

ABRIDGED UNAUDITED FINANCIAL RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2019

CHAIRMAN'S STATEMENT

Introduction
It is my pleasure to present the financial statements for ZimRe Holdings Limited ("ZHL" or "the Company") and its subsidiaries (together "the Group") for the period 1 January to 30 June 2019. The financial statements were prepared in accordance with the new reporting and functional currency, the Zimbabwean Dollar ("ZWL") which came into effect on 24 June 2019 following the issuance of Statutory Instrument 142 of 2019, and other Statutory Instruments, directives and guidelines on the ongoing currency reforms in Zimbabwe.

Operating Environment

Domestic Zimbabwe

The Zimbabwean economy continued to regress on account of a poor agricultural season, power and foreign currency shortages, subdued performance of the mining sector, rapid devaluation of the ZWL leading to increased costs of key imports, sharp rise in inflation which peaked at 175.66% in June 2019, limited external support, inadequate infrastructure and depressed market confidence. These headwinds continue to hamper productivity and depress economic growth which is forecasted between -2% and -5.1% in 2019.

Regional Mozambique

Notwithstanding the negative impact of cyclones Idai and Kenneth at the beginning of the year, the Mozambican economy is expected to grow by 4% in 2019, propelled mainly by improved investor confidence, increased output in coal mining and investments into the natural gas projects.

Botswana

The mining sector in Botswana is expected to experience a slowdown resulting in a 3.9% muted growth in 2019.

Malawi

The Malawi economy is forecast to grow by 4% in 2019 on account of improvements in agricultural output, improving industrial base and return of donor support. Recent political disturbances following the May 2019 disputed elections are headwinds that might impact on the projected economic growth.

Zambia

The Zambian economy is expected to register muted growth of 3.1% in 2019 on account of reduced agricultural output, lower copper prices, rising inflation and a precarious debt position.

Group Performance Summary

The change in the currency regime from multi-currency to ZWL, has impacted on the reporting of the Group's financial position and performance for the half year ended 30 June 2019. Given the disparities between the requirements of local legislation as enshrined in Statutory Instrument 33 of 2019 and International Accounting Standards ("IAS") 21, 'The effects of changes in foreign exchange rates', the Board resolved that relative comparison to 2018 performance be undertaken with caution to users of these financial statements.

The Group recorded overall profitability in the six months anchored by profitability at ZimRe Property Investments (Private) Limited ("ZPI") following fair value gains on revaluation of investment property (driven by change in reporting currency), rental reviews and US\$ denominated revenue from sale of inventory property. Significant business growth in reinsurance also contributed positively, particularly in the Mozambican operation. Limiting factors were however noted in the domestic environment where businesses were adversely affected by the rising operational costs in line with surging inflation and erosion of consumer disposable incomes.

Statement of comprehensive income

Total Income

Total income was ZWL167.1 million (2018: ZWL14.9 million) on account of the continued business growth in the reinsurance operations especially in the regional subsidiaries which contributed 68% of the premium written, and letting of high value rental space by ZPI.

Total Expenditure

Claims and expenses amounted to ZWL40.6 million in 2019 (2018: ZWL14.2 million). Increase in total expenditure was largely driven by inflationary factors and foreign currency exchange losses in the domestic environment and negative claims experience in Zambia and Malawi.

Profit for the period

The Group posted a profit of ZWL117.6 million in the period under review driven by profitability at ZPI, domestic insurance operations and the Group's associates as well as positive claims experience.

Total Comprehensive Income for the Period

At ZWL185.6 million (2018: ZWL0.99 million), total comprehensive income is attributed to the exchange differences on the translation of foreign operations, fair value gains on financial assets, gains on property and equipment revaluations, and share of comprehensive income of associates. The significant gains reflect the hidden values that existed before the change in functional

currency where a rate of 1:1 (ZWL: USD) was applied before the introduction of the inter-bank rate.

Statement of Financial Position

As at 30 June 2019, total assets were ZWL433.5 million on the back of the revaluation of properties and monetary assets. Shareholders equity was at ZWL194.6 million on the back of profitability, the acquisition of additional stake in ZPI, revaluation of properties and change of functional currency.

Update on Significant Matters

Further to our communication in the 2018-year end report, I would like to update stakeholders on the following significant matters.

Emeritus International Capital Raise

The Group is currently undertaking the identification and shortlisting of potential investors as well as obtaining the requisite Zimbabwean regulatory and shareholder approvals. The capital raise is expected to unlock the full potential of the regional operations in terms of growth and performance after competitive capital has been raised.

CFI Holdings Limited ("CFI")

CFI remains suspended from trading on the ZSE as the governance issues highlighted by the regulatory authorities have not yet been finalised. It is however, pleasing to note that the retail operations of the CFI Group continued to register strong performance and profitability in the half year ended 31 March 2019. A Scheme of Arrangement has been approved by the creditors (of which CFI Holdings Limited was amongst) of Agrifoods.

Zimbabwe United Passenger Company Private Limited "ZUPCO"

Significant traction has been achieved with respect to discussions with government in examining the strategic options with regard to ZHL's investment in ZUPCO.

Directorate

There were no changes to the directorate in the period under review.

Interim Dividend

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 contingent liabilities and reserves. After a detailed consideration of the above policy, the Company's growth strategy and the uncertainty in the economy, the Board has considered it prudent not to declare an interim dividend for the half year ended 30 June 2019.

Outlook and Strategy

Group - wide

Despite the macro-economic challenges in the Zimbabwe economy and need to assess the impact of the fiscal and monetary policies being implemented to stimulate business performance and foreign investor confidence, the Group has gathered momentum in implementing business growth strategies premised and focused on the following: -

- Pursuing the speedy conclusion of the Emeritus International capital raise so as to capacitate its operations to perform to their full potential.
- Growing and strengthening the group balance sheet through mergers and acquisitions, exploiting group synergies, as well as sweating the existing assets to drive growth.
- Restructuring and realigning the property portfolio into property classes with high value lettable space value
- Operationalising and restructuring the private equity fund and make investments in key sectors of agriculture, tourism and financial services.

With increasing fear of the re-emergence of hyperinflationary conditions in Zimbabwe and a volatile exchange rate, cost control and value preservation continue as key focus areas for the Group.

Appreciation

The Board appreciates and pays tribute to the management and staff for their efforts in navigating through the difficult business environment especially in the domestic market. I would also like to thank all the Board members throughout the Group for their unwavering support and commitment, wise counsel and vision in taking the Group forward. Finally, I wish to thank the shareholders and stakeholders of the ZHL Group.



B.N. Khumalo
Chairman

11 September 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 JUNE 2019

| ASSETS | Note | Unaudited | Audited |
|--|------|--------------------|--------------------|
| | | Group | Group |
| | | 30 June 2019 | 31 Dec 2018 |
| | | ZWL | ZWL |
| Property and equipment | | 28 307 184 | 5 279 987 |
| Right of use of assets | | 157 538 | - |
| Investment property | 4 | 180 614 478 | 46 008 667 |
| Intangible assets | | 187 152 | 139 387 |
| Goodwill | | 325 803 | 325 803 |
| Investment in associates | | 12 568 774 | 5 352 764 |
| Deferred tax asset | | 6 568 986 | 2 764 128 |
| Inventory | | 2 676 654 | 2 805 445 |
| Trade and other receivables | 5 | 83 159 710 | 16 603 024 |
| Life reinsurance contract asset | | 156 100 | 156 100 |
| Current income tax receivable | | 6 060 878 | 1 022 781 |
| Deferred acquisition costs | | 8 493 734 | 2 002 809 |
| Financial assets: | | | |
| at fair value through profit or loss | | 15 223 489 | 6 314 770 |
| at amortised cost | | 12 149 147 | 6 156 876 |
| at fair value through other comprehensive income | | 27 573 202 | 5 181 669 |
| Cash and cash equivalents | | 49 308 600 | 9 792 554 |
| Total assets | | 433 531 429 | 109 906 764 |
| EQUITY AND LIABILITIES | | | |
| Equity attributable to equity holders of the parent | | | |
| Share capital | | 15 326 649 | 15 326 649 |
| Share premium | | 11 427 034 | 11 427 034 |
| Treasury shares | | (8 886) | (8,886.00) |
| Revaluation reserve | | 21 561 247 | 14 017 038 |
| Mark-to-market reserve | | 20 196 393 | 1 990 559 |
| Foreign currency translation reserve | | 29 179 852 | (8 165 707) |
| Retained earnings | | 96 967 668 | 20 803 807 |
| Total equity attributable to equity holders of the parent | | 194 649 957 | 55 390 494 |
| Non-controlling interest | | 65 094 966 | 18 714 474 |
| Total equity | | 259 744 923 | 74 104 968 |
| Liabilities | | | |
| Life reinsurance contract liabilities | | 2 029 600 | 2 029 600 |
| Lease liability | | 165 151 | - |
| Deferred income tax liability | | 12 258 438 | 1 697 790 |
| Borrowings | 6 | 7 606 396 | 3 962 351 |
| Trade and other payables | 7 | 91 106 329 | 15 181 434 |
| Short term insurance contract liabilities | 8 | 55 454 032 | 12 056 034 |
| Other provisions | | 5 166 560 | 874 587 |
| Total liabilities | | 173 786 506 | 35 801 796 |
| TOTAL EQUITY AND LIABILITIES | | 433 531 429 | 109 906 764 |

The notes next page are an integral part of these condensed financial statements.



B.N. Khumalo
Chairman



S. Kudenga
Group Chief Executive

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 30 June 2019

| INCOME | Note | Unaudited | Unaudited |
|---|------|---------------------|---------------------|
| | | Group | Group |
| | | 30 June 2019 | 30 June 2018 |
| | | ZWL | ZWL |
| INCOME | | | |
| Gross written premium | | 50 919 160 | 15 818 012 |
| Premium ceded | | (16 365 141) | (4 171 223) |
| Net premium written | | 34 554 019 | 11 646 789 |
| Unearned premium reserve | | (4 669 373) | (902 921) |
| Net premium earned | | 29 884 646 | 10 743 868 |
| Brokerage commission and fees | | 4 607 075 | 957 126 |
| Total Insurance income | | 34 491 721 | 11 700 994 |
| Rental income | | 1 620 122 | 1 078 378 |
| Fair value adjustments on investment property | | 121 802 052 | - |
| Revenue from sale of inventory property | | 1 753 841 | 414 980 |
| Property operating cost recoveries | | 625 520 | 295 465 |
| Investment income | | 1 380 669 | 662 140 |
| Other income | | 5 410 210 | 729 210 |
| Total income | | 167 084 135 | 14 881 167 |
| EXPENDITURE | | | |
| Insurance benefits and claims: | | | |
| Non-life insurance contracts | | (21 524 708) | (4 079 976) |
| Life insurance contracts | | (703 879) | (237 453) |
| Claims ceded to retrocessionaires | | 10 758 974 | 1 331 750 |
| | | (11 469 613) | (2 985 679) |
| Commission and acquisition expenses | | (11 734 527) | (3 828 552) |
| Operating and administrative expenses | 9 | (17 154 603) | (7 393 034) |
| Finance costs | | (224 501) | (3 682) |
| TOTAL EXPENDITURE | | (40 583 244) | (14 210 947) |
| Profit before share of profit of associates | | 126 500 891 | 670 220 |
| Share of profit of associates | | 869 662 | 372 747 |
| Profit before income tax | | 127 370 553 | 1 042 967 |
| Income tax expense | | (9 814 199) | (276 135) |
| Profit for the period | | 117 556 354 | 766 832 |
| Other comprehensive income | | | |
| Items that will not be reclassified to profit or loss | | | |
| Gains on property and equipment revaluations | | 9 362 500 | - |
| Share of other comprehensive income/(loss) of associates | | 6 346 348 | (59) |
| Income tax relating to components of other comprehensive income | | (468 125) | - |
| | | 15 240 723 | (59) |
| Items that may be reclassified subsequently to profit or loss | | | |
| Exchange differences on translating foreign operations | | 34 640 721 | (92 203) |
| Fair value gains on financial assets at fair value through other comprehensive income | | 18 205 834 | 334 312 |
| Income tax relating to components of other comprehensive income | | - | (16 716) |
| | | 52 846 555 | 225 393 |
| Other comprehensive income for the period net of tax | | 68 087 278 | 225 334 |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | | 185 643 632 | 992 166 |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

For the period ended 30 June 2019

| Profit/(loss) for the period attributable to: | Unaudited | Unaudited |
|---|--------------------|------------------|
| | Group | Group |
| | 30 June 2019 | 30 June 2018 |
| | ZWL | ZWL |
| Equity holders of the parent | 75 609 446 | 875 052 |
| Non-controlling interests | 41 946 908 | (108 260) |
| | 117 556 354 | 766 832 |
| Total comprehensive income/(loss) attributable to: | | |
| Equity holders of the parent | 138 705 049 | 1 114 161 |
| Non-controlling interests | 46 938 583 | (121 995) |
| | 185 643 632 | 992 166 |
| Total comprehensive income attributable to owners of Zimre Holdings Limited arising from | | |
| Continuing operations | 138 705 049 | 1 114 161 |
| Discontinued operations | - | - |
| | 138 705 049 | 1 114 161 |
| Earnings per share from profit on continuing operations attributable to owners of Zimre Holdings Limited | | |
| Basic and diluted earnings per share (ZWL cents): | 9.05 | 0.07 |
| Earnings per share from loss on discontinued operations attributable to owners of Zimre Holdings Limited | | |
| Basic and diluted earnings per share (ZWL cents): | - | - |
| Earnings per share attributable to owners of Zimre Holdings Limited | | |
| Basic and diluted earnings per share (ZWL cents): | 9.05 | 0.07 |
| Headline per share attributable to owners of Zimre Holdings Limited (ZWL cents) | 9.03 | 0.07 |

The notes next page are an integral part of these condensed financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 30 June 2019

| Cash flows from operating activities | Unaudited | Unaudited |
|---|--------------------|--------------------|
| | Group | Group |
| | 30 June 2019 | 30 June 2018 |
| | ZWL | ZWL |
| Profit before income tax | 127 370 553 | 1 042 967 |
| Non-cash items | (117 649 083) | (448 638) |
| Operating cash flow before working capital changes | 9 721 470 | 594 329 |
| Working capital changes | 9 502 000 | (533 135) |
| Cash generated from operations | 19 223 470 | 61 194 |
| Finance costs | (229 501) | (3 682) |
| Income tax paid | (280 673) | (344 565) |
| Net cashflow from operating activities | 18 713 296 | (287 053) |
| Net cash utilised in investing activities | (7 228 842) | (7 827 023) |
| Net cash flow from financing activities | (546 338) | (580 029) |
| Increase/(decrease) in cash and cash equivalents during the period | 10 938 116 | (8 694 105) |
| Cash and cash equivalent at beginning of the period | 24 417 087 | 24 417 087 |
| Effect of exchange rate movement | 13 953 397 | (128 262) |
| Cash and cash equivalent at the end of the period | 49 308 600 | 15 594 720 |

The notes next page are an integral part of these condensed financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 June 2019

| | Share capital ZWL | Share premium ZWL | Treasury shares ZWL | Revaluation reserve ZWL | Mark-to-market reserve ZWL | FVTOCI reserve ZWL | Foreign currency translation reserve ZWL | Retained earnings ZWL | Total attributable to equity holders of parent ZWL | Non-controlling interest ZWL | Total equity ZWL |
|---|----------------------|----------------------|------------------------|----------------------------|-------------------------------|-----------------------|---|--------------------------|---|---------------------------------|---------------------|
| Period ended 30 June 2019 | | | | | | | | | | | |
| Balance as at 1 January 2019, as previously reported | 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 |
| Changes on initial application of IFRS 16 | - | - | - | - | - | - | - | (3 676) | (3 676) | - | (3 676) |
| Balance as at 1 January 2019, as restated | 15 326 649 | 11 427 034 | (8 886) | 14 017 038 | - | 1 990 559 | (8 165 707) | 20 800 131 | 55 386 818 | 18 714 474 | 74 101 292 |
| Total comprehensive income for the period | - | - | - | 7 544 209 | - | 18 205 834 | 37 345 559 | 75 609 446 | 138 705 048 | 46 938 583 | 185 643 631 |
| Profit for the period | - | - | - | - | - | - | - | 75 609 446 | 75 609 446 | 41 946 908 | 117 556 354 |
| Other comprehensive income for the period net of tax | - | - | - | 7 544 209 | - | 18 205 834 | 37 345 559 | - | 63 095 602 | 4 991 675 | 68 087 277 |
| Transactions with owners in their capacity as owners : | | | | | | | | | | | |
| Change in degree of control | - | - | - | - | - | - | - | 558 091 | 558 091 | (558 091) | - |
| Balance as at 30 June 2019 | 15 326 649 | 11 427 034 | (8 886) | 21 561 247 | - | 20 196 393 | 29 179 852 | 96 967 668 | 194 649 957 | 65 094 966 | 259 744 923 |
| Period ended 30 June 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 |
| Changes on initial application of IFRS 9 | - | - | - | - | (650 181) | 650 181 | - | (81 430) | (81 430) | (2 467) | (83 897) |
| Balance as at 1 January 2018, as restated | 15 331 003 | 11 427 034 | - | 13 920 328 | - | 650 181 | (7 512 006) | 15 801 057 | 49 617 597 | 21 825 779 | 71 443 376 |
| Total comprehensive income for the period | - | - | - | - | - | 317 597 | (78 527) | 875 092 | 1 114 162 | (121 995) | 992 167 |
| Profit/(loss) for the period | - | - | - | - | - | - | - | 875 092 | 875 092 | (108 260) | 766 832 |
| Other comprehensive income for the period net of tax | - | - | - | - | - | 317 597 | (78 527) | - | 239 070 | (13 735) | 225 335 |
| Transactions with owners in their capacity as owners : | | | | | | | | | | | |
| Dividend declared and paid | (4 354) | - | (8 886) | - | - | - | - | 423 833 | 410 593 | (630 517) | (219 924) |
| Share buy-back | (4 354) | - | (8 886) | - | - | - | - | - | (13 240) | - | (13 240) |
| Change in degree of control | - | - | - | - | - | - | - | 423 833 | 423 833 | (423 833) | - |
| Balance as at 30 June 2018 | 15 326 649 | 11 427 034 | (8 886) | 13 920 328 | - | 967 778 | (7 590 533) | 17 099 982 | 51 142 352 | 21 073 267 | 72 215 619 |

**ABRIDGED
UNAUDITED
FINANCIAL
RESULTS FOR
THE HALF
YEAR ENDED
30 JUNE 2019**
NOTES TO THE ABRIDGED CONSOLIDATED FINANCIAL RESULTS
1. CORPORATE INFORMATION

The principal activity of Zimre Holdings Limited ("ZHL" or the "Company") and its subsidiaries and associates (together "the Group") is the provision of insurance, reinsurance and reinsurance 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 ("ZSE").

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

The abridged financial statements of the Group for the six months ended 30 June 2019 were authorised for issue by a resolution of the Board of Directors on 11 September 2019.

2. BASIS OF PREPARATION

These condensed consolidated financial statements for the six months ended 30 June 2019 have been prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting.

The condensed financial statements do not include all the notes of the type normally included in an annual financial report. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 31 December 2018. The Group's financial statements as at 31 December 2018 did not fully comply with International Financial Reporting Standards ("IFRS") due to non-compliance with IAS 21, 'The effects of changes in foreign exchange rates', as noted on 2.1 below.

2.1 Reporting currency

The Group's functional and reporting currency changed from United States of America dollar ("US\$") to Zimbabwean dollar ("ZWL") following the re-introduction of a local currency on 22 February 2019 and the establishment of an interbank currency market in Zimbabwe through Statutory Instruments ("SI") 32 and 33 of 2019 and Exchange Control Directive RU28 of 2019.

The local currency started to trade officially against other international currencies on 22 February, 2019 at a reference rate of US\$1:ZWL2.5.

In terms of SI33 all assets and liabilities that were, expressed in US\$ were deemed, for accounting purposes, on and after the effective date, to be valued in the local currency at par with the US\$. As a result, no adjustment has been made on prior period figures, which were previously expressed in US\$ and have been reckoned to have, then, assumed the same values in ZWL. The convertibility of monetary balances as at the end of the prior year into other international currencies at the presumed rate of US\$1:ZWL1 was however significantly impaired resulting in various exchange rate scenarios being adopted by the market, substantially at variance with the exchange parity maintained at policy level.

2.2 Accounting policies

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out below.

New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies and make retrospective adjustments as a result of adopting the following standards:

-International Financial Reporting Standards ("IFRS") 16, 'Leases'.

The impact of the adoption of these standards and the new accounting policies are disclosed in note 3 below.

3. CHANGE IN ACCOUNTING POLICIES

This note explains the impact of the adoption of IFRS 16 on the Group's financial statements and also discloses the new accounting policies that have been applied from 1 January 2019, where they are different to those applied in prior periods.

The Group has adopted IFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019

3.1.1 IFRS 16 Leases
Impact on the financial statements

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rates applied to the lease liabilities on 1 January 2019 range from 12% to 25% depending on jurisdiction.

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.

Statement of financial position (extract)

| | 31 Dec 2018 | | 1 Jan 2019 | |
|--|-----------------------------|----------------|--------------------|----------|
| | As originally stated ZWL | IFRS 16 ZWL | As restated ZWL | ZWL |
| Property and equipment | 5 279 987 | - | 5 279 987 | - |
| Right of use of assets | - | 193 892 | 193 892 | - |
| Investment property | 46 008 667 | - | 46 008 667 | - |
| Trade and other receivables | 16 603 024 | - | 16 603 024 | - |
| Financial assets : | | | | |
| at fair value through profit or loss ("FVPL") | 6 314 770 | - | 6 314 770 | - |
| at amortised cost | 6 156 876 | - | 6 156 876 | - |
| at fair value through other comprehensive income ("FVOCI") | 5 181 669 | - | 5 181 669 | - |
| Cash and cash equivalents | 9 792 554 | - | 9 792 554 | - |
| Total assets | 109 906 764 | 193 892 | 110 100 656 | - |
| Retained earnings | 20 803 807 | (3 676) | 20 800 131 | - |
| Non-controlling interest | 18 714 474 | - | 18 714 474 | - |
| Lease liability | - | 197 568 | 197 568 | - |
| Total equity and liabilities | 109 906 764 | 193 892 | 110 100 656 | - |

3.1.2 Adjustments recognised on adoption of IFRS 16

For the lease liability and associated right of use of assets measurement was done on a retrospective basis as if IFRS 16 rules have always been applied. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

| | 30 Jun 2019 ZWL | 1 Jan 2019 ZWL |
|------------|--------------------|-------------------|
| Properties | 157 538 | 193 892 |

Practical expedients in applying IFRS 16

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying IAS 17 and IFRIC 4, 'Determining whether an Arrangement contains a Lease'.

The Group's leasing activities and how they are accounted for

The Group leases various offices. Rental contracts are typically made for fixed periods of 3 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the lease term on a straight-line basis.

| | Unaudited Group 30 Jun 2019 ZWL | Audited Group 31 Dec 2018 ZWL |
|---|---------------------------------------|-------------------------------------|
| 4. INVESTMENT PROPERTY | | |
| Opening balance | 46 008 667 | 37 784 845 |
| Acquisition and development | 6 306 969 | 10 893 181 |
| Disposals | - | (1 742 500) |
| Fair value gain/(loss) recognised in profit or loss | 121 802 051 | (869 529) |
| Exchange rate movement on foreign operations | 6 496 791 | (57 335) |
| Closing balance | 180 614 478 | 46 008 667 |

Investment properties, principally freehold office buildings, are held for long term rental yields and are not occupied by the Group. They are carried at fair value.

| | Unaudited Group 30 Jun 2019 ZWL | Audited Group 31 Dec 2018 ZWL |
|---------------------------------------|---------------------------------------|-------------------------------------|
| 5. TRADE AND OTHER RECEIVABLES | | |
| Reinsurance receivables | 66 375 953 | 11 965 665 |
| Rental and stand sales receivables | 2 869 445 | 2 441 807 |
| Related party receivables | 19 728 431 | 1 057 887 |
| Prepayments and other | 9 563 223 | 5 859 809 |
| Less: allowance for credit losses | (15 377 342) | (4 722 144) |
| | 83 159 710 | 16 603 024 |

6. BORROWINGS

The borrowings are at an average interest rate of 13.95% and are encumbered against stand 16591 Harare Township, stand 353 Bulawayo Township and building 141/8 Marginal Avenue Maputo.

7. TRADE AND OTHER PAYABLES

| | | |
|--------------------------------|-------------------|-------------------|
| Due to retrocessionaires | 57 841 823 | 9 671 350 |
| Accruals and other liabilities | 33 264 506 | 5 510 084 |
| | 91 106 329 | 15 181 434 |

8. SHORT TERM INSURANCE CONTRACT LIABILITIES

| | | |
|--|-------------------|-------------------|
| Outstanding claims | 18 376 815 | 3 625 427 |
| Provision for incurred but not reported claims | 5 776 291 | 1 916 201 |
| Unearned premium provision | 31 300 926 | 6 514 406 |
| | 55 454 032 | 12 056 034 |

9. OPERATING AND ADMINISTRATION EXPENSES

Operating and administration expenses include the following disclosable expenses:

| | | |
|-----------------|-----------|-----------|
| Audit fees | 435 722 | 167 505 |
| Directors' fees | 890 255 | 227 766 |
| Staff costs | 6 330 461 | 2 729 286 |
| Depreciation | 558 138 | 179 845 |

10. SEGMENT RESULTS

| | Total income | | Profit/(loss) before income tax | |
|-----------------------|--------------------|--------------------|---------------------------------|--------------------|
| | 30 Jun 2019 ZWL | 30 Jun 2018 ZWL | 30 Jun 2019 ZWL | 30 Jun 2018 ZWL |
| Reinsurance | 31 020 811 | 10 509 443 | (2 676 901) | 730 123 |
| Reassurance | 4 999 902 | 1 788 718 | 2 725 501 | 396 947 |
| Short term insurance | 2 638 106 | 1 064 202 | 1 312 343 | 129 930 |
| Property | 128 898 332 | 1 944 488 | 125 880 357 | 36 045 |
| Other and adjustments | (473 016) | (425 684) | 129 253 | (250 079) |
| | 167 084 135 | 14 881 167 | 127 370 553 | 1 042 966 |

Geographical information

| | Total income | | Profit/(loss) before income tax | |
|--------------|--------------------|--------------------|---------------------------------|--------------------|
| | 30 Jun 2019 ZWL | 30 Jun 2018 ZWL | 30 Jun 2019 ZWL | 30 Jun 2018 ZWL |
| Zimbabwe | 144 564 530 | 10 006 034 | 127 071 112 | 1 588 896 |
| Malawi | 7 888 854 | 1 696 214 | (862 619) | 127 628 |
| Zambia | 3 761 198 | 1 354 859 | (797 259) | (93 015) |
| Mozambique | 8 101 237 | 1 384 641 | 1 198 301 | (347 363) |
| Botswana | 4 296 675 | 905 900 | 21 990 | 79 983 |
| South Africa | - | 7 199 | - | (152 062) |
| Adjustments | (1 528 359) | (473 680) | 739 028 | (161 101) |
| | 167 084 135 | 14 881 167 | 127 370 553 | 1 042 966 |

11. KEY RELATED PARTY TRANSACTIONS

During the period, the Group acquired an additional shareholding in Zimre Property Investments Limited as shown below:

| | |
|----------------------------|-----------|
| Additional interest bought | 1.11% |
| Interest after purchase | 64.35% |
| Purchase price | \$478 290 |
| Bargain on purchase | \$79 801 |

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