

# 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 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

12 September 2019

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 JUNE 2019

ASSETS	Note	Unaudited Group	Audited Group
		30 June 2019 ZWL	31 Dec 2018 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
<b>Total assets</b>		<b>433 531 429</b>	<b>109 906 764</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the parent</b>			
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
<b>Total equity attributable to equity holders of the parent</b>		<b>194 649 957</b>	<b>55 390 494</b>
Non-controlling interest		65 094 966	18 714 474
<b>Total equity</b>		<b>259 744 923</b>	<b>74 104 968</b>
<b>Liabilities</b>			
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
<b>Total liabilities</b>		<b>173 786 506</b>	<b>35 801 796</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>433 531 429</b>	<b>109 906 764</b>

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



BN Kumalo  
Chairman



S Kudenga  
Group Chief Executive

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 30 June 2019

INCOME	Note	Unaudited Group	Unaudited Group
		30 June 2019 ZWL	30 June 2018 ZWL
<b>Gross written premium</b>		<b>50 919 160</b>	<b>15 818 012</b>
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)
<b>Net premium earned</b>		<b>29 884 646</b>	<b>10 743 868</b>
Brokerage commission and fees		4 607 075	957 126
<b>Total Insurance income</b>		<b>34 491 721</b>	<b>11 700 994</b>
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
<b>Total income</b>		<b>167 084 135</b>	<b>14 881 167</b>
<b>EXPENDITURE</b>			
<b>Insurance benefits and claims:</b>			
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)
<b>TOTAL EXPENDITURE</b>		<b>(40 583 244)</b>	<b>(14 210 947)</b>
<b>Profit before share of profit of associates</b>		<b>126 500 891</b>	<b>670 220</b>
Share of profit of associates		869 662	372 747
<b>Profit before income tax</b>		<b>127 370 553</b>	<b>1 042 967</b>
Income tax expense		(9 814 199)	( 276 135)
<b>Profit for the period</b>		<b>117 556 354</b>	<b>766 832</b>
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to profit or loss</b>			
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)
<b>Items that may be reclassified subsequently to profit or loss</b>			
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)
		<b>52 846 555</b>	<b>225 393</b>
<b>Other comprehensive income for the period net of tax</b>		<b>68 087 278</b>	<b>225 334</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>185 643 632</b>	<b>992 166</b>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

For the period ended 30 June 2019

	Unaudited Group	Unaudited Group
	30 June 2019 ZWL	30 June 2018 ZWL
Profit/(loss) for the period attributable to:		
Equity holders of the parent	75 609 446	875 092
Non-controlling interests	41 946 908	( 108 260)
	<b>117 556 354</b>	<b>766 832</b>
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)
	<b>185 643 632</b>	<b>992 166</b>
<b>Total comprehensive income attributable to owners of Zimre Holdings Limited arising from</b>		
Continuing operations	138 705 049	1 114 161
Discontinued operations	-	-
	<b>138 705 049</b>	<b>1 114 161</b>
<b>Earnings per share from profit on continuing operations attributable to owners of Zimre Holdings Limited</b>		
Basic and diluted earnings per share (ZWL cents):	9.05	0.07
<b>Earnings per share from loss on discontinued operations attributable to owners of Zimre Holdings Limited</b>		
Basic and diluted earnings per share (ZWL cents):	-	-
<b>Earnings per share attributable to owners of Zimre Holdings Limited</b>		
Basic and diluted earnings per share (ZWL cents):	9.05	0.07
<b>Headline earnings per share attributable to owners of Zimre Holdings Limited (ZWL cents)</b>	<b>9.03</b>	<b>0.07</b>

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

	Unaudited Group	Unaudited Group
	30 June 2019 ZWL	30 June 2018 ZWL
<b>Cash flows from operating activities</b>		
Profit before income tax	127 370 553	1 042 967
Non-cash items	(117 649 083)	( 448 638)
<b>Operating cash flow before working capital changes</b>	<b>9 721 470</b>	<b>594 329</b>
Working capital changes	9 502 000	( 533 135)
<b>Cash generated from operations</b>	<b>19 223 470</b>	<b>61 194</b>
Finance costs	( 229 501)	( 3 682)
Income tax paid	( 280 673)	( 344 565)
<b>Net cashflow from operating activities</b>	<b>18 713 296</b>	<b>( 287 053)</b>
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)
<b>Cash and cash equivalent at beginning of the period</b>	<b>24 417 087</b>	<b>24 417 087</b>
<b>Effect of exchange rate movement</b>	<b>13 953 397</b>	<b>( 128 262)</b>
<b>Cash and cash equivalent at the end of the period</b>	<b>49 308 600</b>	<b>15 594 720</b>

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**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
<b>Period ended 30 June 2019</b>											
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)
<b>Balance as at 1 January 2019, as restated</b>	<b>15 326 649</b>	<b>11 427 034</b>	<b>(8 886)</b>	<b>14 017 038</b>	<b>-</b>	<b>1 990 559</b>	<b>(8 165 707)</b>	<b>20 800 131</b>	<b>55 386 818</b>	<b>18 714 474</b>	<b>74 101 292</b>
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7 544 209</b>	<b>-</b>	<b>18 205 834</b>	<b>37 345 559</b>	<b>75 609 446</b>	<b>138 705 048</b>	<b>46 938 583</b>	<b>185 643 631</b>
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
<b>Transactions with owners in their capacity as owners :</b>											
Change in degree of control	-	-	-	-	-	-	-	558 091	558 091	(558 091)	-
<b>Balance as at 30 June 2019</b>	<b>15 326 649</b>	<b>11 427 034</b>	<b>(8 886)</b>	<b>21 561 247</b>	<b>-</b>	<b>20 196 393</b>	<b>29 179 852</b>	<b>96 967 668</b>	<b>194 649 957</b>	<b>65 094 966</b>	<b>259 744 923</b>
<b>Period ended 30 June 2018</b>											
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)
<b>Balance as at 1 January 2018, as restated</b>	<b>15 331 003</b>	<b>11 427 034</b>	<b>-</b>	<b>13 920 328</b>	<b>-</b>	<b>650 181</b>	<b>(7 512 006)</b>	<b>15 801 057</b>	<b>49 617 597</b>	<b>21 825 779</b>	<b>71 443 376</b>
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>317 597</b>	<b>(78 527)</b>	<b>875 092</b>	<b>1 114 162</b>	<b>(121 995)</b>	<b>992 167</b>
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
<b>Transactions with owners in their capacity as owners :</b>	<b>(4 354)</b>	<b>-</b>	<b>(8 886)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>423 833</b>	<b>410 593</b>	<b>(630 517)</b>	<b>(219 924)</b>
Dividend declared and paid	-	-	-	-	-	-	-	-	-	(206 684)	(206 684)
Share buy-back	(4 354)	-	(8 886)	-	-	-	-	-	(13 240)	-	(13 240)
Change in degree of control	-	-	-	-	-	-	-	423 833	423 833	(423 833)	-
<b>Balance as at 30 June 2018</b>	<b>15 326 649</b>	<b>11 427 034</b>	<b>(8 886)</b>	<b>13 920 328</b>	<b>-</b>	<b>967 778</b>	<b>(7 590 533)</b>	<b>17 099 982</b>	<b>51 142 352</b>	<b>21 073 267</b>	<b>72 215 619</b>

**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 12 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	-
<b>Total assets</b>	<b>109 906 764</b>	<b>193 892</b>	<b>110 100 656</b>	
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	
<b>Total equity and liabilities</b>	<b>109 906 764</b>	<b>193 892</b>	<b>110 100 656</b>	

**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.

**4. INVESTMENT PROPERTY**

	Unaudited Group 30 Jun 2019 ZWL	Audited Group 31 Dec 2018 ZWL
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)
<b>Closing balance</b>	<b>180 614 478</b>	<b>46 008 667</b>

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
<b>5. TRADE AND OTHER RECEIVABLES</b>		
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)
	<b>83 159 710</b>	<b>16 603 024</b>

**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
	<b>91 106 329</b>	<b>15 181 434</b>

**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
	<b>55 454 032</b>	<b>12 056 034</b>

**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)
	<b>167 084 135</b>	<b>14 881 167</b>	<b>127 370 553</b>	<b>1 042 966</b>

**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)
	<b>167 084 135</b>	<b>14 881 167</b>	<b>127 370 553</b>	<b>1 042 966</b>

**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.