambia	Gross	878 194	297 620	751 283	741 148	34 074	262 283	7 185	2 971 787
	Net	521 899	183 088	649 736	517 129	29 678	176 928	5 371	2 083 829
Malawi	Gross	2 086 551	495 913	527 593	2 557 386	138 510	177 811	18 312	6 002 076
	Net	1 031 129	271 779	695 417	992 563	83 785	59 674	6 988	3 141 335
Mozambique	Gross	2 249 528	285 870	788 589	695 280	201 436	1 639	90 126	4 312 468
	Net	738 754	54 310	584 609	283 381	103 341	6 488	23 963	1 794 846
Botswana	Gross	1 703 209	138 529	22 253	483 693	14 553	16 496	-	2 378 733
	Net	1 169 715	35 244	9 900	297 151	3 631	16 496	-	1 532 137
Total	**Gross**	**11 772 020**	**1 900 331**	**4 958 879**	**8 181 414**	**496 868**	**848 716**	**148 033**	**28 306 261**
	Net	**7 563 775**	**1 116 218**	**4 085 183**	**5 216 090**	**299 108**	**628 979**	**63 401**	**18 972 754**

31 December 2017:					Type of contract				
		Fire	Engineering	Motor	Accident	Marine	Agriculture	Aviation	Total
		US$	US$	US$	US$	US$	US$	US$	US$
Zimbabwe	Gross	3 782 923	556 016	1 465 133	2 981 132	147 028	194 253	49 684	9 176 169
	Net	2 874 811	510 841	1 389 766	2 430 738	108 136	186 066	33 932	7 534 290
Zambia	Gross	856 125	369 037	701 277	859 155	43 964	187 919	19 216	3 036 693
	Net	475 351	244 063	590 318	645 275	30 914	150 522	12 071	2 148 514
Malawi	Gross	2 298 981	479 169	1 000 417	951 830	46 282	304 269	12 793	5 093 741
	Net	1 119 684	163 802	983 855	768 343	18 818	235 703	12 793	3 302 998
Mozambique	Gross	2 086 433	631 212	810 958	1 277 973	188 210	231 833	48 871	5 275 490
	Net	900 406	324 321	591 057	628 190	131 064	80 050	13 973	2 669 061
Botswana	Gross	1 234 084	242 291	22 285	546 720	41 965	-	4 463	2 091 808
	Net	685 825	86 262	20 827	349 401	22 351	-	4 043	1 168 709
Total	**Gross**	**10 258 546**	**2 277 725**	**4 000 070**	**6 616 810**	**467 449**	**918 274**	**135 027**	**24 673 901**
	Net	**6 056 077**	**1 329 289**	**3 575 823**	**4 821 947**	**311 283**	**652 341**	**76 812**	**16 823 572**

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For the year ended 31 December 2018

Key assumptions

The principal assumption underlying the liability estimates is that the Group's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example: **once–off occurrence; changes in market factors such as public attitude to claiming: economic conditions: as well as internal factors such as portfolio mix,** policy conditions and claims handling procedures. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

4.6.8 Sensitivities

The analysis below is performed for reasonably possible movements in the principal assumption (10% of net premium written) with all other variables held constant, showing the impact on the reported value, profit before income tax and equity of the movement in incurred but not reported ("IBNR") claims. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in the assumption, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear. The IBNR development has been modelled from past experience. The impact on the profit and equity assumed a change in the actual development holding other variables constant.

Assumption	Change in assumption %	Change in reported value US$	Profit before income tax US$	Change in equity US$
December 2018				
Increase in IBNR	10%	19 162	(14 324)	(14 324)
Decrease in IBNR	-10%	(19 162)	14 324	14 324
December 2017				
Increase in IBNR	10%	18 594	(15 991)	(15 991)
Decrease in IBNR	-10%	(18 594)	15 991	15 991

Exposure relating to catastrophe events

The Group sets out the total aggregate exposure that it is prepared to accept in Zimbabwe and the region to a range of events such as natural catastrophes. The aggregate position is reviewed annually. The Group's policies for mitigating catastrophe risk exposure include the use of both proportional and excess of loss. In the event of major catastrophe the net retained loss is US$100 000 (2017 : US$100 000);which is made up of a gross loss of US$15 000 000 (2017: US$15 000 000) and retrocession of $14 900 000 (2017: US$14 900 000). This is based on the Group's risk appetite as determined by the level of capital. The Group has a retrocession programme in place with various reinsurers to cushion it in the event of a catastrophe.

4.6.9 Claims development

The Group is liable for all insured events that occur during the term of the contract, even if the loss is discovered after the end of the contract term, subject to predetermined time scales depending on the nature of the insurance contract. The Group is therefore exposed to the risk that claims reserves will not be adequate to fund the historical claims ("run off risk"). To manage run off risk the Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures and adopts sound reserving practices. The reserves created over time proved to be sufficient to fund the actual claims paid. Further the Group does not participate on any policies with unlimited liability. The Group is liable for all insured events in terms of the contract.

All underlying policies have reporting conditions that restrict the timeline within which a claim should reasonably be made. Delays however sometimes occur between the time insurers process claims and recover from reinsurers. Reserves are maintained for this contingency.

The majority of the Group's insurance contracts are classified as short term, meaning that any claim is settled within a year after the loss date.
In terms of IFRS 4, 'Insurance contracts', an insurer need only disclose claims run off information where uncertainty exists about the amount and timing of claim payments not resolved within one year.

NOTES TO THE GROUP FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2018

The tables below indicate the claims development of the Group for the period of 5 years.

IBNR development

Accident year	2013 US$	2014 US$	2015 US$	2016 US$	2017 US$	2018 US$	Total US$
At end of accident year	1 036 906	782 605	898 800	1 279 687	1 217 506	1 916 201	
One year later	1 036 906	782 605	898 800	1 279 687	1 217 506	-	
Two years later	1 036 906	782 605	898 800	1 279 687	-	-	
Three years later	1 036 906	782 605	898 800	-	-	-	
Four years later	1 036 906	782 605	-	-	-	-	
Five years later	1 036 906	-	-	-	-	-	
Current estimate of cumulative claims incurred	**1 036 906**	**782 605**	**898 800**	**1 279 687**	**1 217 506**	**1 916 201**	**7 131 705**
One year later	(810 803)	(650 111)	(351 365)	(443 920)	(687 554)	-	
Two years later	(993 051)	(1 901 232)	(637 462)	(552 718)	-	-	
Three years later	(1 205 047)	(1 321 469)	(688 248)	-	-	-	
Four years later	(1 242 304)	(1 326 814)	-	-	-	-	
Five years later	(1 242 304)	-	-	-	-	-	
Non proportional treaty IBNR	(139 227)	(101 249)	(155 145)	(172 049)	(105 765)	-	
Cumulative payments to date	**(1 381 531)**	**(1 428 063)**	**(843 393)**	**(724 767)**	**(793 319)**	**-**	**(5 171 073)**
Cumulative claims incurred less payments to date	**(344 625)**	**(645 458)**	**55 407**	**554 920**	**424 187**	**1 916 201**	**1 960 632**

The Group's IBNR provisioning had not been adequate prior to 2016, resulting in the revision of the provisioning rate from 7.5% to 10% of the net premium written in 2017. The revised rate resulted in an increased charge to the profit or loss and increase in the liability. The Group will continue assessing the adequacy of the provision.

Claims development	2013 US$	2014 US$	2015 US$	2016 US$	2017 US$	2018 US$	Total US$
At end of accident year	7 963 472	6 349 919	5 470 177	6 601 252	6 041 636	6 195 870	
One year later	7 963 472	6 349 919	5 470 177	6 601 252	6 041 636		
Two years later	7 963 472	6 349 919	5 470 177	6 601 252			
Three years later	7 963 472	6 349 919	5 470 177				
Four years later	7 963 472	6 349 919					
Five years later	7 963 472						
Cumulative claims incurred to date	7 963 472	6 349 919	5 470 177	6 601 252	6 041 636	6 195 870	38 622 326
Total claims paid							
At end of accident year	(5 070 770)	(4 607 360)	(4 359 750)	(4 009 315)	(5 273 679)	(5 408 308)	
One year later	(6 392 729)	(6 896 253)	(6 356 285)	(5 347 972)	(5 711 547)		
Two years later	(7 184 795)	(7 382 403)	(6 688 136)	(5 703 259)			
Three years later	(8 499 411)	(7 571 170)	(6 770 814)				
Four years later	(9 117 729)	(7 626 170)					
Five years later	(9 117 729)						
Current estimate of cumulative claims paid	**(9 117 729)**	**(7 571 170)**	**(6 770 814)**	**(5 703 259)**	**(5 711 547)**	**(5 408 308)**	**(40 282 827)**
Cumulative claims incurred less payments to date	**(1 154 257)**	**(1 221 251)**	**(1 300 637)**	**897 993**	**330 089**	**787 562**	**(1 660 501)**

Sensitivity analysis for life and health policyholder contract liabilities has not been disclosed as the unit is significantly small, the trends reflect unreliable wide fluctuations and there is not sufficient historical information.

NOTES TO THE GROUP FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2018

5 SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on products and services as well as on geographical areas as shown below. Management evaluates segment performance based on operating profit/(loss) consistent with the consolidated financial statements.

Reinsurance

The segment offers short-term reinsurance products and services to general insurance companies locally, regionally and internationally. These products offer protection of policyholder's assets and indemnification of other parties that have suffered damage as a result of policyholder's accident, e.g., employee liability claims and asbestos. Revenue in this segment is derived primarily from insurance premiums, investment income and fair value gains and losses on financial assets.

Life reassurance

The life reassurance segment offers its services to life assurance companies and medical aid societies locally and regionally. The products are savings, protection products and other long-term contracts (both with and without insurance risk and with and without discretionary participating features. It comprises a wide range of whole life, term assurance, unitised pensions, guaranteed pensions, pure endowment pensions and mortgage endowment products. Revenue from this segment is derived primarily from reassurance premium, fees and commission income, investment income and fair value gains and losses on investments.

General insurance

The segment offers short-term insurance products and services directly to policy holders locally. These products offer protection of policyholder's assets and indemnification of other parties that have suffered damage as a result of policyholder's accident, e.g., motor accident, domestic credit insurance, export credit. Revenue in this segment is derived primarily from insurance premiums, investment income and fair value gains and losses on financial assets.

Property

This segment is engaged in leasing, developing, managing, selling and buying properties. It also offers consultancy services related to property development. It derives its revenue primarily from rentals, sales of properties, investment income and estate agency.

Other and eliminations

This segment comprises the holding company and consolidation eliminations.

5.1 Information about products and services

2018	Non-life reinsurance US$	Life reassurance US$	General insurance US$	Property US$	Other and eliminations US$	Total US$
Gross premium	28 306 261	4 060 146	3 231 765	-	(3 317 767)	32 280 405
Retrocession premium	(9 333 507)	(453 022)	(2 327 428)	-	3 317 767	(8 796 190)
Net premium written	18 972 754	3 607 124	904 337	-	-	23 484 215
Change in unearned premium provision	(1 512 353)	-	251 287	-	-	(1 261 066)
Net premium earned	**17 460 401**	**3 607 124**	**1 155 624**	**-**	**-**	**22 223 149**
Brokerage fees and commission	2 325 322	105 922	626 903	-	(1 044 969)	2 013 178
Total insurance income	**19 785 723**	**3 713 046**	**1 782 527**	**-**	**(1 044 969)**	**24 236 327**
Rental income and sale of inventory	46 082	-	30 570	3 908 436	-	3 985 088
Investment and other income	1 131 086	330 787	60 915	1 135 450	56 567	2 714 805
Total income	**20 962 891**	**4 043 833**	**1 874 012**	**5 043 886**	**(988 402)**	**30 936 220**
Claims and expenses	**(21 067 034)**	**(2 945 856)**	**(1 949 141)**	**(4 995 471)**	**(729 326)**	**(31 686 828)**
Net benefits and claims	(6 251 647)	(669 433)	(274 789)	-	-	(7 195 869)
Commission and acquisition expenses	(6 689 672)	(1 303 803)	(635 521)	-	1 044 969	(7 584 027)
Other operating and administrative expenses	(8 125 715)	(972 620)	(1 038 831)	(4 995 471)	(1 774 295)	(16 906 932)
Operating (loss)/profit	**(104 143)**	**1 097 977**	**(75 129)**	**48 415**	**(1 717 728)**	**(750 608)**

NOTES TO THE **GROUP FINANCIAL STATEMENTS** *(continued)*

For the year ended 31 December 2018

2017	Non-life reinsurance US$	Life reassurance US$	General insurance US$	Property US$	Other and eliminations US$	Total US$
Gross premium	25 558 128	3 754 417	2 371 659	-	(3 995 753)	27 688 451
Retrocession premium	(8 264 551)	(492 569)	(1 196 911)	-	3 282 652	(6 671 379)
Net premium written	17 293 577	3 261 848	1 174 748	-	(713 101)	21 017 072
Change in unearned premium provision	1 277 078	-	73 880	-	(169 947)	1 181 011
Net premium earned	**18 570 655**	**3 261 848**	**1 248 628**	**-**	**(883 048)**	**22 198 083**
Brokerage fees and commission	2 304 234	106 381	293 232	-	(874 182)	1 829 665
Total insurance income	**20 874 889**	**3 368 229**	**1 541 860**	**-**	**(1 757 230)**	**24 027 748**
Rental income	16 159	-	18 042	2 782 114	(90 422)	2 725 893
Income from sale of inventory property	-	-	-	2 403 553	-	2 403 553
Investment and other income	4 005 223	453 945	193 707	1 588 581	970 365	7 211 821
Total income	**24 896 271**	**3 822 174**	**1 753 609**	**6 774 248**	**(877 287)**	**36 369 015**
Claims and expenses	**(20 750 784)**	**(3 464 602)**	**(1 825 373)**	**(4 674 623)**	**8 027**	**(30 707 355)**
Net benefits and claims	(5 972 920)	(1 710 234)	(551 699)	-	230 536	(8 004 317)
Commission and acquisition expenses	(7 172 247)	(963 913)	(275 237)	-	982 819	(7 428 578)
Other operating and administrative expenses	(7 605 617)	(790 455)	(998 437)	(4 674 623)	(1 205 328)	(15 274 460)
Operating (loss)/profit	**4 145 487**	**357 572**	**(71 764)**	**2 099 625**	**(869 260)**	**5 661 660**

5.2 **Geographical information**

Information below shows operating results in the countries in which the Group operates

2018	Botswana US$	Malawi US$	Mozambique US$	South Africa US$	Zambia US$	Zimbabwe US$	Eliminations US$	Total US$
Gross premium	2 378 733	6 002 076	4 312 468	-	2 971 787	19 933 109	(3 317 767)	32 280 406
Retrocession premium	(846 596)	(2 860 741)	(2 517 621)	-	(887 958)	(5 001 041)	3 317 767	(8 796 191)
Net premium written	1 532 137	3 141 335	1 794 847	-	2 083 829	14 932 068	-	23 484 215
Change in unearned premium provision	(176 125)	(162 493)	144 122	-	(85 571)	(981 000)	-	(1 261 066)
Net premium earned	1 356 012	2 978 842	1 938 969	-	1 998 258	13 951 068	-	22 223 149
Brokerage fees and commission	273 894	352 828	800 433	-	299 050	1 331 942	(1 044 969)	2 013 178

NOTES TO THE GROUP FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2018

Information below shows operating results in the countries in which the Group operates

2018	Botswana US$	Malawi US$	Mozambique US$	South Africa US$	Zambia US$	Zimbabwe US$	Eliminations US$	Total US$
Total insurance revenue	**1 629 906**	**3 331 670**	**2 739 402**	**-**	**2 297 308**	**15 283 010**	**(1 044 969)**	**24 236 327**
Rental revenue and income from sale of inventory property	-	30 180	15 902	-	-	3 939 006	-	3 985 088
Investment and other revenue	(3 190)	60 579	105 446	6 795	89 610	2 398 997	56 567	2 714 803
Total revenue	**1 626 716**	**3 422 429**	**2 860 750**	**6 795**	**2 386 918**	**21 621 013**	**(988 402)**	**30 936 218**
Total claims and expenses	**(1 597 331)**	**(3 360 789)**	**(3 593 114)**	**(287 967)**	**(2 915 620)**	**(19 236 610)**	**(695 399)**	**(31 686 828)**
Net benefits and claims	(398 679)	(1 106 326)	(696 374)	-	(965 543)	(4 028 948)	-	(7 195 870)
Commission and acquisition expenses	(648 680)	(1 024 476)	(1 131 747)	-	(892 165)	(4 931 928)	1 044 969	(7 584 026)
Operating and administrative expenses	(549 972)	(1 229 987)	(1 764 993)	(287 967)	(1 057 912)	(10 275 734)	(1 740 368)	(16 906 932)
Operating profit/'(loss)	**29 385**	**61 640**	**(732 364)**	**(281 172)**	**(528 702)**	**2 384 403**	**(1 683 801)**	**(750 610)**

5.2 **Geographical information**

Information below shows operating results in the countries in which the Group operates

2017	Botswana US$	Malawi US$	Mozambique US$	South Africa US$	Zambia US$	Zimbabwe US$	Eliminations US$	Total US$
Income from third parties:								
Gross premium	1 998 421	4 473 140	5 062 764	(11 061)	2 880 501	13 284 686	-	27 688 451
Retrocession	(829 711)	(1 170 142)	(2 393 703)	-	(711 358)	(1 566 465)	-	(6 671 379)
Rental revenue	-	-	16 159	-	-	2 709 734	-	2 725 893
Income from sale of inventory property	-	-	-	-	-	2 403 553	-	2 403 553
	1 168 710	**3 302 998**	**2 685 220**	**(11 061)**	**2 169 143**	**16 831 508**	**-**	**26 146 518**
Gross premium	2 091 807	5 093 741	5 275 491	(11 061)	3 057 322	16 176 904	(3 995 753)	27 688 451
Retrocession premium	(923 097)	(1 790 743)	(2 606 430)	-	(888 179)	(3 745 581)	3 282 651	(6 671 379)
Net premium written	1 168 710	3 302 998	2 669 061	(11 061)	2 169 143	12 431 323	(713 102)	21 017 072
Change in unearned premium provision	22 289	256 104	223 537	176 451	12 500	660 076	(169 946)	1 181 011
Net premium earned	**1 190 999**	**3 559 102**	**2 892 598**	**165 390**	**2 181 643**	**13 091 399**	**(883 048)**	**22 198 083**
Brokerage fees and commission	316 377	418 863	807 640	20 452	254 184	886 331	(874 182)	1 829 665

2017	Botswana US$	Malawi US$	Mozambique US$	South Africa US$	Zambia US$	Zimbabwe US$	Eliminations US$	Total US$
Total insurance revenue	1 507 376	3 977 965	3 700 238	185 842	2 435 827	13 977 730	(1 757 230)	24 027 748
Rental revenue	-	-	16 159	-	-	2 800 156	(90 422)	2 725 893
Income from sale of inventory property	-	-	-	-	-	2 403 553	-	2 403 553
Investment and other revenue	199 467	46 656	(241 209)	166 942	230 813	11 545 462	(4 736 310)	7 211 821
Total revenue	**1 706 843**	**4 024 621**	**3 475 188**	**352 784**	**2 666 640**	**30 726 901**	**(6 583 962)**	**36 369 015**
Total claims and expenses	**(1 709 050)**	**(3 673 512)**	**(3 814 321)**	**(728 027)**	**(2 354 786)**	**(20 386 549)**	**1 958 890**	**(30 707 355)**
Net benefits and claims	(315 332)	(1 047 171)	(1 138 759)	(164 971)	(587 939)	(4 980 681)	230 536	(8 004 317)
Commission and acquisition expenses	(603 358)	(1 353 404)	(1 376 524)	(61 766)	(886 462)	(4 129 883)	982 819	(7 428 578)
Operating and administrative expenses	(790 360)	(1 272 937)	(1 299 038)	(501 290)	(880 385)	(11 275 985)	745 535	(15 274 460)
Operating profit/(loss)	**(2 207)**	**351 109**	**(339 133)**	**(375 243)**	**311 854**	**10 340 352**	**(4 625 072)**	**5 661 660**

NOTES TO THE GROUP FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2018

6 CHANGE IN ACCOUNTING POLICIES

This note explains the impact of adoption of IFRS 9, Financial Instruments and IFRS 15, Revenue from Contracts with Customers on the Group's financial statements.

6.1 Impact on the financial statements

IFRS 9 was adopted without restating comparative information. The reclassifications and the adjustments arising from the newimpairment rules are therefore not reflected in the restated balance sheet as at 31 December 2017, but are recognised in the opening balance sheet on 1 January 2018.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail below.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (extract)

Assets	31 December 2017 As originally stated US$	IFRS 9 US$	1 January 2018 As restated US$
Financial assets :			
- available for sale	7 556 385	(7 556 385)	-
- at fair value through profit or loss	975 534	37 943	1 013 477
- held to maturity	2 661 550	(2 661 550)	-
- at amortised cost	-	6 247 868	6 247 868
- at fair value through other comprehensive income	-	4 879 499	4 879 499
Investment in associates	5 415 437	(116 466)	5 298 971
Loans and receivables including insurance receivables	14 583 142	(393 842)	14 189 300
Cash and cash equivalents	24 417 087	-	24 417 087
Total assets	**106 026 040**	**437 067**	**106 463 107**
EQUITY AND LIABILITIES			
Equity			
Accumulated losses	15 882 487	(282 516)	15 599 971
Mark-to-market reserve	650 181	(650 181)	-
Financial assets at fair value through other comprehensive income reserve	-	1 550 187	1 550 187
Non-controlling interest	21 828 246	(105 985)	21 722 261
Total liabilities			
Deferred income tax liability	1 330 614	(74 438)	1 256 176
Total equity and liabilities	**106 026 040**	**437 067**	**106 463 107**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (extract)

	31 December 2017 As originally stated US$	IFRS 9 US$	1 January 2018 As restated US$
Total income	**33 553 259**	**-**	**33 553 259**
EXPENDITURE			
Operating and administrative expenses	(14 891 485)	437 067	(14 454 418)
TOTAL EXPENDITURE	**(30 722 760)**	**437 067**	**(30 285 693)**
Profit before income tax	5 926 502	437 067	6 363 569
Income tax expense	32 050	74 438	106 488
Profit for the year	5 958 552	511 505	6 470 057
OTHER COMPREHENSIVE INCOME:			
Total comprehensive icome for the year	**6 685 674**	**511 505**	**7 197 179**

NOTES TO THE GROUP FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2018

6.2 Impact on classification and measurement

On 1 January 2018 (the date of initial application of IFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate IFRS 9 categories. The main effects resulting from this reclassification are as follows:

Financial assets as at 1 January 2018	Available for sale US$	Held-to-maturity US$	FVPL US$	FVOCI US$	Amortised cost US$
Closing balance as at 31 December 2017 - IAS 39	**7 556 385**	**2 661 550**	**975 534**	**-**	**-**
Reclassify quoted equities to FVPL	(37 943)	-	37 943	-	-
Reclassify unquoted equities to FVTOCI	(3 932 124)	-	-	3 932 124	-
Reclassify treasury bills and bonds to amortised cost	(3 586 318)	(2 661 550)	-	-	6 247 868
Balances at 1 January 2018 - IFRS 9	**-**	**-**	**1 013 477**	**3 932 124**	**6 247 868**

The reclassifications had no impact on equity.

a) Reclassification from available for sale to FVPL

Quoted equities amounting to US$37 943 were reclassified from available for sale financial assets to FVPL. These equities are held for strategic business reasons, however, the Group has not taken the election to present changes in the fair value in other comprehensive income for quoted equities.

b) Reclassification from available for sale to FVOCI

The Group elected to present in OCI changes in the fair value of all unlisted equities previously classified as available for sale, because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. As a result, assets with a fair value of US$3 932 124 were reclassified from available for sale to FVOCI with fair value gains amounting to US$650 181 reclassified from mark-to-market reserve to FVOCI reserve on 1 January 2018.

c) Reclassification from available for sale to amortised cost

Certain investments in government issued treasury bills and bonds (US$3 586 318) were reclassified from available for sale to amortised cost.
At the date of initial application the Group's business model is to hold these investments for collection of contractual cash flows, and the cash flows represent solely payments of principal and interest on the principal amount. The fair value of US$3 586 318 as at 1 January 2018 was equivalent to the amortised cost for these assets. There was no impact on retained earnings at 1 January 2018.

The effective interest rates on these bills and bonds varied from 1% to 9.07% on 1 January 2018 and interest amounting to US$132 043.

d) Reclassification from held-to-maturity to amortised cost

Money market instruments, treasury bills and bonds with original maturity between 90 days and 1 year which were previously classified as held-to-maturity are now classified at amortised cost. The Group intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding. There was no difference between the previous carrying amount and the revised carrying amount of the other financial assets at 1 January 2018 to be recognised in opening retained earnings.

e) Listed equities

Equity securities – held for trading are required to be held as FVPL under IFRS 9. There was no impact on the amounts recognised in relation to these assets from the adoption of IFRS 9.

On the date of initial application, 1 January 2018, the financial instruments of the Group were as follows, with any reclassifications noted:

Financial assets	Original (IAS 39)	New (IFRS 9)	Old US$	New US$	Difference* US$
Listed equities	Available for sale	FVPL	37 943	37 943	-
Listed equities for trading	FVPL	FVPL	975 534	975 534	-
Unlisted equities	Available for sale	FVOCI	3 932 124	3 932 124	-
Unlisted debt instruments	Available for sale	Amortised cost	3 586 318	3 586 318	-
Treasury bills and bonds held to maturity	Held to maturity	Amortised cost	2 661 550	2 661 550	-
Trade and other receivables	Amortised cost	Amortised cost	14 583 142	14 189 300	393 842
Cash and cash equivalents	Amortised cost	Amortised cost	24 417 087	24 417 087	-

6.3 Impairment of financial assets

The Group has two types of financial assets that are subject to IFRS 9's new expected credit loss model:
- trade receivables, and
- debt investments at amortised cost.

The Group was required to revise its impairment methodology under IFRS 9 for each of these classes of assets. The impact of the change in impairment methodology on the Group's retained earnings and equity is disclosed in the table in note 6.1 above.

NOTES TO THE **GROUP FINANCIAL STATEMENTS** *(continued)*

For the year ended 31 December 2018

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

a) Trade receivables

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected credit loss allowance for all trade receivables. This resulted in an increase of the credit loss allowance on 1 January 2018 by US$393 842 for trade receivables. Note 4.3 provides for details about the calculation of the allowance.

The loss allowance increased by a further US$1 546 643 during the current reporting period.

b) Debt investments at amortised cost

The debt investments impairment assessment was performed as at 31 December 2018, and they were considered to be of low credit risk, hence there was no IFRS 9 impairment charge raised for the financial assets. There was no objective evidence at 31 December 2018 to suggest that future cash flows on the investments could end up being less than anticipated at the point of initial recognition. Consequently, no impairment adjustment arose from the assessment.

IFRS 15 - Revenue from contracts with customers

The Group has adopted IFRS 15 Revenue from contracts with customers as issued in May 2014. In accordance with the transition provisions in IFRS 15 the new rules have been adopted retrospectively and comparatives for the 2017 financial year have not been restated as the changes did not have an impact on the Group`s accounting for revenue.

The other amendments to IFRS did not have a material impact on the Group's accounting policies and did not require any adjustments

NOTES TO THE GROUP FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2018

7 GROUP PROPERTY AND EQUIPMENT

	Freehold land and buildings US$	Motor vehicles US$	Equipment and computers US$	Furniture and fittings US$	Total US$
Cost or valuation					
Year ended 31 December 2017					
As at 1 January 2017	1 687 947	1 772 242	659 884	329 542	4 449 615
Additions	-	187 939	121 146	21 367	330 452
Additions through business combinations	1 628 336	-	3	25 609	1 653 948
Revaluation surplus	27 239	-	-	-	27 239
Disposals	-	(612 800)	(38 981)	(2 322)	(654 103)
Foreign exchange movements	(1 472)	26 942	15 897	10 932	52 299
As at 31 December 2017	**3 342 050**	**1 374 323**	**757 949**	**385 128**	**5 859 450**
Accumulated depreciation and impairment					
Year ended 31 December 2017					
As at 1 January 2017	(364 525)	(812 376)	(512 035)	(196 284)	(1 885 220)
Depreciation	(70 770)	(218 056)	(53 044)	(48 611)	(390 481)
Disposals	-	457 573	32 392	2 056	492 021
Foreign exchange movements	77 696	(51 865)	(20 123)	(4 095)	1 613
As at 31 December 2017	**(357 599)**	**(624 724)**	**(552 810)**	**(246 934)**	**(1 782 067)**
Carrying amount					
As at 31 December 2017					
Cost	3 342 050	1 374 323	757 949	385 128	5 859 450
Accumulated depreciation	(357 599)	(624 724)	(552 810)	(246 934)	(1 782 067)
Carrying amount	**2 984 451**	**749 599**	**205 139**	**138 194**	**4 077 383**
Cost or valuation					
Year ended 31 December 2018					
As at 1 January 2018	3 342 050	1 374 323	757 949	385 128	5 859 450
Additions	907 907	267 418	168 525	407 747	1 751 597
Revaluation surplus	107 670	-	-	-	107 670
Disposals	-	(180 689)	(158 415)	(123 990)	(463 094)
Foreign exchange movements	(201 433)	(58 137)	(1 520)	74 392	(186 698)
As at 31 December 2018	**4 156 194**	**1 402 915**	**766 539**	**743 277**	**7 068 925**
Accumulated depreciation and impairment					
Year ended 31 December 2018					
As at 1 January 2017	(357 599)	(624 724)	(552 810)	(246 934)	(1 782 067)
Depreciation	(96 761)	(154 187)	(95 544)	(55 781)	(402 273)
Disposals	10 258	124 857	130 986	114 430	380 531
Impairment	-	-	(391)	-	(391)
Foreign exchange movements	79 670	26 150	(8 682)	(81 876)	15 262
As at 31 December 2018	**(364 432)**	**(627 904)**	**(526 441)**	**(270 161)**	**(1 788 938)**
Carrying amount					
As at 31 December 2017					
Cost	4 156 194	1 402 915	766 539	743 277	7 068 925
Accumulated depreciation	(364 432)	(627 904)	(526 441)	(270 161)	(1 788 938)
Carrying amount	**3 791 762**	**775 011**	**240 098**	**473 116**	**5 279 987**

Property and equipment are free from encumbrances.

NOTES TO THE GROUP FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2018

COMPANY PROPERTY AND EQUIPMENT	2017 US$	2016 US$
Opening carrying amount	391	391
Additions	278 493	-
Impairment	(391)	-
Depreciation	(23 208)	-
Closing carrying amount	**255 285**	**391**
Cost	278 493	391
Accumulated depreciation	(23 208)	-
Carrying amount	**255 285**	**391**

All property and equipment are classified as non current assets.

Fair value hierachy

The following table shows an analysis of the fair values of land buildings recognised in the statement of financial position by level of the fair value hierarchy;

All amounts in US$	Level 1	Level 2	Level 3	Total	Total gain/(loss) in the period in other comprehensive income
31 December 2018 Freehold land and buildings	-	-	3 791 762	3 791 762	91 445
31 December 2017 Freehold land and buildings	-	-	2 984 450	2 984 450	299 209

Valuation techniques used to derive level 3 fair values

The table below presents the following for land and buildings:

- 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 categorized in their entirety;
- A description of the valuation techniques applied;
- The inputs used in the fair value measurement, including the ranges of rent charged to different units within the same building; and
- Level 3 fair value measurements, quantitative information about the significant observable inputs used in the fair value measurement.

Class of property	Fair value 31 December 2018 US$	Valuation technique	Key unobservable inputs	Range (weighted average)
CBD offices and land - owner occupied	3 791 762	market comparable	Rate per square metre (US$)	500 - 1 000

Class of property	Fair value 31 December 2017 US$	Valuation technique	Key unobservable inputs	Range (weighted average)
CBD offices and land - owner occupied	2 984 450	market comparable	Rate per square metre (US$)	500 - 1 000

The market value was determined by reference to observable prices in an open market. Under the market comparable method, 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).

NOTES TO THE GROUP FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2018

8 INVESTMENT PROPERTY	GROUP 2018 US$	GROUP 2017 US$
Carrying amount as at 1 January	37 784 845	44 924 623
Acquisition and development	10 893 181	3 542 041
Acquisition through business combinations	-	12 000
Disposals	(1 742 500)	(10 000 000)
Fair value loss recognised in profit or loss	(869 524)	(807 852)
Reclassifications from owner occupied property*	-	-
Exchange rate movement on foreign operations	(57 335)	114 033
Carrying amount as at 31 December	**46 008 667**	**37 784 845**

All investment properties are classified as non current assets.

The Group's investment property comprises mainly properties located in Zimbabwe that are owned by the Group's subsidiary Zimre Property Investments Limited, that is listed on the Zimbabwe Stock Exchange ("ZSE"). All the properties are under level 3 on the fair value hierarchy.

Investment property with a total carrying amount of US$9.3 million (2017: US$9.3 million) was encumbered at 31 December 2018

Measuring investment property at fair value
Investment property, principally freehold office buildings, are held for long-term rental yields and are not occupied by the Group. They are carried at fair value. Changes in fair values are presented in profit or loss as part of other income.

8.1 Investment properties categories rentals and operating expenses

The table below shows the rentals and operating expenses for each category of investment property

	Rentals		Operating expenses (property that generated rentals)		Operating expenses (property that did not generate rentals)	
	2018 US$	2017 US$	2018 US$	2017 US$	2018 US$	2017 US$
Office	1 163 556	1 404 670	(468 650)	(851 103)	(179 747)	-
Retail	891 132	1 070 425	(384 328)	(307 511)	(147 371)	-
Industrial	49 096	52 410	(21 169)	(73 864)	(46 520)	-
Residential and other	165 576	198 388	(169 824)	-	(27 382)	(61 357)
Total	**2 269 360**	**2 725 893**	**(1 043 971)**	**(1 232 478)**	**(401 020)**	**(61 357)**

8.2 Fair value hierarchy

The following table shows an analysis of the fair values of investment property recognised in the statement of financial position by level of the fair value hierarchy. The fair value hierarchy prioritises the inputs used to measure fair value into three broad levels (levels 1, 2 and 3), moving from quoted prices in active markets in level 1 to unobservable inputs in level 3.

The following table gives the fair values under each category of investment property together with gains/(loss) recognised through the statement of comprehensive income.

31 December 2018:	Level 1 US$	Level 2 US$	Level 3 US$	Total US$	Fair value loss through profit or loss US$
Office	-	-	25 647 780	25 647 780	(99 191)
Retail	-	-	15 689 524	15 689 524	(731 332)
Industrial	-	-	1 165 000	1 165 000	(81 441)
Residential and other	-	-	3 506 363	3 506 363	42 440
Total	**-**	**-**	**46 008 667**	**46 008 667**	**(869 524)**
31 December 2017:					
Office	-	-	26 804 886	26 804 886	(867 150)
Retail	-	-	4 812 196	4 812 196	(167 186)
Industrial	-	-	980 000	980 000	(73 516)
Residential and other	-	-	5 187 763	5 187 763	300 000
	-	**-**	**37 784 845**	**37 784 845**	**(807 852)**

NOTES TO THE **GROUP FINANCIAL STATEMENTS** *(continued)*

For the year ended 31 December 2018

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

Valuation techniques 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 categorized in their entirety;
- A description of the valuation techniques applied;
- The inputs used in the fair value measurement, including the ranges of rent charged to different units within the same building; and
- Level 3 fair value measurements, quantitative information about the significant observable inputs used in the fair value measurement.

Class of property	Fair value 31 December 2018 US$	Valuation technique	Key unobservable inputs	Range (weighted average)
CBD retail*	15 689 524	Income capitalisation	Rental per square metre (US$)	12.00
			Capitalisation rate	7.00%
			Vacancy rate	5.70%
CBD offices	25 647 780	Income capitalisation	Rental per square metre (US$)	5.00
			Capitalisation rate	8.00%
			Vacancy rate	30.50%
Industrial	1 165 000	Income capitalisation	Rental per square metre (US$)	3.00
			Capitalisation rate	13.00%
			Vacancy rate	62.70%
Land - Commercial	3 136 363	Market comparable	Rate per square metre (US$)	500 - 1 000
Residential	370 000	Market	Comparable transacted properties prices (US$)	1 000 - 1 500
Total	**46 008 667**			

Class of property	Fair value 31 December 2017 US$	Valuation technique	Key unobservable inputs	Range (weighted average)
CBD retail*	4 812 196	Income capitalisation	Rental per square metre (US$)	15.00
			Capitalisation rate	8.00%
			Vacancy rate	3.90%
CBD offices	26 804 886	Income capitalisation	Rental per square metre (US$)	5.00
			Capitalisation rate	8.00%
			Vacancy rate	24.90%
Industrial	980 000	Income capitalisation	Rental per square metre (US$)	4.00
			Capitalisation rate	13.00%
			Vacancy rate	47.00%
Land - Residential	431 371	Market comparable	Rate per square metre	n/a
Land - Commercial	4 456 392	Market Comparable	Rate per square metre (US$)	400 - 700
Residential	300 000	Market comparable	Comparable transacted properties prices (US$)	1 500 - 2 000
Total	**37 784 845**			

Lettable space per square metre

Sector	Lettable space m2		% of portfolio	
	December 2018	December 2017	December 2018	December 2017
CBD retail	11 685	13 674	25.83%	24.19%
CBD offices	26 676	35 980	58.96%	63.64%
Industrial	6 881	6 881	15.21%	12.17%
Total	**45 242**	**56 535**	**100.00%**	**100.00%**

NOTES TO THE GROUP FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2018

Descriptions and definitions
Investment property is stated at fair value, which is determined based on valuations performed by Knight Frank Zimbabwe, an accredited independent property valuer, at 31 December 2017. Investment property is stated based on a desktop valuation. Knight Frank Zimbabwe is an industry specialist in valuing these types of investment properties. The fair values of the property portfolio have been determined using the income approach for developed commercial and industrial properties; and the market approach for residential properties and undeveloped land. Valuation models in accordance with those recommended by the International Valuation Standards Committee have been applied.

Valuation process
The market value was determined by reference to observable prices in an open market. Where there were no comparable prices, the market value was determined by capitalising achieved rentals using yield levels. The fair value of investment property is categorised as level 3 because of the significant unobservable inputs which were used.

i. Income approach
Under the income capitalisation method, a property's fair value is estimated based on the annualised 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. Market approach
Under the market comparable method, a property's fair value is estimated based on comparable transactions. The unit of comparison applied by the Company 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. Vacancy rate
The Group determines the vacancy rate which can be based on the percentage of estimated vacant space divided by the total lettable area.

v. Prime yield
The prime yield is defined as the internal rate of return of the cash flows from the property, assuming a rise to Estimated Rental Value ("ERV") at the next review, but with no further rental growth.

The valuation technique and key unobservable inputs used in determining the fair value measurement of investment property as well as the inter-relationship between key unobservable inputs and fair value, is detailed in the table below:

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

Significant increases/(decreases) in the comparable transacted properties and rental per square metre in isolation would result in a significant higher/(lower) fair value measurement. Significant increases/(decreases) in the long-term vacancy rate and prime yield in isolation would result in a significant lower/(higher) fair value measurement.

The rental rate yield represents the net income expected in year zero divided by the current property values (historical or trailing income yield). The risk arises when void levels in the portfolio increase. This increase will consequently result in a reduction in net incomes. Where net incomes remain constant, a reduction in the yield rates will result in increased property values.

9 INTANGIBLE ASSETS

9.1 Software

	Group 2018 US$	Group 2017 US$
Cost:		
As at 1 January	**523 895**	**395 652**
Additions	41 074	128 243
As at 31 December	564 969	523 895
Accumulated amortisation:		
As at 1 January	(400 214)	(316 479)
Charge for the year	(24 433)	(71 753)
Foreign exchange movements	(935)	(11 982)
Balance as at 31 December	(425 582)	(400 214)
Carrying amount as at 31 December	**139 387**	**123 681**

All intangible assets are classified as non current assets.

The intangible assets relate to computer software that the Group purchased from various vendors. The software licences have a finite life of up to 5 years and are amortised over that period. The amortisation costs for the year are included in operating and administrative expenses in the statement of profit or loss.

As at 31 December 2018 (2017 - US$nil), these assets were tested for impairment, and management has determined no impairment is required in respect of these intangibles.

NOTES TO THE GROUP FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2018

9.2 Goodwill

	Group 2018 US$	Group 2017 US$
Carrying amount:		
As at 1 January	325 803	-
Additions	-	325 803
Impairment for the year	-	-
As at 31 December	**325 803**	**325 803**

Goodwill is classified as a non-current asset.

The goodwill arose from the acquisition of control in Credit Insurance Zimbabwe Limited in 2017 (see note 10.1) The Group tests whether goodwill has suffered any impairment on an annual basis. The recoverable amount of a cash generating unit ("CGU") is determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period.

Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. These growth rates are consistent with forecasts included in industry reports specific to the industry in which each CGU operates.

The table below sets out the key assumptions in the calculation of the value in use:

Assumption	Approach used to determine values
Earnings before interest, tax, depreciation and amortisation and reduction in operating and administration expenses.	Expected growth based on the strategic change in the business model, through introduction of Underwriting Managements Agencies ("UMAs"). The UMAs to result in increase in gross premiums
Annual capital expenditure	These are based on the planned strategic change. These are not expected to result in an increase in gross premiums or cost savings. Capital expenditure on the UMA management system is expected to be US$600 000 in the first year.
Long-term growth rate (1%)	This is the weighted average growth rate used to extrapolate cash flows beyond the budget period. The rates are consistent with forecasts included in industry reports.
Pre-tax discount rate (19.8%)	Reflect specific risks relating to the insurance industry and Zimbabwe.

Impact of possible changes to the key assumptions
If the earnings before interest, tax, depreciation and amortisation are 50% less than estimated by management (holding all other variables constant) as at 31 December 2018, there will still be no impairment to be recognised as the recoverable amount will still have a headroom of $1 197 982 over the carrying amount.

The long-term growth of 1% is the least estimated over the industry, however, any increase (holding other variables constant) will not result in an impairment of the goodwill.

If the pre-tax discount rate had been 5% higher than the estimate, at 24.5%, the Group would still not have recognised an impairment despite a reduction in the gap between the recoverable amount and cost to $2 082 045.

The Directors and management have considered and assessed reasonably possible changes for other key assumptions and have not identified any instances that could cause the carrying amount of Credit Insurance Zimbabwe Limited to exceed its recoverable amount.

10 INVESTMENT IN SUBSIDIARIES

	COMPANY 2018 US$	COMPANY 2017 US$
At 1 January	40 122 053	38 844 107
Additions	1 125 375	1 277 946
	41 247 428	**40 122 053**

Investments are classified as non current assets.

The principal subsidiaries are those listed in note 35.1 of the financial statements

The reporting date of all subsidiaries is 31 December.

10.1 Business combinations

On 1 March 2017, the Group acquired an additional 60% of the share capital of Credit Insurance Zimbabwe Limited, a short term insurer operating in Zimbabwe. The total consideration amounted to US$1 million. As a result of the purchase, the Group expects to increase presence in the short term insurance business. None of the goodwill is expected to be deductible for tax purposes.

NOTES TO THE **GROUP FINANCIAL STATEMENTS** *(continued)*

For the year ended 31 December 2018

The following is a summary of the consideration paid and the amounts of the assets acquired and liabilities assumed recognised at the acquisition date:

	1 MARCH 2017 US$
Consideration paid	1 000 000
Fair value of initial investment	60 197
Total consideration	**1 060 197**
The assets and liabilities recognised as a result of the acquisition are as follows:	
Freehold land and buildings	1 628 336
Investment property	12 000
Furniture and equipment	25 609
Intangible assets - Software	14 782
Deferred tax asset	234 153
Trade receivables	335 086
Prepayments and other assets	244 718
Other insurance receivables	48 698
Held to maturity investments	160 090
Current tax asset	193 540
Cash and cash equivalents	83 098
Trade payables	(823 774)
Other payables	(64 667)
Provisions	(1 220 116)
Total identifiable net assets	871 553
Less: non controlling interests	(137 159)
Add: Goodwill	325 803
Net assets acquired	1 060 197

A gain of US$60 197 was recognised from the remeasurement of the previously held interest in Credit Insurance Zimbabwe (Private) Limited. The remeasurement gain is included in other income in statement of comprehensive income.

The fair value of acquired trade receivables is US$335 086. The gross contractual amount for trade receivables due is US$335 086. The full amount is expected to be collectible.

The non-controlling interest has been recognised as a proportion of net assets acquired.

The gross written premium included in the consolidated statement of comprehensive income from 1 March 2017 to 31 December 2017 contributed by Credit Insurance Zimbabwe Limited was US$1 960 756. Credit Insurance Zimbabwe Limited also contributed a profit for the year of US$53 194 over the same period.

Had Credit Insurance Zimbabwe Limited been consolidated from 1 January 2017, the consolidated statement of comprehensive income for the year ended 30 June 2017 would show pro-forma revenue of US$37 682 285 and pro-forma profit of US$5 731 182.

	COMPANY 2017 US$
Outflow of cash to acquire subsidiary, net of cash acquired	
Cash consideration	1 000 000
Less cash and cash equivalents acquired	83 098
Net cash outflow from investing activities	916 902

NOTES TO THE GROUP FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2018

10.2 Disposal of subsidiary

As at 31 December 2016, the Group announced its intention to exit a subsidiary in reinsurance business (Colonnade Reinsurance (Private) Limited) incorporated in Zimbabwe The associated assets and liabilities were consequently presented as held for sale in the 2016 financial statements. The subsidiary was sold on 8 December 2017. The financial information of the subsdiary on the date of disposal is as set out below:

	30 November 2017 US$
Consideration received or receivable:	
Cash	20 000
Carrying amount of the net assets sold	(621 365)
Non controlling interest	235 681
Loss on disposal before tax	(365 684)
Income tax expense on gain	-
Loss on disposal after tax	(365 684)
The carrying amounts of assets and liabilities as at the date of sale were:	
Property, plant and equipment	20 473
Investment properties	598 400
Intangible assets	1 137
Other non current assets	435 152
Trade and other receivables	1 946 197
Cash and cash equivalents	20 146
Trade and other payables	(1 727 979)
Reinsurance contract liabilities	(672 161)
Net assets	**621 365**

11 INVESTMENTS IN ASSOCIATES

	Group 2018 US$	Group 2017 US$
As at 1 January	**5 415 437**	**10 371 239**
Change in accounting policy due to adoption of IFRS 9	(116 317)	-
Share of profits of associates	48 463	280 247
Share of other comprehensive income	5 330	(29 290)
Additions	-	-
Dividends	-	-
Transfer to non current assets held for sale	-	(5 207 570)
Exchange rate movements	-	811
As at 31 December	**5 352 764**	**5 415 437**

Investments in associates are classified as non current assets.

11.1 Details of the Group's associates are as follows:

Name of associate	Published activity	Country of incorporation principal place of business	Proportion of ownership interest held as at 31 December 2018	Proportion of ownership interest held as at 31 December 2017
1. CFI Holdings Limited*	Agro-retail	Zimbabwe	28.00%	28.00%
2. Fidelity Life Assurance Limited*	Life insurance	Zimbabwe	20.57%	20.57%
3. United General Insurance Limited	General insurance	Malawi	23.00%	23.00%
4. Special Automobile Underwriters Association of Zimbabwe ("SAUZ")	General insurance	Zimbabwe	20.00%	20.00%

* The associates are listed on the Zimbabwe Stock Exchange.

NOTES TO THE GROUP FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2018

The reporting dates of all associates is 31 December, except for the Agro-retail whose reporting date is 30 September. The financial statements taken into account for that associate are for the year ended 30 September 2018. Management has determined that there were no significant transactions to take into account for the period 1 October to 31 December 2018 in respect of the associate. Equity accounting in 2016 reduced the investment to nil.

The quoted values of the listed associates were as follows, as at 31 December:

	2018 US$	2017 US$
Fidelity Life Assurance Limited	1 827 559	2 464 951
CFI Holdings Limited*	-	30 716 202

*CFI Holdings was suspended from trading on the ZSE due to non-compliance with the ZSE listing requirements in January 2018.

11.2 Summarised financial information of associates

As at 31 December 2018	CFI Holdings Limited US$	Fidelity Life Assurance Limited US$	United General Insurance Limited US$	Sauz US$
A. Statements of financial position				
Current assets	33 041 332	96 295 767	6 440 504	708 131
Non-current assets	41 856 032	26 429 759	1 729 345	234 398
Current liabilities	(17 850 618)	(22 241 850)	(5 079 696)	(697 342)
Non-current liabilities	(10 109 408)	(91 556 091)	-	(441)
Net assets	**46 937 338**	**8 927 585**	**3 090 153**	**244 746**
B. Statements of comprehensive income				
Revenue	61 290 915	53 448 855	7 788 905	1 061 678
Profit/(Loss) for the year	3 188 608	(614 542)	275 755	57 258
Other comprehensive income	-	22 765	-	-
Total comprehensive income	**3 188 608**	**(591 777)**	**275 755**	**57 258**
Dividends received from associate	-	-	-	-

As at 31 December 2017	CFI Holdings Limited US$	Fidelity Life Assurance Limited US$	General Insurance Limited US$	Sauz US$
A. Statements of financial position				
Current assets	27 317 775	81 034 127	7 074 901	1 227 598
Non-current assets	45 447 238	38 856 677	2 341 956	6 104
Current liabilities	(16 568 090)	(84 695 555)	(7 405 009)	(1 050 837)
Non-current liabilities	(12 459 986)	(24 617 568)	-	(682)
Net assets	**43 736 937**	**10 577 681**	**2 011 848**	**182 183**
B. Statements of comprehensive income				
Revenue	42 534 742	55 918 083	8 710 901	775 432
Profit/(loss) from continuing operations	879 869	(56 242)	492 611	20 195
Post-tax (loss)/profit from discontinued operations	-	-	-	-
Other comprehensive (loss)/ income	3 900	(10 912)	12 342	-
Total comprehensive (loss)/ income	**883 769**	**(67 154)**	**504 953**	**20 195**
Dividends received from associate	-	-	-	-

NOTES TO THE GROUP FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2018

		Group 2018 US$	Group 2017 US$	Company 2018 US$	Company 2017 US$
12	**INCOME TAX**				
12.1	**Deferred tax**				
	Reflected in the statement of financial position as follows:				
	Deferred tax asset	2 764 128	1 902 755	-	-
	Deferred tax liability	(1 697 790)	(1 330 614)	(49 631)	-
	Net deferred tax asset	**1 066 338**	**572 141**	**(49 631)**	**-**
	The movement on the deferred tax account is as shown below:				
	As at 1 January	572 141	(593 181)	-	-
	Recognised in profit or loss	(496 760)	32 050	-	-
	Tax income/(expense) recognised in OCI	(44 455)	93 321	(49 631)	-
	Deferred taxes changes	1 035 412	1 039 951	-	-
	As at 31 December	**1 066 338**	**572 141**	**(49 631)**	**-**
	Split into:				
	Current	921 068	494 197	-	-
	Non-current	145 270	77 944	(49 631)	-
		1 066 338	**572 141**	**(49 631)**	**-**
12.1.3	**Sources of deferred tax asset/(liability)**				
	Property, plant and equipment	(311 437)	(211 305)	(11 952)	(101)
	Investment properties	(1 377 515)	(1 186 131)	-	-
	Intangible assets	(30 120)	(6 080)	-	-
	Financial assets available for sale	-	(85 234)	-	(45 958)
	Financial assets at FVOCI	(151 678)	-	-	-
	Trade and other receivables	(638 430)	(572 981)	-	-
	Trade and other payables	1 137 893	844 645	-	43 104
	Short-term investments	-	(42 506)	-	-
	Other receivables and prepayments	(61 171)	(66 526)	-	-
	Long-term provisions	156 435	248 761	-	-
	Short-term provisions	1 282 848	1 125 832	18 304	2 955
	Assessed tax losses	1 059 513	523 666	43 279	-
	Deferred tax asset/(liability)	1 066 338	572 141	49 631	-
12.2	**Income tax credit/(expense)**				
	Current	53 153	-	-	-
	Deferred	(496 760)	32 050	(49 631)	-
		(443 607)	**32 050**	**(49 631)**	**-**
12.3	**Tax rate reconciliation**				
	Profit before tax from continuing operations	3 993 251	5 926 502	1 159 752	3 764 008
	Tax at Zimre Holdings Limited statutory income tax rate of 25.75% (2017: 25.75%)	1 028 262	1 526 074	298 636	969 232
	Effect of Investment property fair value (Profit)/losses taxed at different rate	869 524	208 022	(542 043)	-
	Effect of gains on fair value of financial assets through profit or loss taxed at different rate	(878 520)	(199 888)	(138 406)	(1 320 615)
	Share of profits from associates	(12 479)	(72 164)	-	-
	(Gain)/loss on disposal or purchase of subsidiaries and associates	(1 321)	(593 389)	-	(5 150)
	Gain on disposal of investment property	76 787	(206 000)	-	-
	Effect of Life Reassurance entity taxed differently	(882 872)	81 288	-	-
	Effect of limiting assessable tax losses	-	-	471 929	427 767
	Income exempt from tax - dividends	(121 723)	(70 902)	(83 707)	(71 593)
	Income exempt from tax - interest	(250 605)	(298 466)	(9 219)	(2 422)
	Non-deductible/non-taxable	(4 276)	-	(4 276)	-
	movements in insurance provisions	(77 976)	(508 425)	-	-
	Non-deductible expenses	145	431 321	7 086	2 781
	Effect of higher tax rates in the subsidiaries operating outside Zimbabwe	(188 553)	(265 421)	-	-
	Income tax credit/ (expense) for the year reported in profit or loss	**(443 607)**	**32 050**	**-**	**-**

NOTES TO THE **GROUP FINANCIAL STATEMENTS** *(continued)*

For the year ended 31 December 2018

		Group 2018 US$	Group 2017 US$	Company 2018 US$	Company 2017 US$
12.4	**Recoverability of unused assessable tax losses**				
	Some of the Group companies in reinsurance have incurred assessable tax losses since 2009.				
	Assessable tax losses for 2018 that have not been recognised amount to US$2 769 173 with a tax effect of US$713 062. The Group expects to recover on the losses within the stipulated 6 years.				
12.5	**Tax losses**				
	Unused assessable tax losses for which no deferred tax asset has been recognised	7 945 646	6 313 916	7 945 646	6 313 916
	Unrecognised deferred tax asset at 25.75% (2017 - 25.75%)	2 046 004	1 625 833	2 046 004	1 625 833
	The unused tax losses were incurred by the holding company, Zimre Holdings Limited that is unlikely to generate taxable income for the foreseeable future.				
	The aging of the assessable tax losses is as follows:				
	Current	1 808 067	1 661 232	1 808 067	1 661 232
	1 year	1 661 232	3 019 374	1 661 232	3 019 374
	2 years	3 019 374	1 292 795	3 019 374	1 292 795
	3 years	1 292 795	164 178	1 292 795	164 178
	4 years	164 178	-	164 178	-
	5 years	-	176 337	-	176 337
		7 945 646	**6 313 916**	**7 945 646**	**6 313 916**
13	**INVENTORY**				
	Property and stands developed for sale	2 771 672	3 372 701	-	-
	Consumables	33 773	21 293	-	-
		2 805 445	**3 393 994**	**-**	**-**

All inventory items are classified as current assets.

There was no write off of inventories during the year ended 31 December 2018 (2017 : US$nil).

The cost of inventories recognised as an expense and included in cost of sales amounted to US$995 260 (2017: US$1 219 544).

NOTES TO THE GROUP FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2018

14 TRADE AND OTHER RECEIVABLES	Group 2018 US$	Group 2017 US$	Company 2018 US$	Company 2017 US$
Reinsurance receivables	11 965 665	8 507 189	-	-
Less: allowance for credit losses	(3 360 301)	(2 387 566)	-	-
Net reinsurance receivables	**8 605 364**	**6 119 623**	**-**	**-**
Non reinsurance receivables				
Rental receivables	1 506 323	1 577 991	-	-
Debtors for inventory sales	935 484	1 847 912	-	-
Less: allowance for credit losses	(1 361 843)	(929 424)	-	-
Non reinsurance receivables - net	1 079 964	2 496 479	-	-
Total trade and other receivables-net	**9 685 328**	**8 616 102**	**-**	**-**
Receivables from related parties	1 057 887	889 753	-	-
Total	**10 743 215**	**9 505 855**	**-**	**-**
Prepaid property development costs	2 223 399	1 435 232	-	-
Other receivables and prepayments*	3 636 410	3 642 055	1 316 296	754 536
Total trade and other receivables	**16 603 024**	**14 583 142**	**1 316 296**	**754 536**

A reconciliation of the allowance for credit losses for loans and receivables is, as follows:

	Group 2018 US$	Group 2017 US$	Company 2018 US$	Company 2017 US$
As at 1 January	3 316 990	6 216 804	-	-
Charge for the year	1 929 618	382 975	-	-
Change in accounting policy due to adopting IFRS 9	393 842	-	-	-
Amounts written off	(918 306)	(3 282 789)	-	-
As at 31 December	**4 722 144**	**3 316 990**	**-**	**-**
Split into:				
Reinsurance receivables	3 360 301	2 387 566	-	-
Rental receivables	1 361 843	929 424	-	-
Total	**4 722 144**	**3 316 990**	**-**	**-**

All receivables are classified as current assets.

Debtors for rentals pay a 1 month deposit as collateral whilst debtors for inventory have the stand or property bought as collateral. All other debtors are not secured. No interest is charged on overdue debtors.

*Other receivables and prepayments comprise of receivables from disposal of investment in equity instruments, staff loans, prepaid licence fees and sundry receivables.

Due to the short-term nature of the trade and other receivables, their carrying amount is considered to be the same as their fair value.

15 DEFERRED ACQUISITION COSTS	Group 2018 US$	Group 2017 US$	Company 2018 US$	Company 2017 US$
As at 1 January	**1 517 042**	**1 757 201**	**-**	**-**
Movement during the year	485 767	(240 159)	-	-
As at 31 December	**2 002 809**	**1 517 042**	**-**	**-**

All defered aquisation costs are classified as current assets.

NOTES TO THE GROUP FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2018

		Group 2018 US$	Group 2017 US$	Company 2018 US$	Company 2017 US$
16	**FINANCIAL ASSETS**				
16.1.1	**At amortised cost**				
	As at 1 January				
	Transfer from available for sale financial assets	3 586 318	-	1 046 864	-
	Transfer from held to maturity investments	2 661 550	-	-	-
	Purchases	643 731	-	800 000	-
	Disposals	(692 849)	-	-	-
	Foreign exchange movements	(41 874)	-	-	-
	As at 31 December	**6 156 876**	**-**	**1 846 864**	**-**
	Split into:				
	Current	6 110 012	-	1 800 000	-
	Non-current	46 864	-	46 864	-
		6 156 876	**-**	**1 846 864**	**-**
16.1.2	**Previously classified as held to maturity investments (2017)**				
	As at 1 January	-	2 363 567	-	100 000
	Purchases	-	397 983	-	-
	Disposals	-	(100 000)	-	(100 000)
	As at 31 December	**-**	**2 661 550**	**-**	**-**

All held to maturity investments were classified as current assets.

Held to maturity investments were treasury bills and other short-term deposits with financial institutions and have been reclassified to financial assets at amortised cost on adpotion of IFRS 9.

None of the held-to-maturity investments were either past due or impaired in the prior year.

		Group 2018 US$	Group 2017 US$	Company 2018 US$	Company 2017 US$
16.2	**At fair value through profit or loss**				
	As at 1 January	975 534	1 607 254	582 164	223 359
	Transfer from available for sale financial assets	37 943	-	-	-
	Purchases	7 053 914	-	4 782 612	104 766
	Disposals	(3 055 281)	(1 407 984)	(3 055 281)	-
	Fair value gain/(loss)	1 087 229	776 264	537 497	254 039
	Non-cash additions*	215 431	-	-	-
	As at 31 December	**6 314 770**	**975 534**	**2 846 992**	**582 164**

All financial assets at fair value through profit or loss are classified as current assets.

At fair value through profit or loss financial assets are equity securities listed on the Zimbabwe Stock Exchange and the Zambia Stock Exchange.
*During the year, the Group received listed equities from Econet and Seedco, upon split of the same.

		Group 2018 US$	Group 2017 US$	Company 2018 US$	Company 2017 US$
16.3	**At fair value through OCI**				
	As at 1 January	-	-	-	-
	Transfer from available for sale financial assets	3 932 124	-	503 363	-
	Fair value gains due to adopting IFRS 9	947 375	-	947 375	-
	Purchases	-	-	-	-
	Disposals	(183 805)	-	-	-
	Fair value gain/(loss)	459 350	-	125 037	-
	Foreign exchange movement	26 625	-	-	-
	As at 31 December	**5 181 669**	**-**	**1 575 775**	**-**

All financial assets at fair value through OCI are classified as non-current assets.

FVOCI comprise of equity securities which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the group considers this classification to be more relevant.

Equity investments at FVOCI comprise the following individual investments:

	Group 2018 US$	Group 2017 US$	Company 2018 US$	Company 2017 US$
Unlisted securities				
Cell Insurance	1 495 974	-	1 495 974	-
Guardian Reinsurance Brokers Limited	79 801	-	79 801	-
PTA Reinsurance Company	2 926 073	-	-	-
Lidwala Insurance Company	601 742	-	-	-
Vanguard Life Assurance Company	78 079	-	-	-
	5 181 669	**-**	**1 575 775**	**-**

NOTES TO THE GROUP FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2018

16.4 Financial assets available for sale	Group 2018 US$	Group 2017 US$	Company 2018 US$	Company 2017 US$
Quoted equities at fair value	-	37 944	-	4 092 473
Unquoted equities at fair value	-	3 932 123	-	503 363
Long-term bonds and securities	-	3 586 318	-	1 046 864
	-	**7 556 385**	**-**	**5 642 700**

Available for sale financial assets have been reclassified to financial assets at amortised cost, FVPL and FVOCI on adoption of IFRS 9, see note 6 and note 2.12.1.2 on previously applied accounting policies.

None of the available for sale financial assets were either past due or impaired in the prior year.

16.5 Determination of fair value and fair value hierachy

The Group uses the following hierarchy for determining the fair value of financial instruments by valuation technique:
- Level 1: quoted (unadjusted) prices in active markets for identical assets and liabilities.
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, directly or indirectly.
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value of the fair value hierarchy:

As at 31 December 2018:	Level 1 US$	Level 2 US$	Level 3 US$	Total fair value US$
Financial assets at fair value through OCI	-	-	5 181 669	5 181 669
Financial assets at fair value through profit or loss	6 314 770	-	-	6 314 770
Total	**6 314 770**	**-**	**5 181 669**	**11 496 439**
As at 31 December 2017:				
Listed available for sale assets (note 16.4)	37 944	-	-	37 944
Financial assets at fair value through profit or loss	975 534	-	-	975 534
Total	**1 013 478**	**-**	**-**	**1 013 478**

Valuation technique for financial assets measured at fair value

Listed equity investments valuation
Level 1 is made up of the Group's investments in equities securities listed on the Zimbabwe Stock Exchange

Unlisted equity investments valuation
Valuation technique
The Group used the relative valuation technique to value unlisted equities.Under these models, various value indicators of publicly traded stocks are used as comparatives for companies in the same industry. The Relative Valuation Approach considers Discounted Cash Flow Valuation too intricate to establish, arguing that medium and long-range earnings projections are too intricate to make accurately and that the discount rates used are always controversial. Instead, various valuation parameters of publicly traded stocks such as Price to Book Ratios ("PBV"), Relative Market Capitalization can be used as comparatives for companies in the same industry. The PBV so obtained is then applied to the book value of equity to arrive at an implied value. These methods have also been considered for the valuation of the insurance companies.

Valuation process
The Group engaged an independent consultant to assist the Group Finance team to determine the fair values of the unlisted equities at each reporting date (including interim reporting).

Management provides the independent consultant with prior periods' audited financials statements, future projected cashflows and other non financial strategic information and they perform the following:
- determine return on equity using the earnings and equity;
- normalise return on equity for forecast periods;
- calculate the predicted Price/Book Value based on a regression model, by considering other publicly tradable reinsurance businesses within the region's PBV ratios.; and
- apply the regressed Price to Book Ratio to the firm's equity to determine the price.

As part of the engagement, the independent consultant provides the determined valuations for discussions.

NOTES TO THE GROUP FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2018

16.6 Comparison of carrying amounts and fair values for assets and liabilities not held at fair value

The fair value is an estimate of 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 following table summarises the fair value of assets and liabilities not measured at fair value on the entity's statement of financial position

	2018 Carrying value US$	2018 Fair value US$	2017 Carrying value US$	2017 Fair value US$
Financial assets				
At amortised cost	6 156 876	6 156 876	-	-
Held to maturity investments	-	-	26 615 550	26 615 550
Trade and other receivables (excluding prepayments)	15 737 447	15 737 447	8 616 102	8 616 102
	21 894 323	**21 894 323**	**35 231 652**	**35 231 652**
The carrying amount of trade and other receivables and held to maturity closely approximates its fair value as the instruments are short term in nature.				
Financial liabilities				
Trade and other payables	15 181 434	15 181 434	13 626 357	13 626 357
Borrowings	3 962 351	3 962 351	1 799 361	1 799 361
	19 143 785	**19 143 785**	**15 425 718**	**15 425 718**

The carrying amounts of financial liabilities carried at amortised cost closely approximate their fair values. The impact of discounting on borrowings and trade and other payables is not significant due to the market terms (rates and tenor) available (borrowings) and because the instruments are short term in nature (trade and other payables).

17 DISCONTINUED OPERATIONS

The Group determined that an investment in NicozDiamond Insurance Limited, an associate in short-term insurance businesses incorporated in Zimbabwe, be classified as non-current assets held for sale, as at 30 June 2017. The decision was taken to allow the Group to concentrate on the core reinsurance bussinesses. The investment in NicozDiamond was disposed-off on 13 December 2017.

The assets classified as held for sale are measured at fair value less costs to sell using the Group accounting policies as the carrying amount is more than the fair value less costs to sell.

The summarised financial information of non current assets held for sale are presented below:

17.1 Summarised statement of financial position	Group 2018 US$	Group 2017 US$	Company 2018 US$	Company 2017 US$
Assets	**-**	**-**	**-**	**-**
Property, plant and equipment	-	-	-	-
Investment properties	-	-	-	-
Investments in equity instruments	-	-	-	-
Trade receivables	-	-	-	-
Related party receivables	-	-	-	-
Other receivables and prepayments	-	-	-	-
Cash and cash equivalents	-	-	-	-
Liabilities	**-**	**-**	**-**	**-**
Deferred tax	-	-	-	-
Trade payables	-	-	-	-
Related party payables	-	-	-	-
Other payables and accruals	-	-	-	-
Current tax payable	-	-	-	-
Short-term provisions	-	-	-	-
Net assets	**-**	**-**	**-**	**-**

NOTES TO THE GROUP FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2018

		Group 2018 US$	Group 2017 US$	Company 2018 US$	Company 2017 US$
17.2	**Summarised statement of comprehensive income**				
	Gross premium	-	874 660	-	-
	Retrocession premium	-	(414 222)	-	-
	Net premium written	**-**	**460 438**	**-**	**-**
	Change in unearned premium provision	-	230 656	-	-
	Earned premium	-	691 094	-	-
	Brokerage commission and fees	-	151 560	-	-
	Total insurance income	**-**	**842 654**	**-**	**-**
	Rental revenue	-	-	-	-
	Investment income	-	9 629	-	-
	Total income	**-**	**852 283**	**-**	**-**
	Total claims and expenses	**-**	**(987 245)**	**-**	**-**
	Net benefits and claims	-	(98 467)	-	-
	Commission and acquisition expenses	-	(261 662)	-	-
	Operating and administrative expenses	-	(627 116)	-	-
	Other income/ (losses)	-	-	-	-
	(Loss)/profit before income tax	**-**	**(134 962)**	**-**	**-**
	Income tax expense	-	-	-	-
	Profit after for the year	**-**	**(134 962)**	**-**	**-**
	Other comprehensive income for the period net of tax	-	-	-	-
	Total Comprehensive income	**-**	**(134 962)**	**-**	**-**
17.3	**Summarised statement of cash flows**				
	Cash (outflows)/inflow (to)/from operating activities	-	-	-	-
	Cash flows from investing activities	-	-	-	-
	Cash flows to investing activities	-	-	-	-
	Net cash (decrease)/ increase for the year	**-**	**-**	**-**	**-**
17.4	**Disposal of non-current assets held for sale**				
	Consideration received or receivable:				
	Cash	-	6 474 596	-	-
	Consideration receivable	-	565 792	-	-
	Total disposal consideration	-	7 040 388	-	-
	Carrying amount of the assets	-	(5 207 568)	-	-
	Gain on sale before income tax	-	1 832 820	-	-
	Income tax expense on gain	-	-	-	-
	Gain on sale after income tax	-	1 832 820	-	-
18	**CASH AND CASH EQUIVALENTS**				
	Cash on hand	8 607	5 001	-	-
	Cash at bank	4 536 075	11 263 673	128 673	3 327 508
	Term deposits maturing under 3 months	5 247 872	13 148 413	463 119	156 639
	Cash and cash equivalents	**9 792 554**	**24 417 087**	**591 792**	**3 484 147**

Term deposits are presented as cash equivalents if they have a maturity of 3 months or less from the date of placement with a financial institution and are repayable within 24 hours notice.

NOTES TO THE **GROUP FINANCIAL STATEMENTS** *(continued)*

For the year ended 31 December 2018

19 SHARE CAPITAL

19.1 Authorised share capital

Authorised share capital for the year ended 31 December 2018 was made up of 2 000 000 000 (2017 - 2 000 000 000) ordinary shares with a nominal value of US$0.01 each amounting to US$20 000 000 (2017 - US$20 000 000).

19.2 Issued share capital

	Share capital US$	Share premium US$	Total US$
As at 1 January 2017	15 331 003	11 427 034	26 758 037
Issued during the year	-	-	-
As at 31 December 2017	**15 331 003**	**11 427 034**	**26 758 037**
As at 1 January 2018	**15 331 003**	**11 427 034**	**26 758 037**
Issued during the year	-	-	-
Share buy-back	(4 354)	-	-
As at 31 December 2018	**15 326 649**	**11 427 034**	**26 758 037**

19.3 Unissued shares

466 899 700 (2017: 466 899 700) unissued shares and 435 400 (2017: nil) treasury shares are under the control of directors subject to the limitations imposed by the Articles and Memorandum of Association of the company, the Zimbabwe Companies Act (Chapter 24:03) and the Zimbabwe Stock Exchange Listing Requirements.

20 SHORT-TERM INSURANCE CONTRACT LIABILITIES

	Group 2018 US$	Group 2017 US$
Gross liabilities		
Outstanding claims	4 966 338	7 347 470
Incurred but not reported claims provision	2 624 933	2 739 641
Unearned premium provision	8 923 844	8 377 612
	16 515 115	**18 464 723**
Recoveries from reinsurance		
Outstanding claims	(1 340 911)	(2 631 691)
Incurred but not reported claims provision	(708 732)	(880 208)
Unearned premium provision	(2 409 438)	(3 020 062)
	(4 459 081)	**(6 531 961)**
Net liabilities		
Outstanding claims	3 625 427	4 715 779
Incurred but not reported claims provision	1 916 201	1 859 433
Unearned premium provision	6 514 406	5 357 550
	12 056 034	**11 932 762**

20.1 Reconciliation of insurance and other provisions

	Outstanding claims US$	Incurred but not reported claims US$	Unearned premium US$	Total US$
Group				
Balance as at 1 January 2017	4 361 232	1 688 739	588 034	6 638 005
Additions during the year	686 903	196 634	5 950 527	6 834 064
Utilised during the year	(332 356)	(25 940)	(1 181 011)	(1 539 307)
Balance as at 31 December 2017	**4 715 779**	**1 859 433**	**5 357 550**	**11 932 762**
Balance as at 1 January 2018	4 715 779	1 859 433	5 357 550	11 932 762
Additions during the year	836 939	181 615	1 261 066	2 279 620
Utilised during the year	(1 927 291)	(124 847)	(104 210)	(2 156 348)
Balance as at 31 December 2018	**3 625 427**	**1 916 201**	**6 514 406**	**12 056 034**

NOTES TO THE GROUP FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2018

		Leave pay US$	Termination US$	Total US$
21	**NON-INSURANCE PROVISIONS** Reconciliation of the non-insurance provisions			
	As at 1 January 2017	**397 837**	**645 349**	**1 043 186**
	(Utilised)/ additional provision during the year	(18 822)	153 044	134 222
	As at 31 December 2017	**379 015**	**798 393**	**1 177 408**
	As at 1 January 2018	**379 015**	**798 393**	**1 177 408**
	Utilised provision during the year	(71 898)	(230 923)	(302 821)
	As at 31 December 2018	**307 117**	**567 470**	**874 587**
	Split into:			
	Current	307 117	-	307 117
	Non-current	-	567 470	567 470
		307 117	**567 470**	**874 587**

- Leave pay provision relates to amounts for contractual days employees are entitled to be absent from work on paid leave that were not utilised as at year-end.
- Termination provision relates to employee contracts termination amounts payable to management should they decide to leave employment.

		Group 2018 US$	Group 2017 US$
22	**LIFE REASSURANCE CONTRACT ASSET AND LIABILITIES**		
22.1	**Life reassurance contract asset**		
	As at 1 January	569 900	569 900
	Movement for the year	(413 800)	-
	As at 31 December	**156 100**	**569 900**
22.2	**Life reassurance contract liabilities**		
	As at 1 January	**4 632 265**	**4 632 265**
	Movement for the year	(2 602 665)	-
	As at 31 December	**2 029 600**	**4 632 265**
	Net movement for the year	**(2 188 865)**	**-**
	Split into:		
	Current	-	2 602 665
	Non-current	2 029 600	2 029 600
		2 029 600	**4 632 265**
	Relates to policyholder funds. The movement is accounted for through statement of profit or loss		
23.1	**BORROWINGS**		
	Long term portion	2 650 217	555 073
	Short-term portion of long term loans	1 312 134	1 244 288
		1 312 134	**1 799 361**
	Balance as at 1 January	1 799 361	1 376 091
	New drawn downs	3 487 122	1 227 890
	Interest for the year	110 507	15 405
	Capital repayments	(1 403 950)	(804 620)
	Interests payment	(104 707)	(15 405)
	Foreign exchange movement	74 018	-
	Balance as at 31 December	**3 962 351**	**1 799 361**

The loan facility is administered as follows:

Tenure	CABS and ZB 3 years BancABC, 7 years
Security	CABS loan secured by a first mortgage bond on Stand 16591, Harare Township ZB Loan secured by a first mortgage on Stand 353 Bulawayo Township BancABC secured by acquired asset building 141/8 Marginal Avenue, Maputo
Interest rate	CABS, 10% per annum ZB Bank, 11.11% per annum BancABC, 20.75% per annum
Fees	CABS, establishment fees, 2%, annual renewal, 1% ZB Bank, arrangement fee, 1% BancABC, 1.25% per annum

NOTES TO THE GROUP FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2018

		Group 2018 US$	Group 2017 US$
23.1	**BORROWINGS**		
23.2	**Net debt reconciliation**		
	This section sets out an analysis of net debt and the movements in net debt for each of the years presented		
	Cash and cash equivalents	(9 792 554)	(24 417 087)
	Short-term portion of long term loans	1 312 134	1 244 288
	Long term portion	2 650 217	555 073
	Net debt	**(5 830 203)**	**(22 617 726)**

	Cash and cash equivalents US$	Borrowings due within one year US$	Borrowings due after one year US$	Total US$
Year ended 31 December 2017				
Net debt as at 1 January 2017	(11 077 397)	330 644	1 045 447	(9 701 306)
Cashflows	(13 081 158)	(804 620)	1 227 890	(12 657 888)
Foreign exchange movement	(258 532)	-	-	(258 532)
Reclassification to current	-	1 718 264	(1 718 264)	-
Net debt as at 31 December 2017	**(24 417 087)**	**1 244 288**	**555 073**	**(22 617 726)**
Year ended 31 December 2018				
Net debt as at 1 January 2018	**(24 417 087)**	**1 244 288**	**555 073**	**(22 617 726)**
Cashflows	14 196 941	(1 403 950)	3 487 122	16 290 371
Foreign exchange movement	427 592	-	(79 818)	347 774
Reclassification to current	-	1 471 796	(1 471 796)	-
Net debt as at 31 December 2018	**(9 792 554)**	**1 312 134**	**2 650 217**	**(5 830 203)**

		Group 2018 US$	Group 2017 US$	Company 2018 US$	Company 2017 US$
24	**TRADE AND OTHER PAYABLES**				
	Due to retrocessionaires	9 671 350	8 093 041	-	-
	Pensions and other employee long-term benefits	1 120 717	1 835 507	-	-
	Deferred revenue from sale of stands	67 496	1 216 308	-	-
	Other trade payables*	1 374 452	1 419 084	6 971 101	5 164 026
	Accruals**	2 947 419	1 062 417	894 242	630 432
	Total financial liabilities, excluding borrowings, classified as financial liabilities measured at amortised cost	**15 181 434**	**13 626 357**	**7 865 343**	**5 794 458**
	Other payables- penalties and social security payments	-	-	-	-
	Total trade and other payables	**15 181 434**	**13 626 357**	**7 865 343**	**5 794 458**

All trade and other payables are all classified as current assets.

* Other trade payables are constituted of non-insurance payables from the holding company and property business, business subscriptions and other payables.
**Included in the accruals are actuarial fees accrued and accruals arising from change in executive management contracts.

		Group 2018 US$	Group 2017 US$
25	**GROSS PREMIUM WRITTEN**		
	Life reassurance contracts	4 060 146	3 754 417
	Non-life reinsurance	28 220 260	23 934 034
		32 280 406	**27 688 451**

NOTES TO THE **GROUP FINANCIAL STATEMENTS** *(continued)*

For the year ended 31 December 2018

		Group 2018 US$	Group 2017 US$	Company 2018 US$	Company 2017 US$
26	**RETROCESSION PREMIUM**				
	Life reassurance contracts	(453 022)	(492 569)	-	-
	Non-life reinsurance	(8 343 168)	(6 178 810)	-	-
		(8 796 190)	**(6 671 379)**	**-**	**-**
27	**UNEARNED PREMIUM PROVISION**				
	Provision on gross premium	(2 269 464)	654 220	-	-
	Less retrocession premiums	1 008 398	526 791	-	-
		(1 261 066)	**1 181 011**	**-**	**-**
28	**BROKERAGE COMMISSION AND FEES**				
	Retrocession commission income	2 280 066	1 946 659	-	-
	Surrender charges and other contract fee income	(266 887)	(116 994)	-	-
		2 013 179	**1 829 665**	**-**	**-**
29	**INCOME FROM SALE OF INVENTORY PROPERTY**				
	Revenue from contracts with customers: Sale of property and stands	1 715 728	2 403 553	-	-
	Cost of sales of property and stands	(995 260)	(1 219 544)	-	-
		720 468	**1 184 009**	**-**	**-**
30	**NET PROPERTY OPERATING COSTS**				
	Operating costs recoveries	582 831	843 308	-	-
	Property operating costs	(1 385 049)	(1 409 968)	-	-
		(802 218)	**(566 660)**	**-**	**-**
31	**INVESTMENTS INCOME**				
	Dividend income	472 709	275 348	325 076	278 032
	Interest income	973 223	1 159 090	35 802	8 250
		1 445 932	**1 434 438**	**360 878**	**286 282**
32	**OTHER INCOME**				
	Profit/(loss) from disposal of property and equipment	12 694	119 273	-	(214)
	Gains/(losses) from disposal of financial assets	-	2 670 109	-	4 874 561
	Gains/(losses) from disposal of financial assets at fair value through profit/loss	2 105 023	-	2 105 023	-
	Profit from disposal of financial assets at fair value through other comprehensive income	4 046	-	-	-
	Gain from share split of financial asset at fair value through profit or loss	215 431	-	-	-
	Losses/(Gains) from disposal of investment in subsidiary	-	(365 684)	-	20 000
	(Losses)/Gains from disposal of investment property	(298 202)	800 000	-	-
	Realised exchange differences	123 416	(14 652)	-	-
	Recoveries from debtors written off	76 690	143 869	-	-
	Fair value gains on financial assets through profit or loss	1 087 229	776 264	537 497	254 039
	Unrealised exchange gains/(losses)	73 963	(438 988)	-	-
	Retrocessionaire payable write-downs	448 952	1 857 743	-	-
	Other gains	323 363	193 993	16 606	-
		4 172 605	**5 741 927**	**2 659 126**	**5 148 386**

NOTES TO THE GROUP FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2018

		Group 2018 US$	Group 2017 US$	Company 2018 US$	Company 2017 US$
33	**OPERATING AND ADMINISTRATION EXPENSES**				
	Independent auditors' remuneration for audit	(313 676)	(257 449)	(44 275)	(41 998)
	Directors' fees (non-executive)	(430 179)	(346 025)	(92 433)	(80 300)
	Employee benefit expenses (note 35.1)	(6 001 701)	(5 881 133)	(1 143 044)	(481 384)
	Depreciation	(402 273)	(390 481)	(23 208)	-
	Impairment or write-off of receivables	(6 246)	(207 178)	-	-
	Amortisation of intangible assets	(24 433)	(71 753)	-	-
	Impairment of non-current assets	-	-	(391)	-
	Consultation fees	(550 889)	(1 006 016)	(142 262)	(588 061)
	Legal fees	(169 457)	(48 355)	(13 059)	(7 550)
	Fines	(564)	(12 160)	-	-
	Rent, premises costs and utilities	(470 453)	(442 536)	(43 383)	(65 474)
	Travel and representation	(242 487)	(235 513)	(3 888)	(4 425)
	Marketing, advertising and promotion	(864 140)	(464 497)	(26 384)	(4 171)
	Property expenses	(2 495 437)	(2 719 828)	-	-
	Other operating expenses	(3 005 380)	(2 808 561)	(327 925)	(397 297)
		(14 977 315)	**(14 891 485)**	**(1 860 252)**	**(1 670 660)**
33.1	**Employee benefit expenses**				
	Directors' remuneration (executive directors)	(969 260)	(896 400)	-	-
	Wages and salaries (excluding executive directors)	(3 032 255)	(3 220 603)	(464 219)	(366 252)
	Other staff costs	(1 619 436)	(1 215 667)	(627 727)	(64 271)
	Pension costs	(324 723)	(363 734)	(51 098)	(50 861)
	Social security costs	(56 028)	(59 121)	-	-
	Post-employment benefits other than pensions	-	(125 607)	-	-
		(6 001 702)	**(5 881 132)**	**(1 143 044)**	**(481 384)**
34	**Earnings per share**				
	Basic and diluted earnings per share				
	From continuing operations attributable to the ordinary equity holders of the company	0.28	0.37	0.08	0.24
	From discontinued operations	-	(0.01)	-	-
	Total basic earnings per share attributable to the ordinary equity holders of the company	0.28	0.36	0.08	0.24
	Reconciliations of earnings used in calculating earnings per share				
	Basic and diluted earnings per share				
	Profit attributable to the ordinary equity holders of the company used in calculating basic and diluted earnings per share:				
	From continuing operations	4 308 191	5 651 797	1 159 751	3 690 030
	From discontinued operation	-	(134 962)	-	-
		4 308 191	**5 516 835**	**1 159 751**	**3 690 030**
	Number of shares used for basic and diluted earnings per share	**1 533 338 937**	**1 533 338 937**	**1 533 338 937**	**1 533 338 937**

NOTES TO THE **GROUP FINANCIAL STATEMENTS** *(continued)*

For the year ended 31 December 2018

35 MATERIAL PARTLY OWNED SUBSIDIARIES

Financial information of subsidiaries that have material non-controlling interests is provided below:

35.1 Summary of non-controlling interest amounts

Name of company	Country of incorporation	Nature of business	2018	2017
Zimre Property Investments Limited	Zimbabwe	Property	37%	40%
Emeritus Reseggurus SA	Mozambique	Reinsurance	30%	49%
Credit Insurance Zimbabwe Limited	Zimbabwe	General Insurance	15%	15%
			US$	**US$**
Accumulated balances of material non-controlling interests				
Zimre Property Investments Limited	Zimbabwe	Property	19 448 030	21 886 303
Emeritus Reseggurus SA	Mozambique	Reinsurance	218 571	878 484
Credit Insurance Zimbabwe Limited	Zimbabwe	General Insurance	252 241	195 677
			19 918 842	**22 960 464**
Profit/ (loss) allocated to material non-controlling interests				
Zimre Property Investments Limited	Zimbabwe	Property	(570 203)	1 051 643
Emeritus Reseggurus SA	Mozambique	Reinsurance	(355 421)	(122 058)
Credit Insurance Zimbabwe Limited	Zimbabwe	General Insurance	57 944	58 518
			(867 680)	**988 103**

35.2 Summarised statements of profit or loss

35.2.1 Summarised statement of profit or loss for 2018:

	Zimre Property Investments US$	Emeritus Reseggurus SA US$	Credit Insurance Zimbabwe Limited US$
Gross premium	**-**	**4 312 468**	**3 231 765**
Total income	**4 141 632**	**2 812 307**	**1 874 012**
Net benefits and claims	-	(696 374)	(274 789)
Commission and acquisition expenses	-	(1 131 747)	(635 521)
Operating and administration	(4 995 471)	(1 764 993)	(1 038 831)
Total claims and expenses	**(4 995 471)**	**(3 593 114)**	**(1 949 141)**
Operating loss	**(853 839)**	**(780 807)**	**(75 129)**
Other gains/(loss)	(338 548)	55 458	466 530
(Loss)/ profit before income tax	**(1 192 387)**	**(725 349)**	**391 401**
Income tax	(230 631)	-	(9 691)
(Loss)/ profit for the year	**(1 423 018)**	**(725 349)**	**381 710**
Dividends paid	515 000	-	-
Dividends paid to non-controlling interests	206 684	-	-

NOTES TO THE GROUP FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2018

35.2.2 Summarised statement of profit or loss for 2017:

	Zimre Property Investments US$	Credit Insurance Emeritus Resegguros SA US$	Zimbabwe Limited US$
Gross premium	-	5 275 491	2 371 659
Total income	5 749 172	3 670 131	1 602 239
Net benefits and claims	-	(1 138 759)	(551 699)
Commission and acquisition expenses	-	(1 376 524)	(275 237)
Operating and administration	(4 674 623)	(1 299 038)	(998 437)
Total claims and expenses	(4 674 623)	(3 814 321)	(1 825 373)
Operating profit/ (loss)	1 074 549	(144 190)	(223 134)
Other gains/(loss)	1 025 076	(194 942)	151 869
Profit/ (loss) before income tax	2 099 625	(339 132)	(71 265)
Income tax	386 007	90 036	364 348
Profit/ (loss) for the year	2 485 632	(249 096)	293 083
Dividends paid	701 974	-	-
Dividends paid to non-controlling interests	318 396	-	-
Assets			
Property and equipment	962 713	915 587	1 704 273
Investment properties	44 970 886	469 291	-
Intangible assets	-	-	3 995
Deferred tax asset	-	76 531	591 969
Financial assets:			
at amortised cost	983 474	250 266	357 500
at fair value through profit or loss	226 298	631 536	1 187 916
at fair value through other comprehensive income	-	601 741	-
Trade and other receivables	4 283 912	1 824 065	872 744
Inventories	2 771 672	-	-
Deferred acquisition costs	-	142 513	38 467
Cash and cash equivalents	285 826	481 186	1 315 449
Total assets	**54 484 781**	**5 392 716**	**6 072 313**
Liabilities			
Deferred tax liability	1 431 177	-	-
Trade and other payables	1 029 136	1 624 997	998 624
Borrowings	3 375 146	561 164	-
Insurance and other provisions	44 573	1 775 513	612 036
Total liabilities	**5 880 032**	**3 961 674**	**1 610 660**
Total equity	**48 604 749**	**1 431 042**	**4 461 653**

Summarised statement of financial position as at 31 December 2017

	Zimre Property Investments US$	Credit Insurance Emeritus Resegguros SA US$	Zimbabwe Limited US$
Assets			
Property and equipment	991 231	52 034	1 631 448
Investment properties	36 709 959	536 824	12 500
Other non-current assets	1 020 400	752 597	598 502
Trade and other receivables	4 271 395	3 349 062	271 538
Inventories	3 372 701	-	-
Deferred acquisition costs	-	195 373	35 239
Short term investments	40 385	756 130	270 720
Cash and cash equivalents	10 220 365	465 545	1 433 196
Total assets	**56 626 436**	**6 107 565**	**4 253 143**
Non-current liabilities	**1 800 856**	**-**	**-**
Trade and other payables	2 714 407	2 441 428	255 145
Short-term borrowings	1 244 288	-	-
Insurance and other provisions	144 273	1 359 820	740 952
Total liabilities	**5 903 824**	**3 801 248**	**996 097**
Total equity	**50 722 612**	**2 306 317**	**3 257 046**

NOTES TO THE **GROUP FINANCIAL STATEMENTS** *(continued)*

For the year ended 31 December 2018

35.4 Summarised statements of cash flows

35.4.1 Summarised cash flow information for 2018:

	Zimre Property Investments US$	Credit Insurance Emeritus Resegguros SA US$	Zimbabwe Limited US
Operating	(1 708 060)	309 523	(91 922)
Investing	(9 211 462)	(859 253)	(829 874)
Financing	984 983	583 189	800 000
Net increase in cash and cash equivalents	**(9 934 539)**	**33 459**	**(121 796)**

35.4.2 Summarised cash flow information for 2017:

Operating	1 846 047	248 543	(702 278)
Investing	8 114 012	(200 435)	36 660
Financing	(117 406)	(22 015)	2 000 000
Net increase in cash and cash equivalents	**9 842 653**	**26 093**	**1 334 382**

36 RELATED PARTY DISCLOSURES

36.1 Principal subsidiaries

The holding company's direct subsidiaries are Emeritus Reinsurance Zimbabwe (Private) Limited and Credit Insurance Zimbabwe Limited which are owned 100% (2017: 100%) and 84% (2017: 84%), respectively, of the issued share capital.

Emeritus Reinsurance Zimbabwe (Private) Limited is domiciled in Zimbabwe.

In turn Emeritus Reinsurance Zimbabwe (Private) Limited has interests in the subsidiaries listed below:

Subsidiaries of Emeritus Reinsurance Zimbabwe (Private) Limited	Country of incorporation	Activity	2018	2017
Zimre Property Investments Limited	Zimbabwe	Properties	63.2%	60%
Emeritus Reinsurance Company Limited Zambia (through Emeritus International)	Zambia	Reinsurance	100%	100%
Emeritus Reinsurance Company Limited (through Emeritus International)	Malawi	Reinsurance	100%	100%
Emeritus Resegguros, SA (owned through Emeritus International)	Mozambique	Reinsurance	70%	51%
Emeritus Reinsurance Company Limited (through Emeritus International)	Botswana	Reinsurance	91.5%	90%
Emeritus Reinsurance Company of South Africa Limited (through Emeritus International)	South Africa	Reinsurance	100%	100%
Emeritus International Reinsurance Company Limited	Botswana	Reinsurance	100%	100%

During the year, a group restructuring was undertaken resulting in the transfer of shareholding in Emeritus Reinsurance Company Limited domiciled in Malawi, Emeritus Resegguros SA, Emeritus Reinsurance Company Limited domiciled in South Africa, Emeritus Reinsurance Company Limited domiciled in Zambia and Emeritus Reinsurance Company Limited domiciled in Botswana from Emeritus Reinsurance (Private) Limited Zimbabwe to Emeritus International Reinsurance Company Limited.

36.2 Entity with significant influence over the Group

Day River Corporation Limited owns 40.16% of the issued share capital of Zimre Holdings Limited (2017: 40.16%), with the Government of Zimbabwe owning 21.63% (2017: 21.63%)

36.3 Associates

The Group's information on associates is in note 11.

NOTES TO THE **GROUP FINANCIAL STATEMENTS** *(continued)*

For the year ended 31 December 2018

36.4 Transactions and balances with related parties

The following table provides the total amount of transactions and balances that have been entered into with related parties.

A. Intercompany transactions			2018		2017	
Description	Company owed	Relationship	Transaction amount for the year US$	Balance US$	Transaction amount for the year US$	Balance US$
Intercompany rentals	Zimre Property Investments Limited	Subsidiary	53 520	41 267	90 421	13 684
Intercompany loan*		Subsidiary	-	-	(1 426 737)	-
Intercompany dividends	Zimre Property Investments Limited	Subsidiary	308 316	-	318 396	-

* More information on the loan is disclosed in note 13.

	Group 2018 US$	Group 2017 US$
B. Compensation of key management personnel of the Group		
Short-term employee benefits	(969 260)	(896 400)
Post-employment pension and medical benefits	-	-
Termination benefits	-	-
Share-based payment transactions	-	-
Total compensation paid to key management personnel	(969 260)	(896 400)
C. Other interest of directors in the holding company	**2018**	**2017**
BN Kumalo (directly)	1 031 315	1 031 315
RC Von Seidel (indirectly)	166 033 426	166 033 426
HBW Rudland (indirectly)	614 769 314	614 769 314

36.5 Transactions involving changes in subsidiaries shareholding

36.5.1 Change in degree of control in Zimre Property Investments Limited

During 2018, the Zimre Holdings purchased a further interest in Zimre Property Investments Limited as shown below:

Additional interest bought	3.37%
Interest after purchase	63.20%
Purchase price in US$	1 125 375
Bargain on purchase US$	464 000

Zimre Property Investments Limited remains a subsidiary of the Group.
The bargain on purchase was recognised directly in equity.

36.5.2 Change in degree of control in Emeritus Resegguros SA (domiciled in Mozambique)

During 2018, Emeritus International Reinsurance Company Limited purchased a further interest in Emeritus Resegguros SA as shown below:

Additional interest bought	19.00%
Interest after purchase	70.00%
Purchase price in US$	237 059
Bargain on purchase US$	34 838

Emeritus Resegguros SA remains a subsidiary of the Group.
The bargain on purchase was recognised directly in equity.

NOTES TO THE GROUP FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2018

37 OTHER COMPREHENSIVE INCOME

	2018			2017		
	Before tax	Tax	Net of tax	Before tax	Tax	Net of tax
Exchange differences on translating foreign operations	(700 677)	-	(700 677)	509 178	-	509 178
Gains on equity instruments	-	-	-	232 803	(11 640)	221 163
Gains on financial assets at fair value through OCI	459 350	(18 978)	440 372	-	-	-
Gains on property, plant and equipment revaluations	116 922	(25 477)	91 445	67 711	93 322	161 033
Share of other comprehensive income of associates	5 330	-	5 330	(29 290)	-	(29 290)
Other comprehensive income net of tax	**(119 075)**	**(44 455)**	**(163 530)**	**780 402**	**81 682**	**862 084**

38 EVENTS AFTER THE REPORTING DATE

38.1 Currency reforms

On 20 February 2019, the RBZ Governor announced a new Monetary Policy Statement ("MPS") whose highlights were:

- denomination of RTGS balances, bond notes and coins collectively as RTGS dollars. RTGS dollars become part of the multi-currency system.
- RTGS dollars to be used by all entities (including government) and individuals in Zimbabwe for purposes of pricing of goods and services, record debts, accounting and settlement of domestic transactions
- establishment of an inter-bank foreign exchange market where the exchange rate will be determined by market forces. The interbank market opened trading at a rate of US$1 to RTGS$2.5.

The monetary policy announcement was followed by the publication of Statutory Instrument 33 of 2019 ("SI33") on 22 February 2019. SI33 gave effect to the introduction of the RTGS dollar as legal tender and prescribed that "for accounting and other purposes" certain assets and liabilities on the effective date would be deemed to be RTGS dollars at a rate of 1:1 to the US$ and would become opening RTGS dollar values from the effective date.

The directors, based on their interpretation of IFRS had considered the MPS of 20 February 2019, and the subsequent emergence of an interbank exchange rate to be an adjusting event in terms of International Accounting Standard 10 ("IAS 10") "Events after the reporting period" as it was considered to be shaped by underlying conditions as at the reporting date of 31 December 2018. In particular the promulgation of RTGS dollar as currency, in the opinion of the directors, was a response to market perception which had come to regard RTGS balances and transactions as representing an underlying de-facto currency. However, given the accounting restrictions imposed by SI41, which gazzetted that in case of any inconsistency between a local pronouncement issued by the PAAB and any international standard, the local pronouncement shall take precedence, these post balance sheet events have not been adjusted for.

NOTES TO THE **GROUP FINANCIAL STATEMENTS** *(continued)*

For the year ended 31 December 2018

The impact on the 2018 balance sheet (which is based on the assumption of parity and interchangeability between the US$ and RTGS balances) of applying different exchange rates is shown on the table below.

Management performed a sensitivity analysis of the effect of using different exchange rates following the change in functional currency from US$ to RTGS$. The table below illustrates the different scenarios based on RTGS$ exchange rates to the US$ of 1:1, 1:2.5, 1:3 and 1:3.2 and are presented in RTGS$ for the 1:2.5, 1:3 and 1:3.2 scenarios.

ASSETS	Group 2018 US$ Denominated in RTGS$	Group 2018 US$ Denominated in US$	Group 2018 US$ Total US$	Group 2018 RTGS$ 1:2.5	Group 2018 RTGS$ 1:3	Group 2018 RTGS$ 1:3.2
Property and equipment	3 091 539	2 188 448	5 279 987	8 562 659	9 656 883	10 094 573
Investment property	44 970 887	1 037 780	46 008 667	47 565 337	48 084 227	48 291 783
Intangible assets	120 968	18 419	139 387	167 016	176 225	179 909
Goodwill	325 803	-	325 803	325 803	325 803	325 803
Investment in associates	4 311 351	1 041 413	5 352 764	6 914 884	7 435 590	7 643 873
Deferred income tax asset	2 492 289	271 839	2 764 128	3 171 887	3 307 806	3 362 174
Inventory	2 788 093	17 352	2 805 445	2 831 473	2 840 149	2 843 619
Trade and other receivables	5 442 153	11 160 871	16 603 024	33 344 331	38 924 766	41 156 940
Life reassurance contract asset	156 100	-	156 100	156 100	156 100	156 100
Current income tax receivable	118 262	904 519	1 022 781	2 379 560	2 831 819	3 012 723
Deferred acquisition costs	1 231 340	771 469	2 002 809	3 160 013	3 545 747	3 700 041
Financial assets :						
at fair value through profit or loss	5 560 229	754 541	6 314 770	7 446 582	7 823 852	7 974 760
at amortised cost	4 248 874	932 795	5 181 669	6 580 862	7 047 259	7 233 818
at fair value through other comprehensive income	2 550 982	3 605 894	6 156 876	11 565 717	13 368 664	14 089 843
Cash and cash equivalents	5 003 144	4 789 410	9 792 554	16 976 669	19 371 374	20 329 256
Total assets	**82 412 014**	**27 494 750**	**109 906 764**	**151 148 889**	**164 896 264**	**170 395 214**
LIABILITIES						
Life reassurance contract liabilities	2 029 600	-	2 029 600	2 029 600	2 029 600	2 029 600
Deferred income tax liability	1 480 805	216 985	1 697 790	2 023 268	2 131 760	2 175 157
Borrowings	3 375 146	587 205	3 962 351	4 843 159	5 136 761	5 254 202
Trade and other payables	4 438 135	10 743 299	15 181 434	31 296 383	36 668 032	38 816 692
Short term insurance contract liabilities	6 984 448	5 071 586	12 056 034	19 663 413	22 199 206	23 213 523
Other provisions	214 324	660 263	874 587	1 864 982	2 195 113	2 327 166
Total liabilities	**18 522 458**	**17 279 338**	**35 801 796**	**61 720 803**	**70 360 472**	**73 816 340**

Sensitivity assumptions

For the purposes of the sensitivity, the following rates were used:

- 1:2.5, US$ to RTGS rate being the official interbank exchange rate on 22 February 2019 when SI33 was issued.
- 1:3, US$ to RTGS rate being the rate proposed by the insurance industry to re-determine the sum-insured for motor vehicles.
- 1:3.2, US$ to RTGS rate being the prevailing interbank exchange rate as at 29 April 2019, date of authorisation of the financial statements.

The Group remains solvent and sufficiently capitalised at the different exchange rate sensitivities.

The balances indicated to not necessarily indicate opening values in RTGS.

39 CONTINGENT ASSETS

The Group has had a 49% shareholding in the Zimbabwe United Passenger Company (Private) Limited ("ZUPCO") since 1993. In 2000, the Group expressed intention to exit ZUPCO through disposal of shareholding to the majority shareholder, Government of Zimbabwe. It was agreed that a valuation of the 49% shareholding be performed for the determination of the consideration. However, neither the valuation nor an agreement of sale was concluded. The investment in ZUPCO was impaired from the Group's financial statements from then. Negotiations are ongoing between the Board and the majority shareholder to determine the value of the investment in ZUPCO.

SHAREHOLDERS ANALYSIS

As at 31 December 2018

Top 20 Shareholders As At 31 December 2017

Shareholder	Industry	No Of Shares	% Holding
Day River Corporation (Private) Limited	Local Company	614,769,314	40.09
Government Of Zimbabwe	Government	331,728,844	21.63
National Social Security Authority	Local Company	203,905,526	13.30
Lalibela Limited-Nnr	Non Resident	157,498,202	10.27
Nickdale Enterprises (Pvt) Ltd	Local Company	68,123,292	4.44
Local Authorities Pension Fund	Local Pension Fund	34,788,794	2.27
Nssa-Workers Compensation If	Pension Fund	22,622,184	1.48
Hayes-Nnr Noel	Non Resident	15,087,617	0.98
Mariot Computing And Management Services (Pvt) Ltd	Local Company	8,727,011	0.57
Von Seidel-Nnr Richard John	Non Resident	8,535,224	0.56
Tembo Solomon	Local Resident	4,588,775	0.30
Lhg Malta Holdings Limited	Local Company	4,076,147	0.27
Old Mutual Life Assurance Of Zimbabwe Limited	Local Insurance Company	3,158,900	0.21
Guramatunhu Family Trust	Local Trust	2,587,731	0.17
Alpha Asset Management Nominees	Local Nominee	2,544,334	0.17
Stanbic Nominees (Pvt)Ltd-A/C 140043470003	Locan Nominee	2,542,149	0.17
Mealcraft Investments P/L	Local Company	2,535,982	0.17
Salisbury General Investments Co P/L	Local Company	2,183,668	0.14
Munster Investments (Pvt) Ltd	Local Company	2,078,421	0.14
Anderson Robert	Local Resident	1,920,161	0.13
Total Holding of Top 20 Shareholders		**1,494,002,276**	**97.43**
Remaining Holding		39,336,661	2.57
Total Issued Shares		**1,533,338,937**	**100.00**

Top 20 Shareholders As At 31 December 2018

Shareholder	Industry	No of Shares	% Holding
Day River Corporation (Private) Limited	Local Company	614,769,314	40.09
Government Of Zimbabwe	Government	331,728,844	21.63
National Social Security Authority	Local Company	203,905,526	13.30
Lalibela Limited-Nnr	Non Resident	157,498,202	10.27
Nickdale Enterprises (Pvt) Ltd	Local Company	68,123,292	4.44
Nssa-Workers Compensation If	Local Company	53,005,462	3.46
Local Authorities Pension Fund	Local Pension Fund	34,788,794	2.27
Von Seidel-Nnr Richard John	Non Resident	8,535,224	0.56
Mariot Computing And Management Services (Pvt) Ltd	Local Company	8,027,011	0.52
Tembo Solomon	Local Resident	4,588,775	0.30
Guramatunhu Family Trust	Local Trust	3,758,894	0.25
Old Mutual Life Assurance Of Zimbabwe Limited	Local Insurance Company	3,593,205	0.23
Mealcraft Investments P/L	Local Company	2,596,040	0.17
Stanbic Nominees(Pvt)Ltd-Nnr-A/C 140043470002	Local Nominee	2,221,855	0.14
Salisbury General Investments Co P/L	Local Company	2,183,668	0.14
Munster Investments (Pvt) Ltd	Local Company	2,078,421	0.14
Anderson Robert	Local Resident	1,920,161	0.13
Remo Investment Brokers (Pvt) Ltd	Local Company	1,489,972	0.10
Alpha Asset Management Nominees	Local Nominee	1,406,523	0.09
Kumalo Benjamin Nkosentya	Local Resident	1,031,315	0.07
Total Holding of Top 20 Shareholders		**1,507,250,498**	**98.30**
Remaining Holding		26,088,439	1.70
Total Issued Shares		**1,533,338,937**	**100.00**

SHAREHOLDERS ANALYSIS *(continued)*

As at 31 December 2018

SHARE MOVEMENTS

NSSA Workers Compensation Fund purchased 30 383 278 shares and moved from 7th position to 6th position
Local Authorities Pension Fund had no changes in shareholding but position was forced down by purchases by other shareholders
Noel Hayes disposed all his shares during the year+A53A42A41:A51
Marriot Computing & Management Services disposed 700000 shares and moved one position down
Von Seidel-NNR Richard John moved from position 11 to 9 despite him maintaining his shareholding Solomon Tembo maintained his shareholding but moved up to position 10 due to sale by Noel Hayes
Guramatunhu Family Trust purchased 1 171 163 shares and consequently moved from 14th to 11th position
LHG Malta Holdings Limited disposed all its shares
Old Mutual Life Assurance Of Zimbabwe Limited bought 434 305 shares and moved one position up
Alpha Asset Management Nominees sold 1 137 811 shares moving down to 19th position
Stanbic Nominees (Pvt) Ltd-A/c 140043470003 sold 320 294 but due to the sale by Alpha Asset Management Nominees its position moved two places up
Mealcraft Investments P/L purchased 60 058 shares and now stands on 13th position
Salisbury General Investments Company P/L maintained its shareholding but moved to 15th position
Munster Investments (Pvt) Ltd maintained its shareholding but moved to 16th position
Anderson Robert maintained his shareholding but moved to 17th position
Remo Investments got into top 20 due to share movement developments of other shareholders
Kumalo B. Nkosentya got into top 20 due to share movement developments of other shareholders

NOTICE OF **ANNUAL GENERAL MEETING**

Notice is hereby given that the 21st Annual General Meeting (AGM) of members will be held in the Aquarium Room of Crowne Plaza Monomotapa Hotel, 54 Park Lane, Harare on the 26th of June 2019 at 10:00 hours, to consider the following business:

ORDINARY BUSINESS

1. **Financial Statements**
   To receive, consider and adopt the Financial Statements for the year ended 31 December 2018 together with the Report of the Directors and Auditors thereon.

2. **Directorate**

a) To appoint Mr M Haken who following his appointment to the Board post the 20th Annual General Meeting, retires in terms of Article 82 of the Company's Articles of Association, and being eligible offers himself for re-election.

b) To re-elect Messrs Mr B Kumalo, I Mvere and C von Seidel, who retire by rotation in terms of Article 75 of the Company's Articles of Association, and being eligible, offer themselves for re-election.

3. **Directors Remuneration**
   To approve the remuneration of the Directors for the year ended 31 December 2018.

4. **Independent Auditors Fees**
   To approve the remuneration of the Independent Auditors, PricewaterhouseCoopers Chartered Accountants (Zimbabwe), for the year ended 31 December 2018.

5. **Appointment of Independent Auditor**
   To reappoint PricewaterhouseCoopers Chartered Accountants (Zimbabwe) as the Independent Auditors for the Company for the ensuing year until the conclusion of the next Annual General Meeting.

SPECIAL BUSINESS

6. General Authority to buy back shares as an Ordinary Resolution
   Subject to the requirements of the Companies Act [Chapter 24:03] and Zimbabwe Stock Exchange, the Directors be and are hereby authorised to renew the authority granted on 20 June 2018, to buyback the Company's issued ordinary shares subject to the following terms and conditions:
   (i) That the purchase price shall not be lower than the nominal value of the Company's shares and not greater than 5% or lower than 5% of the weighted average trading price of the ordinary shares five (5) business days immediately preceding the date of the repurchase of such shares.
   (ii) The maximum number of shares that may be acquired shall not exceed 10% (ten percent) of the company's issued ordinary share capital.
   (iii) That this authority shall expire on the date of the next Annual General Meeting of the Company and shall not extend beyond 15 (fifteen) months from the date of the resolution.
   (iv) That the shares repurchased may be held for treasury purposes or cancelled as may be decided by the Board of Directors from time to time.

7. **To consider and if deemed fit pass with or without modification the following special resolution:-**
   "THAT in accordance with section 20 of the Companies Act [Chapter 24:03], the Company's Memorandum and Articles of Association shall be amended as follows:
   By the insertion of the words "or the Directors" to the first sentence of Article 99, to read as follows:

   A General Meeting of the Company or the Directors, may declare and pay in cash, in bonus shares of the Company, in shares or securities of other companies, in specie or otherwise, out of the net profits of the Company, after providing for all or contingent liabilities and for such reserves as the Board recommends, dividends not greater than are recommended to such meeting by the Board. The Directors may further from time to time declare and pay such interim dividends as they may think justified by the profits of the Company."

8. **To consider and if deemed fit pass with or without modification the following special resolution:-**
   "THAT in accordance with section 20 of the Companies Act [Chapter 24:03], the Company's Memorandum and Articles of Association shall be amended as follows:

   By the deletion of Article 114 which reads as follows,
   "A notice may be given by the company to any member either personally by sending it by post to him or to his registered address, if any, supplied by him to the Company for the giving of notice to him. Where the notice is sent by post, service of the notice shall be deemed to be effected by properly addressing, pre-paying and posting a letter containing the notice, and to have been effected in the case of a notice of a meeting at the expiration of twenty-four hours after the letter containing the same is posted and in any other case at the time at which the letter would be delivered in the ordinary course of post. In the case of joint holders notice shall be sent to the first named in the register of members."

   And substitution with the following :
   "A notice may be given by the company to any member either personally or by sending it by post to him or his registered address, electronic mail address or facsimile phone number, if any, supplied by him to the Company for the purpose of giving notice to him. The notice shall be deemed to be properly effected by properly addressing it to the member and if by post, pre-paying and posting the letter containing the notice. The notice shall be deemed delivered at the expiration of twenty-four hours after the letter containing the same is posted or sent. In the case of joint holders notice shall be sent to the first named in the register of members."

NOTICE OF **ANNUAL GENERAL MEETING** *(continued)*

9. **Any other business**
   To transact all such other business as may be transacted at an Annual General Meeting.

EXPLANATORY NOTE:-

TO THE GENERAL AUTHORITY TO BUY BACK SHARES

The Directors, in considering the effect of the purchase above, have reviewed the Company's budget and cash flow forecast for the period of twelve months after date of notice convening the Annual General Meeting. On the basis of this review, the Directors are satisfied that:

- The Company is in a strong financial position and will, in the ordinary course of business, be able to pay its debts for the period of twelve (12) months after the Annual General Meeting;
- The assets of the Company will be in excess of its liabilities for a period of twelve (12) months after the Annual General Meeting;
- The ordinary capital and reserves of the Company will be adequate for a period of twelve (12) months after the Annual General Meeting, and
- The working capital will be adequate for a period of twelve (12) months after the Annual General Meeting.

TO THE AMENDMENT OF ARTICLE 99 "DIVIDENDS"

In order to limit the devaluation of dividends, due to the effluxion of time between the realization of the same and the holding of a general meeting, the Directors propose to amend Article 99 of the Company's Articles of Association. The amendment will enable the Directors to declare and pay a dividend, as and when it is realized following which members will be asked to confirm the same at the preceding general meeting.

TO THE AMENDMENT OF ARTICLE 114 "NOTICES"

The digital era has rendered conventional methods of delivering notices cumbersome, expensive, inefficient and unreliable. The size and geographical spread of the Company's members requires that the Company takes advantage of the technological advances that increase communication efficiencies, and therefore deliver, where possible, such notices electronically.

Appointment of Proxy

(i) In terms of the Companies Act [Chapter 24:03] a member entitled to attend and vote at a meeting is entitled to appoint a proxy to attend, vote and speak in his stead. A proxy need not be a member of the Company.

(ii) Proxy Forms must be deposited at the registered office of the Company or at the office of the Transfer Secretaries (ZB Transfer Secretaries (Private) Limited, 21 Natal Road, Avondale, Harare, Zimbabwe) not less than 48 (forty-eight) hours before the time appointed for the holding of the meeting.

By order of the Board

L Madzinga
Group Company Secretary
4 June 2019

FORM OF **PROXY**

I/We...

(insert name in block letters)

Of...

(insert name in block letters)

Being a member/members of the above Zimre Holdings Limited (“ZHL” or the “Company”), hereby appoint Mr/Mrs/Ms...

....***(insert name in block letters)***

Of...***(insert address)***

Or failing him/her..***(insert name in block letters)***

Of...***(insert name in block letters)***

Or failing him/her..***(insert name in block letters)***

Of...***(insert address)***

Or failing him/her, the Chairman of the meeting as my/ our proxy to to attend, speak and vote for me/us on my/our behalf at the general meeting of the Company as specified above and any adjournments thereof.

SIGNED this..Day of..2019

Signature of Member/Director...

Name of Member ……...

(If for a body Corporate, kindly sign on behalf thereof)

NOTES

1. A member entitled to attend and vote at the meeting of the Company shall be entitled to appoint another person, whether a member of the Company or not, as his/her proxy to attend, vote and speak in his/her stand. Appointment of a proxy will not preclude a member from attending and voting at the meeting. Every person present and entitled to vote at a general meeting shall, on a show of hands, have one vote only, but in the event of a poll, every share shall have one vote.
2. Proxy forms should be lodged at the registered office of the Company or at the office of the Transfer Secretaries (specified overleaf) by no later than 48 (forty-eight) hours before the time of the holding of the meeting.
3. Any alterations or corrections made to this form of proxy (including the deletion of alternatives) must be initiated and signed for by the signatory/signatories.
4. The proxy form must be signed and dated for it to be valid.
5. Shareholders are requested to submit key questions in writing at least 5 (five) business days before the date of the meeting to enable comprehensive answers to be prepared. This will not preclude them from raising questions from the floor.
6. Documentary evidence in the form of a Board resolution establishing the authority of a person signing this form of proxy must be deposited together with the proxy form not less than 48 (forty-eight) hours before the meeting unless previously recorded by the Company Secretary of the Company’s Transfer Secretaries.
7. If two or more proxies appointed in the alternate attend the meeting then that person attending the meeting whose name appears first on the proxy form shall be regarded as the validly appointed proxy.
8. When there are joint holders of shares, any one holder may sign the form of proxy. In the case of joint holders, the senior who tenders a vote will be accepted to the exclusion of other joint holders. Seniority will be determined by the order in which names stand in the register of members.
9. This is a GENERAL PROXY allowing the proxy to vote on behalf of the member’s behalf on the resolutions properly proposed for the meeting and or any other business that may properly come before the meeting. The proxy can vote as he/she sees fit FOR or AGAINST a resolution unless given additional specific written directions as to how to vote on specific resolutions in which case those directions must be filed together with this General Proxy.

Transfer Secretaries: ZB Transfer Secretaries (Private) Limited, 21 Natal Road, Avondale, Harare, Zimbabwe

Registered Office: Block D, 2nd Floor, S’Matsatsa Office Park, Stand Number 10667,Borrowdale, Harare, Zimbabwe

Notice of Change of address

Members are encouraged to keep the Company and the Transfer Secretaries informed of any change in name or address:

Shareholder’s name in full ....***(insert name in block letters)***

New Address …..***(insert address)***

....,***(Physical or electronic)***

Signature/s of Signature member/s …………………………………………………………...