2019 ANNUAL REPORT

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ABOUT THE INSURANCE AND PENSIONS COMMISSION

Who we are

The Insurance and Pensions Commission (IPEC) is a statutory body established in terms of the Insurance and Pensions Commission Act [Chapter 24:21], to regulate the insurance and pensions industry with the objective of protecting the interests of policyholders and pension scheme members.

The Commission reports to the Ministry of Finance and Economic Development.

Our Vision

"A safe, vibrant and sustainable insurance and pensions industry by 2022."

Our Mission

"To regulate, supervise and strengthen the insurance and pension industry for the protection of policyholders and pension scheme members through regulatory excellence."

Our Values

Fairness

We shall develop and apply rules, regulations and procedures equitably among all clients and stakeholders.

Integrity

We are fair, ethical and honest in our dealings with all our stakeholders. In doing so, we apply agreed policies equally to all, maintain the highest of personal, professional and ethical conduct.

Excellence

We are exemplary in the way we do our business. We strive to exceed expectations by upholding the utmost quality standards in carrying out our work.

CORPORATE INFORMATION

Address: 160 Rhodesville Avenue, Greendale, **Harare**

Telephone Numbers: 0242- 443358/61/443422 or 0772 154 281-4

Email: enquiry@ipec.co.zw

Website: www.ipec.co.zw

Names of External Auditors: Nolands Harare, Chartered Accountants

Lawyers: Sawyer and Mkushi Legal Practitioners
Muvingi and Mugadza Legal Practitioners

Banks: FBC Bank and CBZ Bank

30 April 2020

Honourable Prof. M. Ncube
Ministry of Finance and Economic Development
Mgandane Dlodlo Building, 6th Floor, B. Block,
Cnr. Samora Machel Avenue/Simon Mazorodze Street,
Harare

Dear Honourable Minister

INSURANCE AND PENSIONS COMMISSION ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

In accordance with section 49 (1) (d) of the Public Finance Management Act [Chapter 22;19], I have the pleasure to submit to you, the Insurance and Pensions Commission Annual Report and financial statements for the year ended 31 December 2019.

Yours faithfully,

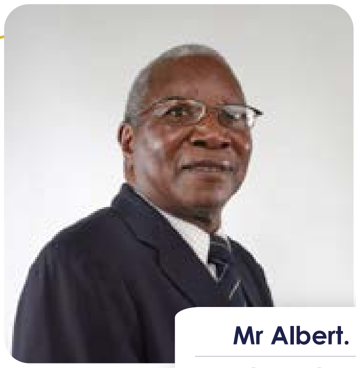
A. J. Nduna

Board Chairman

Insurance and Pensions Commission

160 Rhodesville Avenue, Greendale P.O.Box HR6773 Harare Tel: 443358/361/422 Fax: 443304
Cell: 0772 154 281, 0772 154 282, 0772 154 283, 0772 154 284

THE BOARD OF DIRECTORS



Mr Albert. J. Nduna
BOARD CHAIRPERSON

Mrs Annah Mashingaidze
BOARD VICE CHAIRPERSON

Mr David Mureriwa
BOARD MEMBER

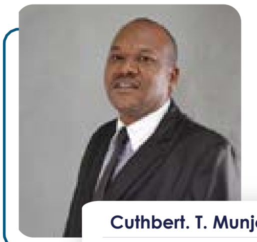
Mr Godwin Nyengedza
BOARD MEMBER

Mrs Judith Rusike
BOARD MEMBER

Dr Grace Muradzikwa
COMMISSIONER

MANAGEMENT

Dr Grace Muradzikwa
COMMISSIONER



Cuthbert. T. Munjoma
DIRECTOR PENSIONS

Sibongile Siwela
DIRECTOR INSURANCE & MICROINSURANCE

Blessmore Kazengura
DIRECTOR FINANCE

Samantha Nhende
DIRECTOR LEGAL & COMPANY SECRETARIAL

Vincent Mutata
INTERNAL AUDITOR

Patrick Gombe
ACTUARIAL MANAGER

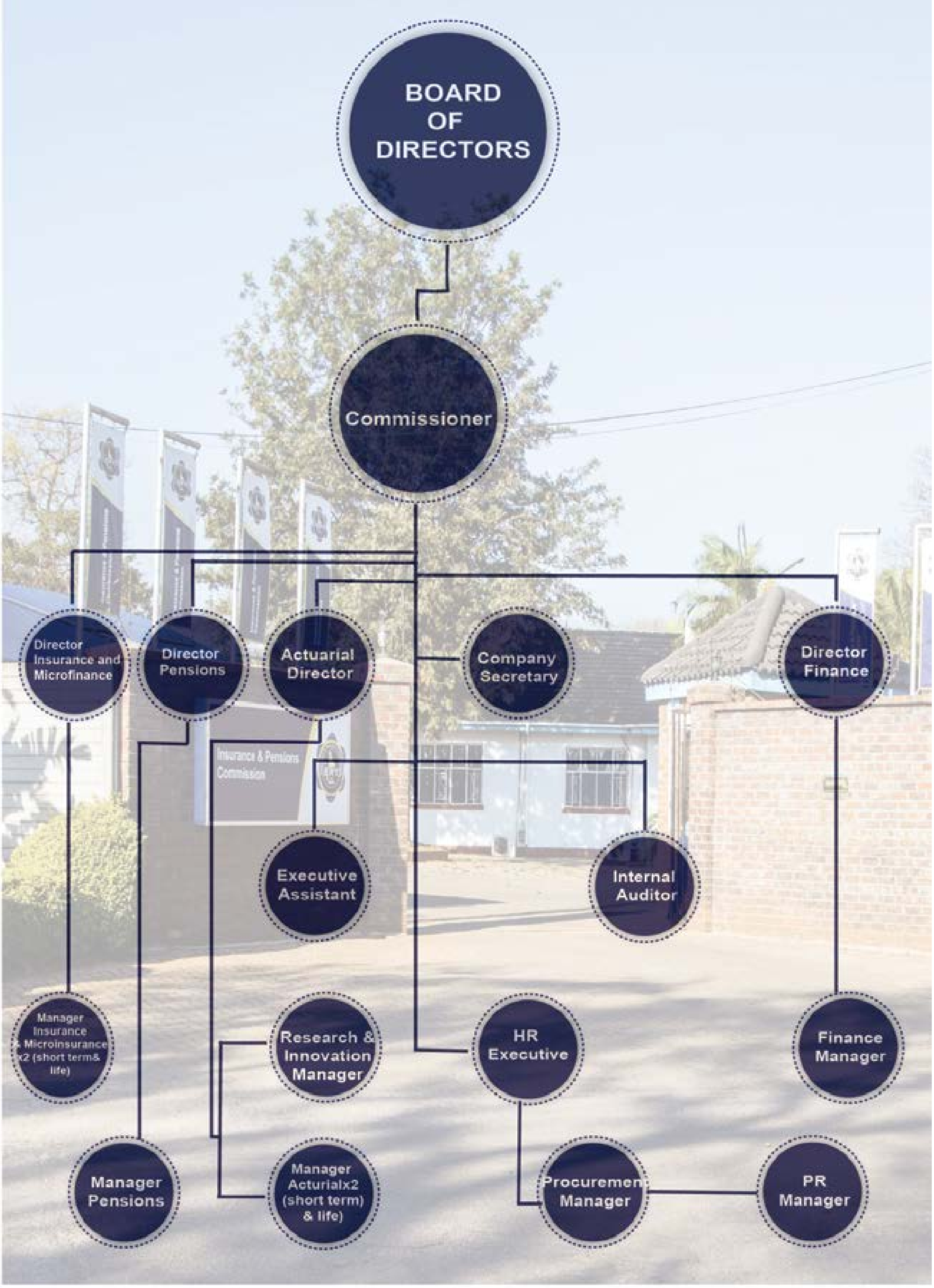
Ratidzo Masango
HUMAN RESOURCES EXECUTIVE

Lloyd Gumbo
PUBLIC RELATIONS MANAGER

Munyaradzi Machinjika
MANAGER RESEARCH AND INNOVATION

Takesure Chabaya
ACTING PROCUREMENT MANAGER

MANAGEMENT ORGANOGRAM



CHAIRMAN'S STATEMENT

Opening Remarks

It is my pleasure to present the 2nd Annual Report for the Insurance and Pensions Commission, which highlights the state of affairs in the Commission and performance of the insurance and pensions industry during the year 2019.

Overview of the Operating Environment

The 2019 operating environment was challenging as evidenced by the contraction of the economy by 6.5% against an average growth of 2.5% for SADC countries and 3.9% for emerging economies. The negative economic growth was mostly on account of the climate change-induced 2018/19 drought that resulted in food insecurity, adverse impact of Cyclone Idai on agricultural productivity, depressed electricity generation owing to low water levels in Lake Kariba, foreign currency supply bottlenecks, currency depreciation and resurgence of inflation which saw the average monthly inflation rising from 9% in December 2018 to 17% in December 2019.

The year 2019 witnessed an upward inflation trajectory as evidenced by the year-onyear inflation which opened the year at 56.1% and stood at 175% in June when Government stopped the publication of annual inflation statistics. Month-on-month inflation opened the year at 10.75% and closed at 16.55%, with the annual monthly average being 17%.
The country also experienced continued depreciation of the local currency against the USD during the year under review. The exchange rate depreciated from US$1:ZWL$2.5 in February 2019 to US$1:ZWL16.77 in December 2019.
The following Currency Reforms implemented in 2019 were a key structural development in the economy:-

a) On the 22nd of February 2019 Statutory Instrument 33 of 2019 (SI 33) was issued as an amendment to the Reserve Bank of Zimbabwe Act and it introduced a new currency named the RTGS Dollar/ ZWL$ at a base rate of USD1:ZWL$2.5. Another Exchange Control Directive RU 28 of 2019 was issued at the time which introduced an interbank market for trading US$ as well as other currencies in the multi-currency regime.

b) On June 24 2019 the Government gazetted Statutory Instrument 142 of 2019 which outlawed the use of multi-currencies and compelled that all transactions be made in local currency (RTGS Dollar/ZWL$). These reforms had a negative bearing on the insurance and pensions industry reminiscent of the 2008/9 experience which resulted in erosion of value. They also had a bearing on the operations and financial reforms were introduced at a time when IPEC was seized with the implementation of the Justice-Smith led Commission of Inquiry into the Conversion of Insurance and Pension Values from the ZWL to the US$, particularly the recommended compensation framework, among other recommended reforms.

In response to the 2019 currency reforms, the Commission refocused its attention to the development of a Guidance Paper on Adjusting of Insurance and Pension Values to augment the guidance that had been issued by monetary authorities to guide the transition. The Guidance Paper is aimed at protecting policyholders and pensioners from the unintended consequences of the currency reforms. It seeks to ensure a fair and equitable allocation of revaluation gains that resulted from the conversion from the US$ to the ZWL$. The Guidance Paper also requires restatement of insurance contracts from the multi-currency regime to the Zimbabwe dollar as informed by asset supporting the liabilities.

Notwithstanding the challenging macroeconomic environment, the Commission registered significant regulatory milestones during the year under review, the details of which, are outlined in this report.

Appointment of the IPEC Board

The current board was appointed by the Minister of Finance and Economic Development in June 2019.

I appreciate the confidence that was bestowed upon me by Government to lead the regulatory body that is charged with oversight responsibility on a strategic industry to the economy with over 3,000 regulated entities. I wish to commend my fellow board members, for the commitment and enthusiasm demonstrated to date in discharging the Board's oversight function. I wish them success throughout their tenure. I have no doubt that with their rich and diverse competences, IPEC will attain its vision of a safe, vibrant and sustainable insurance and pensions industry by 2022.

Management Changes

Dr Grace Muradzikwa was appointed Commissioner of Insurance, Pension and Provident Funds effective 01 June 2019. She brings with her a wealth of experience spanning three decades as an insurance practitioner and executive. Ms Samantha Nhende was appointed Director, Legal and Company Secretarial on 01 February 2019 and she joined the Commission from the insurance industry. Mrs Sibongile Siwela was appointed Director Insurance and Microinsurance on 01 May 2019. She also joined the Commission from the insurance industry where she had accumulated vast experience in insurance.

Review of IPEC's Strategic Plan

The Board reviewed the Commission's Strategic Plan (2020 to 2022) during the second half of the year to ensure its alignment with national policy direction and the Integrated Results-Based Management Framework. The review was also aimed at ensuring that the Commission is responsive to market dynamics, as well as emerging risks in the insurance and pensions industry. The successful implementation of the strategic plan is expected to enhance the insurance and pensions industry's contribution to the following national social economic pillars:-

- Inclusive economic Growth;
- Social development;

- Governance;
- Macro-Economic Stability and Financial Re-engagement; and
- Cross Cutting Enablers – ICT and Infrastructure projects.

Accordingly, the Integrated Agency Performance Agreement, Commissioner's Contract and Board Contract with the Minister and the Departmental Integrated Performance Agreements were aligned with the reviewed strategic plan.

Annual General Meeting

In line with the requirements of the Public Entities Corporate Governance Act, the Commission held its inaugural Annual General Meeting on 21 November 2019. The meeting was attended by the Commission's key stakeholders and clients, including the Office of the President and Cabinet, the Office of the Auditor General, the State Enterprises and Restructuring Agency, the Ministry of Finance and Economic Development, External Auditors, and other regulatory bodies. Given that it was an inaugural AGM, a lot of lessons were learnt in terms of the procedure and requirements for conducting such meetings for public sector institutions. The Commission will leverage on such key lessons as it prepares for the 2020 AGM.

Financial Performance of the Commission

The Commission adopted International Accounting Standard 29 "Financial Reporting in Hyperinflationary Economies" (IAS 29) as the characteristics of the economic environment indicating hyperinflation in terms of the accounting standard were met. IPEC's total restated revenue for the year ended 31 December 2019 amounted to ZWL$59 million, a 20% slump from ZWL$74 million in prior year. This was against total expenditure of ZWL$161 million and ZWL$26 million respectively. This resulted in a deficit of ZWL$102 million during this review period (ZWL$48 million
surplus for 2018). The table below summarises the Commission's financial performance in 2019:

Table 1: 2019 Financial Highlights

Restated Figures (ZWL$)

Description	2019	2018	Percentage Growth
Revenue	**59,045,542**	**74,161,348**	**(20%)**
Total Expenditure	**161,154,434**	**26,160,809**	**516%**
(Deficit)/Surplus	**(102,108,892)**	**48,000,539**	**(313%)**

Non-Current Assets	19,862,851	12,740,437	56%
Current Assets	16,140,557	123,556,189	(87%)
Totals Assets	**36,003,408**	**136,296,626**	**(74%)**
Equity	32,803,028	134,911,920	(76%)
Liabilities	3,200,380	1,384,706	131%
Totals Equity and Liabilities	**36,003,408**	**136,296,626**	**(74%)**

Historical Figures (ZWL$)

Description	2019	2018	Percentage Growth
Revenue	**31,557,833**	**8,864,586**	**256%**
Total Expenditure	**15,671,614**	**3,319,156**	**372%**
Surplus	**15,886,219**	**5,545,430**	**186%**

Non-Current Assets	19,396,906	1,355,628	1331%
Current Assets	16,037,741	15,147,166	6%
Totals Assets	**35,434,647**	**16,502,794**	**115%**
Equity	32,219,563	16,333,344	97%
Liabilities	3,215,084	169,450	1797%
Totals Equity and Liabilities	**35,434,647**	**16,502,794**	**115%**

Major sources of revenue were levies and fees (88%).

Investments were largely on the money market with a few legacy investments on the stock market.

2020 Outlook

The Commission's strategic focus for 2020 will be to consolidate progress made in 2019 and renew the impetus towards the attainment of strategic goals covering the following areas:-

(a) Increasing compliance with the legal, regulatory and supervisory frameworks;

(b) Increasing policyholders' confidence in the insurance and pension industry;

(c) Enhancing the financial soundness of the insurance and pensions industry;

(d) Increasing insurance penetration and pension coverage ratios;

(e) Increasing the effectiveness of Anti-Money Laundering and Combating Financing of Terrorism (AML/CFT) measures by both IPEC and regulated entities;

(f) Revenue diversification to ensure financial self-sustenance; and

(g) Enhancing IPEC's institutional capacity to meet international benchmarks and ensure regulatory excellence.

Insurance and pension players are also challenged to ensure the continued relevance of their product offerings in relation to the needs of the clients, as well as to the emerging global and national risks. It is important to continuously assess the impact of technology on business models, growth in global insurance policies, growth of the Micro-Small and Medium Enterprise sector, volatile international commodity prices, equities markets and the potential impact of the COVID 19 on the industry.

Appreciation

I wish to acknowledge the continued support and guidance received from the parent Ministry of Finance and Economic Development and the Corporate Governance Unit in the Office of the President and Cabinet. I also wish to acknowledge contributions of fellow Board members, management and staff of the Commission and co-operation from the insurance and pension industry players.

Conclusion

The Commission remains committed to the provision of an enabling regulatory and supervisory framework to foster viability and sustainability of the insurance and pensions industry to attain its primary and secondary benefits to consumers of insurance and pension products and the economy respectively.

Albert Nduna

Chairperson
Insurance and Pensions Commission

COMMISSIONER'S FOREWORD

Opening Remarks

I am honoured to share insights into IPEC key 2019 activities and give an overview of the insurance and pensions industry during the period under review.

The Report has become an integral part of corporate reporting by all public entities.

Overview of Market Statistics

There were 85 insurance entities during the review period, consisting of 12 life assurers, 8 funeral assurers, 16 short-term insurers, 2 composite insurers, 1 micro-insurer, 8 reinsurers, 7 reinsurance brokers and 31 insurance brokers. There were 2,150 insurance agents.

Registered occupational pension funds for the review period stood at 1,067 with a total membership of 809,176. Of the 1,067 pension funds, only 760 were active, constituting 71.2% of the total pension funds. Inactive funds are an indicator of viability challenges faced by sponsoring employers.

The insurance industry realised premium income amounting to ZWL$2.4 billion for the year ended 31 December 2019, registering an absolute change of 223% from US$743.5 million in prior year. The change was largely on account of revaluation gains arising from currency reforms, particularly the abandonment of the multi-currency regime and the introduction of the mono-currency post June 2019.

The pension fund contributions amounted to ZWL$692.6 million, which was a 62% absolute change from US$426.9 million for the year ended 31 December 2018. The nominal growth is on account of an upward review of pensionable salaries in response to inflation developments and liquidation of arrear contributions by some pension funds following the adoption of the mono-currency.

Total assets for the insurance industry stood at ZWL$17.2 billion as at 31 December 2019 compared to US$4.2 billion in 2018 whilst pension assets stood at ZWL$16.41 billion against US$5.95 billion in 2018. There were valuation inconsistencies between insurers and pension funds that arose from differences in the timing of valuation of investment property. Most pension funds had not revalued their portfolios following the currency reforms.

The nominal growth of assets in 2019 was due to revaluation gains arising from currency reforms. However, the values are not audited and not all players had revalued their portfolios, particularly investment property in response to currency reforms. The restatement of the accounts for 2018 and 2019 will inform meaningful comparisons of the two periods.

Investment Performance

The average real return on a 30-day money market investment by insurers and pension funds was negative 10.1% during the review period compared to negative 15% for industrial counters and negative17% for the mining counters on the Zimbabwe Stock Exchange.

The property market was faced with valuation inconsistencies following currency reforms implemented in 2019. Rental amounts and leases were affected by the change in the functional currency and property voids.

Investments in Treasury Bills had a real return averaging negative 1 to negative 3% depending on tenor. Whilst prescribed assets are generally viewed as unattractive given the legacy issue surrounding the 2009 conversion coupled with recent currency reforms, the real return on Treasury Bills, though negative, outperformed the money market and the listed equities real returns.

In an effort to increase the diversity of products available to insurers and pension funds, the Commission held engagements with the Zimbabwe Stock Exchange to facilitate the issuance of Real Estate Investment Trusts, Electronic Traded Funds and commodity derivatives. The Commission also held engagements with Government on the development of attractive prescribed asset instruments such as inflation-indexed instruments and direct project financing by the industry into projects of national interest under a Public-Private Sector arrangement, with such investments being accorded prescribed asset status.

Legal and Regulatory Reforms

The Commission recognises that effective regulation is anchored on a sound legal framework. In an effort to enhance the adequacy of the enabling Acts, the Commission updated the Insurance and the Pensions and Provident Funds Bills to incorporate reforms recommended by the Justice Smith-led Commission of Inquiry and other international benchmarks.

In addition, the Commission issued 15 regulatory Circulars to the industry during the review period to enhance its oversight function on its regulated entities. Further, supervisory manuals and frameworks for prudential, market conduct and AML/CFT were enhanced as part of strengthening the regulatory and supervisory regime.

In response to currency reforms, the Commission reviewed upwards minimum capital requirements for insurance entities to ensure that they remain capitalised to underwrite risks. Minimum compliance thresholds for prescribed assets were also reviewed upwards during the year under review. Further, a Guidance Paper on Currency reforms was developed to ensure a smooth transition from the use of multi-currency regime to a mono-currency.

Supervision and Monitoring

As part of the ongoing strengthening of the Commission's oversight on insurers and pension funds, the Commission increased the number and scope of its on-site inspections and structured off-site surveillance. A total of seventeen (17) on-site inspections were conducted during the year. The major objectives of such inspections were mainly to assess capital adequacy, the corporate governance structures and practices, financial soundness, management information systems and market conduct practices.

In 2019, 26 pension funds were undergoing dissolutions, with indications being that more inactive pension funds will be applying for dissolutions. Troubled pension funds are also submitting turnaround schemes for consideration.

The Commission re-registered rules for 70% of total pension funds to ensure their alignment with enabling legislation and principles for Treating Customers Fairly. Most of the rules of the funds were inconsistent with the Provisions of the Pensions and Provident Funds Act and regulations or had several fragmented amendments that could compromise the interests of pension fund members. The re-registration is expected to continue into 2020 to ensure pension scheme members are adequately protected.

In addition, the Commission developed Disclosure Guidelines to enhance market discipline and enhance disclosure on pension administration expenses and poor corporate governance, among other requirements.

In line with its mandate of AML/CFT supervision, the Commission conducted the following key activities:-

(a) Coordinated the Money Laundering and Terrorism Financing National Risk Assessment of the insurance and pensions industry as part of the national risk assessment;

(b) Drafted the AML/CFT Risk-based Supervision Manual, which provides guidance on how on-site and offsite inspections should be conducted; and
(c) Development of a detailed AML/CFT Action Plan as part of the strategic plan.

Financial Inclusion Initiatives

Pursuant to the national financial inclusion agenda, as espoused in the National Financial Inclusion Strategy (2016 – 2020), the Commission conducted financial literacy programmes on insurance and pensions with a view to enhancing consumer confidence, insurance penetration and the pension coverage ratio.

The financial awareness initiatives included training of journalists on insurance and pensions to enhance coverage about the industry, issuance of bi-annual consumer education newsletters, trustees training workshops, road shows, television and radio interviews, news, publishing of various newspaper articles, brochures, digital and social media, among others.

Realizing the information gap in relation to insurance and pensions awareness, as well as uptake levels, IPEC commissioned a survey on Insurance and Pensions awareness and uptake rates during the review period. The last research on financial literacy and inclusion had been conducted in 2014 by FinMark Trust and there was no recent empirical data to support regulatory and policy decisions on financial inclusion through insurance and pensions. The results of the survey will inform policy, regulatory, business decisions of insurers and pension funds to enhance insurance inclusion and pension coverage.

Institutional Capacity Development

In its quest to attain regulatory excellence, IPEC embarked on several institutional capacity development measures, which include training and mentorship from organisations such the World Bank Group, MEFMI, the Toronto Centre and attendance of regional and international meetings.

The Commission joined membership of the International Organisation of Insurance Supervisors and broadened its participation at the International Organisation of Pension Supervisors, CISNA, ESAAMLG and other fora of regulators.

Other institutional development measures include the establishment a Procurement Management Unit in line with public procurement regulations, setting up of a Research and Innovation Unit and increasing the Commission's head count and skills mix.

Complaints Management System

In response to clients' needs and desire to provide redress mechanisms to aggrieved policyholders and pensioners, the Commission established a Complaints Handling Unit as part of the Public Relations Department. In addition, IPEC established new offices in the Central Business District (CBD) housing the Complaints Handling Unit to enhance its accessibility to pensioners and policyholders. A similar office has been earmarked for Bulawayo in 2020 as part of decentralisation of the Commission's services.

As part of ensuring wide geographic spread to reach out to pensioners and policyholders, IPEC partnered Zimpost to use its 300 branch network as a distribution channel to receive complaints throughout the country on behalf of the Commission. The Zimpost personnel involved in handling complaints on behalf of IPEC received training and will continue to be trained in customer care.

Evolving Projects

The Commission was seized with the implementation of many projects during the year under review. The projects are aimed at the protection of the interests of pension fund members and policyholders and facilitating the stability and growth of the industry.

Challenges

The industry is faced with challenges that include contribution arrears amounting to ZWL621.7million as at 31 December 2019, premium debtors of as high as 25%, negative real return on investments ranging from -2% to -17% as highlighted in the overview of the operating environment, high administration expenses and weak legislation that inhibits effective supervision, among others.

The Commission's supervisory focus in 2020 is geared towards ameliorating and addressing some of the challenges, as well as implementation of the strategic goals set by the Board.

Appreciation

On behalf of Management and staff, I wish to express my profound gratitude to the Board for its excellent stewardship and support.

Finally, my appreciation also goes to the Commission's clients and stakeholders, including regulated entities, policyholders and pensioners, fellow financial sector regulators, cooperating partners and the Ministry of Finance and Economic Development.

Grace Muradzikwa
Commissioner
Insurance, Pension and Provident Funds

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GOVERNANCE

LEGAL AND GOVERNANCE REPORT

Governance Statement

The Insurance and Pensions Commission recognises the importance of good corporate governance and is committed to conducting the business of the Commission with excellence, fairness and integrity. IPEC complies with regulatory and corporate governance requirements and is committed to strict adherence to the laws governing its operations.

The Board established a robust governance structure to enable the Commission to deliver its mandate. All Board Frameworks were reviewed to align them with the Public Entities Corporate Governance (PECOG) Act [Chapter 10:31] and the Public Entities Corporate Governance (General) Regulations, 2018 published in Statutory Instrument 168 of 2018.

Governance Structure

Board of Directors

The Commission's Board is composed of five non-executive members and the Commissioner, who is an ex-officio member. This is in line with section 5 of the Insurance and Pensions Commission Act (Chapter 24:21) and section 11 of the Public Entities Corporate Governance Act [Chapter 10;31].

The members of the Board were appointed for their knowledge, skills and experience that brings independent judgment to the deliberations and decisions in pension and insurance matters.

The Board is the main decision making body, setting the strategic direction of the Commission and overall corporate governance, ensuring that appropriate systems and controls are in place. The Board is led by a Non-Executive Chairman. The responsibility of the Chairman is to manage the Board effectively, to provide leadership to the Board and to facilitate the Board's interface with management. Along with the Chairman and the Executive Director, are Non-Executive Directors who are responsible for ensuring that the Board fulfils its responsibilities under the relevant Acts and the Board Charter.

The terms of appointment of the Board members, gender balance, skills mix and expertise are all in compliance with the provisions of the Insurance and Pensions Commission Act [Chapter 24:21] and the Public Entities Corporate Governance Act [Chapter 10:31]. The Board is composed of 3 women and 3 men with skills ranging from accounting and finance, insurance, actuarial, economics and legal.

Changes on the board

The Minister of Finance and Economic Development appointed a new Board effective 24 June 2019. The Minister of Finance and Economic Development also appointed the Commissioner of Insurance, Pension and Provident Funds with effect from 3 June 2019.

Board Members	Designation
Mr. Albert Nduna*	Board Chairperson
Mrs. Annah Mashingaidze**	Chairperson – Finance and Risk Committee
Mr. Godwin Nyengedza	Chairperson – HR & Procurement Committee
Mrs. Judith Rusike	Chairperson – Audit Committee
Mr. David Mureriwa	Chairperson - Operations Committee
Mrs. Grace Muradzikwa***	Ex-Officio Member

Chairman*
Vice Chairman**
Commissioner***

Board Meetings

Section 33(1) of the Public Entities Corporate Governance Act [Chapter 10:31] provides that Board meetings should be held at least once every three months. Scheduled Board meetings were held quarterly in accordance with a Board Calendar. As the Board became operational in July 2019, the Board managed to sit for the remaining two quarters of 2019.

Board Committees

The Board established and delegated specific roles and responsibilities to committees to ensure the efficient discharge of the Board's mandate. The ultimate responsibility of running the Commission however, remains with the Board. The committees, namely; Finance & Audit Committee, Human Resources, Remuneration & Procurement Committee and the Operations Committee assist the Board in giving detailed attention to specific areas of the Board's duties and responsibilities.

The terms of reference of each committee, are approved by the Board and reviewed on an annual basis and when necessary. The committees meet quarterly or as the need arises. The Board receives minutes of the committees and the committee chairpersons update the full Board on agenda items covered and the resolutions made by their respective committees.

Developments

a) The procurement function is now reporting to the Human Resources, Remuneration and Procurement Committee. This has been necessitated by the introduction of the Procurement Management Unit in the Commission following the promulgation of the Public Procurement and Disposal of Public Assets Act, 2016. The Committee now oversees procurement planning, strategy and processes.

b) Following its inaugural Annual General Meeting in November 2019, the Board started working on the separation of the Finance and Audit Committees in line with good governance as stipulated in the PECOG Act. Risk reporting will also be incorporated.

Analysis of Board and Committees Attendance Registers

The Board met three (3) times during the accounting year. The following is the Board meetings' attendance register for 2019:

The Board Committees were constituted as shown below:

Table 1: Board Committees

Finance and Audit Committee (F & A)	Operations Committee	Human Resources, Remuneration and Procurement Committee (HR)
i. Mrs. A. Mashingaidze* ii. Mrs. J. Rusike iii. Mr. D. Mureriwa	i. Mr. D. Mureriwa* ii. Mr. G. Nyengedza iii. Mrs. A. Mashingaidze	i. Mr. G. Nyengedza* ii. Mr. A. Nduna iii. Mrs. J. Rusike

** Committee Chairperson*

2.6 Board Attendance

For the half year following the appointment of the new Board, attendance of Board meetings was as follows:

Director	HR (2)	Operations (3)	F&A (4)	Board (6)	Strategy Review (1)	AGM (1)	Meeting with Minister (1)	Total (18)	% Attendance
A. Nduna	2			6	1	1	1	11/1	100%
A. Mashingaidze		3	4	6	1	1	1	15/1	100%
G. Nyengedza	2	3		6	1	1	1	14/1	100%
D. Mureriwa		3	4	6	1	1	1	15/1	100%
J. Rusike	2	-	3	6	-	1	1	13/1	87%
G. Muradzikwa	2	3		6	1	1	1	18/1	100%
Overall Attendance	**100%**	**100%**	**92%**	**100%**	**83%**	**100%**	**100%**		

Board Training and Development

a. The Board attended Board Induction on the 1st of July 2019.
b. The Board attended the official launch of PECOG Act on the 4th of December 2019, which emphasized the need for good governance by public entities as they are entrusted by the Government and public to uphold interests of the public.
c. Board Members and Executive Managers attended a training on procurement and disposal of assets conducted by the Procurement Regulatory Authority of Zimbabwe on the 12th of December 2019. The training was key in preparing the Board and Executive Members in the execution of the Commission's procurement activities in line with public procurement requirements. Any violation of procurement regulations would result in statutory penalties for non-compliance.

Board Remuneration

The remuneration of the Board is in terms of sections 12 and 14 of the PECOG Act. It is the responsibility of the Minister to formulate and seek Cabinet approval of the remuneration of Board members of public entities.

In 2019, the Corporate Governance Unit (CGU), in conjunction with the Minister, issued a revised remunerations framework for all public entities, which increased fees and travel and subsistence rates. As the notice was effective from September 2019, back-pay for fees and T&S allowances were paid to directors.

Internal Checks, Control and Auditing

The Commission has an established internal audit function headed by an Internal Auditor who reports functionally to the Board's Finance and Audit Committee and administratively to the Commissioner.

Disclosure and Transparency

a. The Commission continues to adhere to key elements of transparency and disclosure as part of a robust corporate governance framework.
b. Resolutions made by the Board in the period under review were submitted to the Ministry of Finance and Economic Development and to the Office of the

President and Cabinet's Corporate Governance Unit in line with the requirements of the Public Entities Corporate Governance Act [Chapter 10:31].

Regulatory Environment

The legal framework governing the operations of the Commission consists of the followings Act:

i. The Insurance and Pensions Commission Act [Chapter 24:21];
ii. The Pension and Provident Funds Act [Chapter 24;09];
iii. The Insurance Act [Chapter 24:07];
iv. The Money Laundering and Proceeds of Crime Act [Chapter 9;24];
v. The Public Entities Corporate Governance Act [Chapter 10:31];
vi. The Public Finance Management Act [Chapter 22:19];
vii. The Companies and Other Business Entities Act [Chapter 24:03];
viii. The Public Procurement and Disposal of Public Assets Act, 2016; and
ix. The Labour Act [Chapter 28:01].

Statement of Compliance

Based on the information set out in the Legal and Corporate Affairs report, the Commission complied with the requisite legislative and corporate governance requirements throughout the accounting period.

INTERNAL AUDIT REPORT

Statement of Internal Control

Purpose

The system of internal control is designed to manage risk to a reasonable level in order that the Commission achieves its strategic objectives and expected results. By its nature, internal control can therefore only provide reasonable and not absolute assurance of internal controls' effectiveness.

Scope of Responsibilities

Board and Management

It is the responsibility of the Board through senior management to establish and maintain a system of internal control that will prevent or detect fraud and or irregularities.

Internal Audit

Internal Audit provides an independent and objective assurance and consulting activity that is guided by a philosophy of adding value to improve the operations of the Commission. It assists the Commission in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the adequacy and effectiveness of the internal control, risk management and the Commission's governance processes. It detects material misstatements due to fraud and error, and make appropriate recommendations to management, which are designed to enhance the prevention and detection of fraud.

Internal Control Status

In the year 2019, Internal Audit focused on adding value to the Commission by providing assurance on internal control, risk management and governance processes by carrying out audits in line with the Audit Committee's approved annual audit plan. The objective was to ensure that existing internal controls are adequate and effective to mitigate the Commission risks. Observed weaknesses were communicated both to Management for actioning and the Committee for its oversight role, as well as monitoring whether management implemented the agreed action plans in line with recommendations. Internal Audit co-operated with external auditors to ensure efficiency and effectiveness of statutory audits.

The internal control system is satisfactory, with however, room for improvement in areas where weaknesses were noted. Notwithstanding the foregoing, it must be noted that the process of risk assessment and establishment of adequate and effective risk measure is a continuous process, where new risks arise commensurate with activities that are undertaken by the Commission.

2019 ANNUAL REPORT

BUSINESS OPERATIONS

PENSION SECTOR

Overview of the Pension Sector

1.1 The key indicators of the pensions industry as at 31 December 2019 are summarised in Table 1 below:-

Table 1: Summary of Key Sector Statistics

Indicator	Insured Funds	Self-Administered Funds	Stand-Alone Self-Administered Funds	December 2019 Total	December 2018 Total
Number of Funds	881	170	16	**1,067**	**1,199**
Active funds	600	144	16	**760**	**532**
Members	344,715	121,634	342,827	**809,176**	**764,978**
Share of total membership	42.60%	15.03%	42.37%	**100.00%**	
Total Contributions ($)	152,030,907	265,940,619	274,661,731	**692,633,257**	**426,898,174**
Rental Income ($)	2,611,342	16,927,533	92,670,120	**112,208,995**	**43,565.618**
Investment Income	5,273,267,092	2,606,117,838	792,585,056	**8,671,969,986**	**1,344,816,802**
Total Benefits Incurred ($)	117,359,423	180,132,580	118,645,154	**416,137,158**	**287,509,141**
Average Pension benefits per pensioner ($)	8.48	486.54	277.96	**275.96**	**106.09**
Expenses/Contributions	23.97%	23.78%	32.50%	**27.28%**	**21.80%**
Expenses/Total Income	0.67%	2.16%	7.38%	**1.97%**	**5.17%**
Income Surplus (Deficit)	5,296,318,096	2,682,992,157	1,014,548,222	**8,993,858,475**	**1,390,455,298**
Total Assets ($)	6,226,756,899	5,671,139,014	4,510,374,080	**16,408,269,993**	**5,954,700,269**
Total Assets per member	18,063	46,625	13,156	**20,278**	**7,784**
Percentage of Total Assets	37.95%	34.56%	27.49%	**100.00%**	
Prescribed Assets ($)	603,944,061	496,046,424	116,401,095	**1,216,391,580**	**348,853,521**
Prescribed Assets Ratio	9.70%	8.75%	2.58%	**7.41%**	**5.56%**
Contribution Arrears ($)	34,336,243	71,953,189	515,389,002	**621,678,433**	**606,611,770**

Notes:
1. Figures for 2018 are based on Audited Financial Statements
2. Number of active funds increased to 760 in 2019 from 532 in 2018 as a result of data correction by administrators, with funds previously considered inactive but not yet dissolved by the regulator being reclassified as active.

Registered Funds

There were 1,067 registered occupational pension funds as at 31 December 2019, decreasing by 32 from 1,099 registered funds recorded as at 31 December 2018. This is notwithstanding the fact that during the year under review, the Commission received 33 applications for registration, out of which 25 were granted full registration, six provisional registrations one for a name change while one application was turned down. The marginal decrease for registered funds was on account of correction of data by one life insurance company that was reporting funds that had already been transferred to a preservation fund.

Defined contribution schemes were 1 030, which constituted 96.5% of the total funds whilst only 37 were defined benefit schemes. Of the registered funds, 760 were active, which constituted 68.45% of the total number of funds.

The funds were administered through seven (7) life assurers and five (5) pension fund administrators. In addition, 16 of the funds were stand-alone pension funds.

Membership

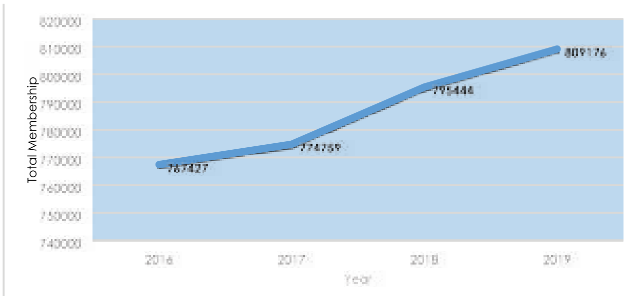
Total membership of occupational funds was 809,176 reflecting a slight increase of 1.83% from the 795,444 reported as at 31 December 2018. The increase in membership was mainly due to new entrants to the labour market totalling 10,592 for the year under review. The number of members who exited the industry totalled 5,559 during the year ended 31 December 2019. The spread of pension fund membership for the industry was as depicted in table 2 below: -

Table 2: Membership Distribution by Class

Indicator	Total 2019	Total 2018	Percentage Change
New Entrance	10,570	13,567	-22.09%
Active Members	325,552	354,295	-8.11%
Pensioners	40,337	40,681	-0.85%
Deferred Pensioners	357,182	324,468	10.08%
Suspended Pensioners	16,186	12,478	29.72%
Unclaimed Benefits	59,349	49,958	18.80%
Total	809,176	795,444	1.73%
	100.00%		
Beneficiaries	13,124	15,298	-14.21%

The graph below shows the trends in membership from 2016 to 2019:-

Figure 1: Growth in Total Membership

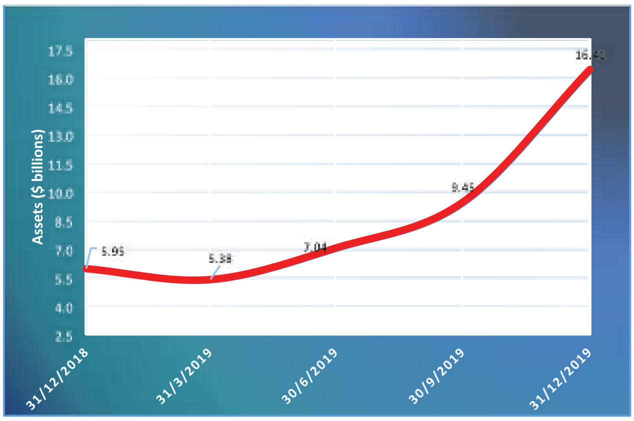


Assets

The pensions industry had a total asset base of $16.41billion as at 31 December 2019, reflecting a 214.37% nominal increase from the $5.22 billion reported as at 31 December 2018. The increase was mainly driven by an increase in the values of investment properties and equities, which accounted for 79.19% of the industry's assets. The increase in value of investment property was mainly due to revaluations of property values from US$ values to ZWL$.

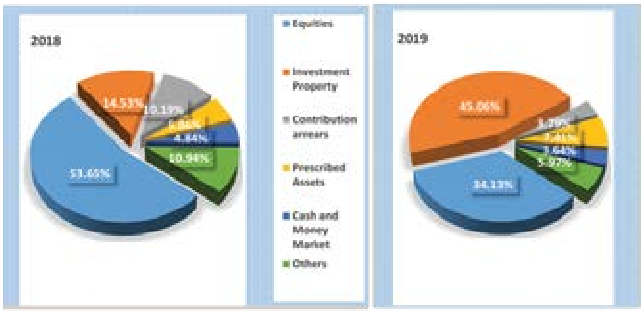
Figure 2 shows the asset growth from December 2018 to December 2019:_

Figure 2: Growth in Assets



The industry's asset portfolio is as shown in Figure 3 below:_

Figure 3: Distribution of Total Assets for the Pensions Industry as at 31 December 2018 and 2019



As shown in Figure 3 above, listed equities and investment properties totalling $12.99 billion were the major asset components, up from the 2018 figure of $3.62 billion, which however accounted for a similar share of 79% of total assets for both periods.

The prescribed asset ratio in December 2019 increased marginally to 7.41% from 6.24% as at 31 December 2018. Part of the reason for the low ratio is that investment property and equities were repricing much faster than all other asset classes, including prescribed assets, hence diluting exposure to such assets. Most industry players requested extension of the deadline for compliance to 31 December 2020.

Contribution arrears were $621.68 million, up from $606.61 million as at 31 December 2018 , accounting for 3.79% of total assets owing to the appreciation of investment properties and equities values. The contribution arrears were mainly attributable to the viability challenges faced by the sponsoring employers and were a reflection of the general depressed performance of the economy.

Earnings

The industry reported a surplus of $8.99 billion for the year under review, reflecting a marked increase of 546.76% in absolute terms from the surplus of $1.39 billion reported for the same period in the year 2018, on account of fair value gains. Fair value gains were realised on equities, dividends from investments, rental income and interest from investments, which amounted to $8.67 billion, accounting for 90.40% of the total income.

Total expenditure for the year amounted to $599.45 million, increasing in absolute terms from $409.64 million reported for the year ended 31 December 2018. The relative increase was mainly a result of an increase in administrative expenditure from $82.65 million on 31 December 2018 to $188.96 million for the year ended 31 December 2019.

The average administration expense to total income ratio was 1.97% as at December 2019 compared to 5.17% in December 2018. Notwithstanding this improvement, the expense to contribution ratio, which averaged 24% in 2019 remains a regulatory concern.

Pension Coverage

As at 31 December 2019, Zimbabwe's occupational pension coverage ratio, as defined by the percentage of total pension membership, excluding pensioners and beneficiaries, to the working age population, was 9.09%, up

from 8.40% as at 31 December 2018.

The total number of pensioners and annuitants, excluding beneficiaries, translated to a pensioner coverage ratio of 9.98% of the population above the age of 65 years as at 31 December 2019. This implied that on average, only 10 out a 100 persons who were above retirement age were receiving a pension. This was a negligible increase from the 2018 coverage of 8.62%, which implied that on average, 9 out of 100 persons above retirement age were receiving a pension.

This is a cause for concern and calls for more aggressive and innovative strategies to increase pension coverage to avoid old age poverty and further burdening government to provide social security to people who could have saved for retirement during their working period. There is also need to enhance consumer education and awareness to sensitise the public about the importance of saving for retirement.

Pension Penetration

The pension penetration rate, which is the ratio of the pension industry assets as percentage of Gross Domestic Product was 33.4 % as at 31 December 2019, up from 19.19% reported as at 31 December 2018.

Major Developments

Commission of Inquiry Update (C.O.I)

The Commission is on track in implementing its post-inquiry roadmap including legal reforms, regulatory and supervisory reforms as well as proffering advice to Government on other reforms that are outside the control of IPEC.

The implementation of the Commission of Inquiry's recommended compensation framework for loss of value suffered during the pre-2009 period has not progressed with the expected speed. This has largely been due to the repeat loss of value suffered in 2019 due to inflation and currency reforms. IPEC had to prioritise arresting the second loss of value by coming up with a Guidance Paper on adjusting insurance and pension liabilities in response to currency reforms. IPEC is enforcing the requirements of the Guideline to ensure an equitable allocation of revaluation gains arising from currency reforms.

To address the pre-2009 loss of value, IPEC has embarked on an exercise to establish the value of assets that may have been misallocated through failure by life insurance companies to separate policyholder assets from those supporting liabilities to policyholders and pension scheme members. The exercise is aimed at identifying assets that may have been misallocated for re-distribution to their rightful owners. The process of reconciling the separation of assets is demanding in terms of actuarial work and is targeted for completion by 31 December 2020.

In addition, engagements with Government are underway to establish a compensation fund which will partly be funded through Government to bail out pensioners and policyholders who cannot meaningfully be compensated by insurance companies and pension funds as some are not in a sound financial position.

Dissolutions

A total of 26 funds were undergoing dissolution in 2019. Of the 26 cases, four dissolutions were finalised. The applications for dissolutions were necessitated by financial challenges faced by the sponsoring employers, some of whom had closed down.

The challenges stalling finalisation of the outstanding dissolution process included the following:-
a)Absence of records from sponsoring employers;
b)Problems locating members and hence challenges in reconstitution of board of trustees or committees to oversee the dissolution process; and
c)Lack of adequate resources to pay liquidators.

Legal and Regulatory Reforms

Amendments to pension regulations are currently underway with S.I. 323 of 1991 and S.1. 22 of 2016 awaiting to be gazetted.

Pursuant to issuance of S.I. 33 of 2019, the Commission faced the challenge of remittance of contributions in foreign currency given that the industry has a number of sponsoring employers who have access to free funds and can remit contributions in foreign currency. Upon engagement with relevant authorities, the Commission issued guidance to pension funds and administrators regarding remission of contributions in foreign currency by participating employers with access to free funds, and payments of the benefits to members residing in Zimbabwe and those residing out of Zimbabwe,

Noting the existing gaps in the pensions law regarding issues of transfers of and dissolutions of funds, the Commission issued Circulars 4 and 10 of 2019 respectively.

Circular 4 of 2019, among other things, addresses the transfer of assets and liabilities / records and information between administrators to enhance transparency and accountability to the members. The objective of Circular 10 of 2019 is to ensure orderly dissolution of pension funds.

Furthermore, as a measure of curbing loss of value for pensioners, Circular 15 of 2019 reviewed minimum pension from \$50 to \$500 per month, whilst the preservation amount was reviewed from \$600 to \$6 000 per annum.

On-site Inspections

The Commission conducted on-site inspections on the following seven entities during the year ending 31 December 2019:

a) First Mutual Life Assurance Company;
b) Minerva Benefits Consulting;
c) Marsh Employee Benefits Zimbabwe;
d) Comarton Consultants Private Limited;
e) Unified Councils Pension Fund;
f) Catering Industry Pension Fund; and
g) Local Authorities Pension Fund.

The objectives of the inspections were mainly to assess the corporate governance structures and practices, financial soundness, management information systems and market conduct performance. The inspections on Minerva Benefits Consulting also covered assessments of AML/CFT compliance. Inspections conducted on Unified Councils, Catering Industry and Local Authorities pension funds were follow up inspections, aimed at establishing the extent to which the entities were implementing directives issued by the Commission following previous inspection findings.

The major issues of regulatory concern observed during the inspections included weak and compromised corporate governance systems and practices on account of:

a) Lack of clear separation between the employee benefits business and the holding companies or other subsidiaries of the holding company as well as existence of shareholding structures which were in breach of regulations in the case of administrators;

b) Inadequate skills mix in the boards of trustees;

c) Presence of conflicted members in the board of trustees and the lack of conflict management systems;

d) Inadequate policies and procedures, with those in place not being implemented and reviewed overtime;

e) Weak internal control systems due to lack of internal audit, risk management and compliance functions;

f) High levels of contribution arrears which amounted to $621.68 million as at 31 December 2019;

g) High expense ratios mainly owing to operational inefficiencies and high property expenditures;

h) Compromised data integrity owing to weak IT systems and poor record keeping, and lack of IT support skills; and

i) Poor communication with members owing to benefits statements not communicating adequate information, and non-issuance of benefits statements in some instance

.

The Commission had a workshop with the Parliamentary Portfolio Committee on Budget and Finance to discuss the findings of the Commission of Inquiry into the Conversion of Insurance and Pension Values from the Zimbabwe Dollar to the United States Dollar.

Troubled Institutions

Off-site surveillance of pension funds through analysis of quarterly returns revealed that there were a number of stand-alone, parastatal-related pension funds, which were troubled as characterised by high actuarial deficits, high contribution arrears with some not having had any contributions since adoption of the multiple currency regime in 2009 with others applying for paid up status.

A total of five pension funds were requested to provide schemes of arrangements to restore the funds to financially sound positions. The Commission is currently working with these funds to restore them to financially sound positions.

Further, in view of the increasing number of troubled entities, the Commission drafted guidelines for the resolution of such entities.

Challenges facing the pensions Industry in Zimbabwe

The pension industry continued to face the following challenges:

- Low confidence owing to loss of value following currency reforms and the resultant high inflation and increases in the exchange rate;
- High contribution arrears and benefit arrears, which were $621.68 million and $91 million respectively as at 31 December 2019;
- High actuarial deficits;
- High expenses to income ratio;
- Poor corporate governance practices; and
- Poor data integrity.

These challenges ultimately have a bearing on the financial soundness of pension funds and require that all stakeholders work together to make pensions relevant and restore confidence in the industry.

INSURANCE SECTOR

Overview of the Insurance Sector

a) Registered Entities

The sector was made up of 2, 235 registered players as at 31 December 2019. The table below shows the architecture of the insurance sector:

Table 1: Architecture of the Insurance Industry

Class of Business	Number of Registered Players
Life Assurance	12
Funeral Assurance	8
Non-life Insurance	16
Composite Insurers	2
Micro-insurers	1
Non-life Reinsurers	3
Composite Reinsurers	5
Insurance Brokers	31
Reinsurance Brokers	7
Agents	2, 150
Total	**2, 235**

b) Sector Gross Premium Written

The sector wrote business amounting to $3.04 billion for the year ended 31 December 2019, showing an increase of 250% from $869 million written during 2018 as shown in table 2:

Table 2: Gross Premium Written

Class of Business	Dec 2018 ($ million)	Dec 2019 ($ million)	% Increase/Decrease
Non-life Insurers	273.6	1,374.86	402.51
*Life Assurers	426.0	946.02	122.07
*Funeral Assurers	43.9	34.5	-21.41
Total	**743.50**	**2, 355.38**	**217.0**

**Note: In 2018 Doves Funeral Assurance was reported as a funeral assurer. The entity was however, registered as a life assurer 2019.*

c) Assets

Total assets grew by 308% from $4.2 billion in 2018 to $17.2 billion in 2019 as shown in the table below:

Table 3: Assets in the Insurance sector

Class of Business	$ '000' 31 Dec 2018	$ '000' 31 Dec 2019	% Increase/Decrease
Non-life Insurers	351,872	1,904,425	441.2
Non-life Reinsurers	177,394	1,134,695	539.6
Life Assurers	3,549,925	13,672,084	285.1
Reassurers	49,576	190,793	284.8
Funeral Assurers	76,569	288,389	276.6
Total Assets	**4,205,336**	**17,190,386**	**308.8**

d) Major Developments

Legal and Regulatory Developments

In 2019, the following legal instruments and regulatory frameworks were developed:

- Statutory Instrument 206 of 2019 to operationalise the new Prescribed Asset Requirements enunciated in the

2019 National Budget Statement.

- Statutory Instrument 142 of 2019, introduced the Zimbabwe dollar as the sole legal tender and disbanded the multi-currency system.
- Circular 13 of 2019 on exemptions on foreign currency denominated policies;
- AML/CFT Manual - The Commission developed an AML/CFT Risk-based manual to guide on-site and offsite inspections in terms AML/CFT risk-based supervision.
- On-site Inspection Manual for guiding IPEC staff in undertaking on-site inspections.
- Off-site Inspection Manual for the offsite surveillance financial soundness and market conduct issues in the insurance sector.
- Troubled Institutions Manual to guide the Commission in dealing with troubled entities.

Zimbabwe Integrated Capital and Risk Project (ZICARP)

The Commission is developing a risk-based capital framework to determine the level of capital insurers should hold in light of the risks they underwrite. The Commission engaged African Actuarial Consultants (AAC) to provide technical support in developing the framework.

The Framework consists of three pillars namely:-
Pillar 1: Quantitative determination of the solvency capital;
Pillar 2: Own Risk Assessments; and
Pillar 3: Disclosure Requirements.
Implementation of the project is expected to start during the last quarter of 2020.

Development of Mortality Tables

The Zimbabwean insurance market currently uses 1992 South African developed mortality tables. Such tables do not depict the correct mortality experience for Zimbabwe given the obvious differences in the standards of living between the two countries, the increase in non-communicable diseases and the impact of HIV and AIDS and accidents on mortality.

In this regard, the Commission has engaged development partners for possible support in the development of mortality tables specific to Zimbabwe. The need to have mortality tables that are specific to Zimbabwe is important for the local insurance industry in coming up with the correct assumptions pertaining to mortality experience for product pricing purposes.

IFRIS 17

The project aims to ensure that the industry is well prepared for IFRS 17 and will be accelerated in 2020 following the finalisation of the standard. Engagements have commenced to develop training modules for the industry in preparation for implementation.

Weather-Based index Insurance

In order to develop the local insurance industry and support financial inclusion initiatives, the Commission has partnered the World Bank for technical and financial support in the development of a regulatory framework for weather-index insurance. In addition to the development of a regulatory framework, the Commission and industry players will also receive capacity building in weather-index insurance.

e) Industry Challenges

The following challenges were noted in 2019:

a) Consumer confidence and insurance uptake still remain low.
b) Weak corporate governance;
c) Low insurance pay outs relative to contributions;
d) Unregistered entities and bogus players with some collecting premiums from unsuspecting members of the public; and
e) Foreign currency shortages remained one of the issues hampering payment of premiums for most reinsurance programmes.

HUMAN RESOURCES DEPARTMENT

Staff complement:

As at 31 December 2019, the total number of staff in post was 75 against an approved establishment of 82, which translates to 91.5% in relative terms. The gender mix was 47 male and 28 female employees. In addition to the staff in post were interns eight, three male and five female.

Number of staff recruited during the year:

There was a total of eight recruitments for 2019. Key positions recruited were:

- Commissioner
- Company Secretary
- Director Insurance and Micro-insurance

Staff resignations during the year:

The Commission had six resignations in 2019. These were:

- 3 Actuarial Analysts
- 3 Principal Analysts

Staff turnover stood at 8% for the year.

Resignations were mainly attributable to the difficult economic environment, which resulted in a number of employees looking for greener pastures outside the country.

Staff Training and Development:

Members of staff attended the following training programmes, workshops and conferences during the year 2019:

CONFERENCE/WORKSHOP	PERIOD
International Association of Insurance Supervisors (Leveraging on Actuarial skills) (Mauritius)	February 2019
Toronto Centre Risk Based Supervision Training; Pensions and Insurance Authority of Zambia (PIA) (Zambia)	February 2019
2019 Reinsurance Brokers Platform (South Africa)	February 2019
National Risk Assessment Workshop: AML/CFT	May 2019
37th Eastern and Southern African Anti – Money Laundering Group Meeting (ESAAMLG) (Tanzania)	April 2019
42nd Bi-annual CISNA Meeting (Mauritius)	April 2019
ZAPF Conference	May 2019
Work-Life Balance Workshop	May 2019
Management Development programme (Fourth Session)	May 2019
Actuarial Society of Zimbabwe Conference	May 2019
Accounting Assistants Master Class	May 2019
Financial Markets Study Tour (Botswana)	May 2019
Mobilising Domestic Resources for the Batoka Hydro-Electric Scheme	May 2019
PA Winter School	June 2019
African Insurance Organisation Conference (South Africa)	June 2019
World Bank Intermediate course in supervision	June 2019
Institute of People Management of Zimbabwe Annual Convention	July 2019
Presentation Skills training	29 July 2019
Annual SADC Lawyers Association Conference	August 2019
Insurance Institute of Zimbabwe Conference	August 2019
International Association of Insurance Supervisors (IAIS) (South Africa)	August 2019
Organisation of Eastern and Southern African Insurers (OESAI)(Rwanda)	August 2019
Eastern and Southern African Anti – Money Laundering Group Conference (ESAAMLG)	September 2019
World Bank Advanced course in supervision	September 2019
Institute of Internal Auditors Annual Conference	September 2019
Validation Workshop for the National Strategy for Implementing the African Free Trade Area	October 2019
Public Sector Convention	October 2019
Association of Corporate Counsel and Governance Officers of Zimbabwe workshop	October 2019
47th Annual Actuarial Convention (South Africa)	October 2019
43rd Bi-annual CISNA Meeting (South Africa)	October-November 2019

Technical assistance for capacity building was received in the following areas:
• Intermediate and Advanced training in Supervision for all IPEC Analysts. This was conducted by the World Bank.
• The Commission engaged CENFRI and FSD Africa, technical assistance agencies, for assistance with capacity building in regulation of InsurTechs and innovation. A workshop which will be conducted for IPEC staff by CENFRI, with focus on regulating for innovation, regulatory sandboxes and financial inclusion has been scheduled for 2020.

Performance Management

The Commission implemented the Integrated Results Based Performance Management System (IRBM). This system places emphasis on results rather than on workload completion. It will enable the Commission to:
a) improve productivity of employees and hence attainment of IPEC's goals;
b) reward high performers and at the same time, spotlight the nonperformers; and
c) foster team spirit in attainment of departmental and organisational strategic objectives

Performance will be rewarded based on individual performance and salary increases will be based on one's performance score.

Employee Engagement

The Commission engages in employees on conditions of service as well as welfare issues. Employees were engaged across the organisation through the Commission's Works council to raise and discuss issues that affect staff in their day to day activities.

Change Management

The Commission consolidated its strategies through a five-year (2018- 2022) plan.

The plan, which followed the adoption of the Integrated Results Based Performance Management system, in line with government policy underscore the Commission's commitment to regulate, supervise and strengthen the insurance and pensions industry for the protection of policy holders and pension scheme members through regulatory excellence.

Strategic plan

The new strategic plan focuses on 4 P's (People, Processes, Partnerships and Performance). This is also anchored in the Nation's vision 2030 of attainment of a prosperous and empowered upper middle-income status by 2030.
Focus was on:

- Enhancing Human capacity and retention
- Strengthening performance driven culture
- Optimising available ICT resources to support operations
- Diversifying revenue sources for financial self-sustenance
- Reviewing legal, regulatory and supervisory frameworks
- Enforcing supervisory requirements for Prudential, Market Conduct and AML/CFT

Human Resources strategic objectives for 2019 focused on capacity building of staff in, amongst other areas:

- AML/CFT.
- Attaining regional exposure so as to enable staff to benchmark regulation and supervisory practices with regional best practice.

Human Resources strategic objectives for 2019 also focused on resourcing the Commission adequately in terms of head count, skills mix and experienced staff.

Reviewing of IPEC structure in line with strategy was also a key strategic focus area and is an on-going process.

Safety and Health

Employees participated in the 2019 Insurance Industry Sporting Weekend games in Bulawayo. The IPEC Netball, Soccer and Marathon teams took part in the event.

The Commission engaged facilitators from the Cancer Association of Zimbabwe who conducted a session on cancer awareness for IPEC staff.

CONSUMER EDUCATION AND PROTECTION

Low levels of financial literacy have been identified as the major driver behind the exploitation of consumers of financial products and services and/or making wrong financial decisions.

In order to educate and protect the rights, benefits and interests of insurance and pension consumers, the Insurance and Pensions Commission conducts consumer education using a multifaceted approach. The various consumer education initiatives are meant to enable insurance and pension consumers acquire knowledge, skills, attitude and behavior to be aware of financial opportunities, make informed choices in line with their circumstances and take effective action to improve their welfare.

Consumer education is one of the Commission' statutory mandates, which is to: **"provide information to the public on matters relating to insurance and pension and provident funds and to encourage and promote insurance and investment in such funds …"**

During the year 2019, the Commission utilised the following initiatives to engage and educate insurance and pension consumers as well as to increase its visibility.

Television and Radio programmes

The Commission used edutainment through 10 weekly comic consumer education television drama touching on various insurance and pension themes. The 3-5 minutes drama was broadcast on the national television, ZTV during prime time. The Commission also had 30 television and radio news appearances as well as 15 live radio interviews.

Print Media

The print media recorded 195 articles on insurance and pension-related matters during the reporting period. Further, the Commission published 15 000 Consumer Education newsletters that were distributed countrywide as inserts in The Sunday Mail and Sunday News newspapers and during roadshows and exhibitions. About 10 000 brochures were also distributed during roadshows and exhibitions.

Roadshows and Exhibitions

The Commission conducted two roadshows under the auspices of the Insurance Awareness Day and the Pensions Awareness Day commemorations in Chinhoyi and Masvingo respectively. The roadshows were broadcast live on a national radio station, Radio Zimbabwe reaching out to thousands of listeners throughout the country.

Exhibitions were conducted at the World Consumer Rights Day in Harare, Zimbabwe International Trade Fair in Bulawayo and Agricultural Shows in Harare, Manicaland, Midlands and Kadoma.

Train-the-trainer workshops

The Commission conducted 12 train-the-trainer consumer education workshops in Harare, Kadoma, Kwekwe, Gweru, Bulawayo, Lupane, Hwange, Marondera, Rusape, Mutare, Masvingo and Gutu reaching 2 875 participants countrywide. The workshops conducted in collaboration with the Consumer Council of Zimbabwe targeted both rural and urban areas. The workshops empowered Consumer Council of Zimbabwe Action Clubs, the local leadership among them chiefs, councilors, community and consumer groups to sensitise insurance and pension consumers about their rights and responsibilities.

Trustees training workshops

The Commission's offsite surveillance and onsite inspection of pension funds revealed that most trustees were not exercising their mandate in the running of pension schemes largely owing to limited understanding of their responsibilities.

To this end, the Commission conducted trustees training workshops covering the following provinces: Mashonaland West, Midlands, Bulawayo, Matabeleland North and South, Manicaland and Masvingo. The workshops also attended by representatives of trade unions and workers' committees drew 431 participants. Workshops for Harare, Mashonaland East and Central are scheduled for the year 2020.

The presentations focused on introduction to pension business, managing pension funds, the law governing pension funds, market conduct and the proposed amendments in the Pension and Provident Funds Bill.

Media Relations

The media are key stakeholders and a powerful conduit in the creation of insurance and pensions awareness. Therefore, creating relations with the media is of paramount importance. In order to enhance the visibility of the Commission and generate interest in the coverage of insurance and pension matters, the Commission implemented the following strategies:

- **Journalists Mentorship Programme**

The Commission enrolled 25 journalists from print, electronic and digital media for the 2019 journalists' mentorship programme with 16 of them completing the 9-months course. Reporting on insurance and pensions is complex. As such, the mentorship programme's objective is to equip journalists with the requisite knowledge about insurance and pension matters so that they can communicate objectively. Journalists on the programme produced and published a combined 157 news articles.

- **Insurance and Pensions Media Awards**

The Commission held the second edition of the Insurance and Pensions Media

Awards during the year 2019. The objectives of the Media Awards are:
- To inspire interest in the coverage of insurance and pension matters;
- To encourage excellence in the coverage of the sector;
- To enhance insurance and pension inclusion through consumer education; and
- To enhance the visibility of the insurance and pension sector in the country.

Financial literacy for pupils and young people

The World Bank Consumer Protection and Financial Literacy Diagnostic Review conducted in 2014 revealed low financial literacy levels in Zimbabwe notwithstanding high general literacy rate.

In line with the Zimbabwe National Financial Inclusion Strategy (2016-2020), the Commission also targeted school children to educate them about insurance and pension matters under the banner of the Global Money Week. As such, the Commission visited eight schools in Harare and also actively engaged on social media platforms like Facebook and Twitter, educating the public about insurance and pension matters in the process reaching over 20 000 pupils and young people inclusive of pupils whose schools, were visited and the public in general, who were engaged on social media platforms.

Insurance and Pensions Awareness and Uptake Baseline Survey

During the year under review, the Insurance and Pensions Commission commissioned a survey to determine baseline data on the awareness and uptake of insurance and pension products and services in Zimbabwe.
Findings from the survey indicated that about 71% of Zimbabweans know about insurance while only 34% have some form of formal insurance. Of the insured Zimbabweans, most of them (76%) have funeral assurance followed by motor vehicle insurance at 20%.

On the other hand, about 67% of people in Zimbabwe know about pensions, but 62% of them only know about the National Social Security Authority (NSSA)'s pension scheme with only 6% saying they know about private occupational and individual pension schemes.

Consumer Protection

Consumer protection is an important pillar in the insurance and pensions industry, as it promotes consumers' confidence in the sector. Consumer protection builds and strengthens the trust and confidence in formal financial services, particularly among the low-income households.

The Commission has a dedicated Complaints Handling Unit that handles complaints from policyholders, pension scheme members, third parties, beneficiaries and regulated entities in a fair, transparent and timely manner.

To enhance accessibility by policyholders and pension scheme members as well as the public, the Commission opened a Complaints Handling Office in the Central Business District in Harare. There are plans to open another Complaints Handling Office in Bulawayo in the year 2020.

Complaints are received through different means that include but not limited to: -
- Walk-ins at IPEC offices or at exhibitions and roadshows;
- Completed complaint forms;
- Letters;
- Emails; and
- IPEC website through the IPEC system portal and its official social media platforms.

Insurance complaints

During the period under review, the Commission handled 420 insurance-related complaints, 343 of which were resolved. Outstanding cases were still under investigations by the Commission as at 31 December 2019.

Most of the complaints related to:

- Non and late settlement of admitted claims;
- Piece-meal payment of claims; and
- Application of the condition of average.

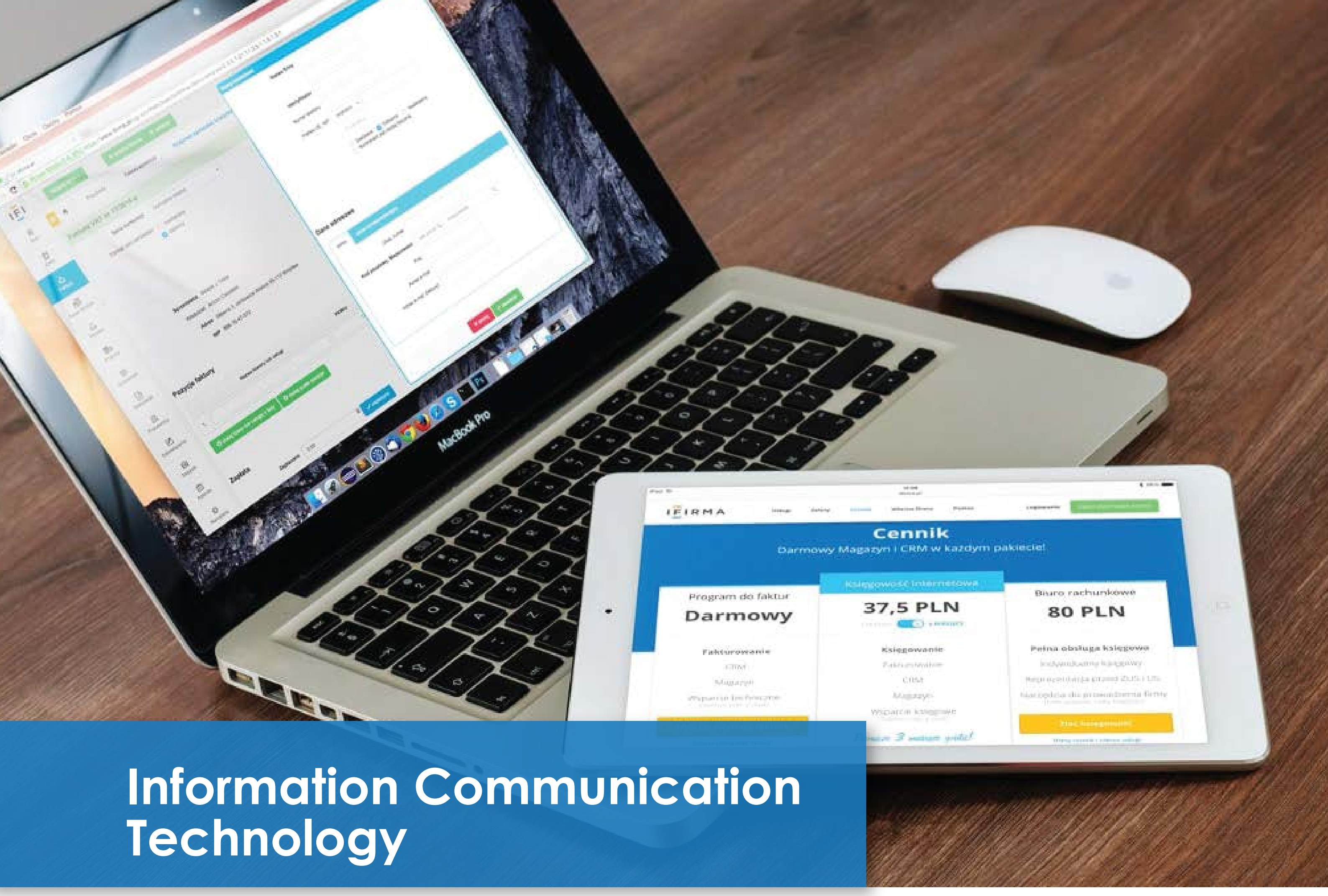
Pension complaints

The Commission handled 611 pension-related complaints, 525 of which were resolved.

Outstanding cases were still under investigation by the Commission by the year end.

The majority of the complaints related to:

- Non and late payment of pension benefits;
- Loss of value caused by hyperinflation and dollarisation in 2009; and
- Contribution arrears mostly since 2009.



Information Communication Technology

Information technology exists to support the mission of the Commission as defined in the Commission's strategy document. Investments in information technology are driven principally by the desire to improve the way work is done; to improve decision making; to adhere to various laws, regulations, and policies; and to help the organisation manage risks.

ICT developments for the year 2019

Software and Applications

The Commission made significant progress in the implementation of the Customer Relationship Management (CRM), which will enhance the full functionality of the Enterprise Resource Planning (ERP) system SAP S/4 Hana. The Commission is excited to have been the first to run on the S/4 Hana platform in the country. The ERP Modules have so far made sure that departments within the Commission do not operate as silos but systems are well integrated and processes automated. The CRM module offers an online platform/system that handles all formal communication between the Commission and regulated entities. The CRM module is therefore, expected to go live in the first quarter of 2020. Customisation and upgrading of system functionalities will however, continue as a way of optimising the system.

ICT Support and Maintenance

ICT system support and maintenance continued during the year. All workstations were continuously upgraded with current software packages as well as security enhancements to safeguard against cyber risks. Management also takes cognisance of the fast changing ICT environment and will therefore, continue to monitor digital developments and, where possible, proactively take corrective action to ensure continued sustainability of Commission business.
A helpdesk solution was effected to

enable efficient and effective support of the ICT user community. The solution allows users to login user requests, access a self-service portal and a knowledge base among other facilities.

ICT Infrastructure

The Commission successfully migrated from physical servers to a virtual environment. Consolidation of servers through virtualization will reduce the overall footprint of ICT infrastructure. There will be optimisation of energy utilization as well as reduced need for physical networking material. Security and other administration activities will be enhanced under virtualisation.

The Commission also successfully completed configuration of a Virtual Private Network (VPN) between IPEC head office and ZIMPOST head office to support the IPEC-ZIMPOST partnership for the provision of a complaints lodging system, which takes advantage of ZIMPOST's strategic wider branch network.

The Commission continues to ensure that Confidentiality, Integrity and Availability (CIA triad) of the ICT environment are maintained.

The Commission also procured and commenced migration of business to Microsoft Office 365. Full commissioning of Microsoft Office 365 will be finalised in the first quarter of 2020. Management will leverage on Office 365 functionalities so as to save time, increase productivity, and raise efficiency to a new level by taking advantage of features like collaboration, SharePoint, Microsoft teams, and OneDrive.

2019 ANNUAL REPORT

ANNUAL FINANCIAL STATEMENTS

General Information

Country of incorporation	Zimbabwe
Nature of business	The Commission supervises and regulates Insurance companies
Directors	Mr Albert Nduna - Chairperson Mrs Annah Mashingaidze - Vice Chairperson Mr David Mureriwa Mr Godwin Nyengedza Mrs Judith Rusike Dr Grace Muradzikwa -Commissioner
Registered office	160 Rhodesville Avenue, Greendale, Harare Zimbabwe
Postal address	P.O. BOX HR6773
Bankers	CBZ Bank Limited FBC Limited
Auditors	Nolands Harare Chartered Accountants 7 Glenara Avenue South Eastlea, Harare
Contacts :	+263 (242) 481037/9
Email :	enquiries@nolandshre.co.zw

Contents

Directors' Responsibilities and Approval

The Directors are required in terms of the IPEC Act [Chapter 24:21] 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 Commission as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Commission and place considerable importance on maintaining a strong control environment. To enable the Directors to meet these responsibilities, the board of Directors 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 throughout the Commission and all employees are required to maintain the highest ethical standards in ensuring the Commission's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Commission is on identifying, assessing, managing and monitoring all known forms of risk across the Commission. While operating risk cannot be fully eliminated, the Commission endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour 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 reviewed the Commission's cash flow forecast for the year to 31 December 2020 and, in light of this review and the current financial position, they are satisfied that the Commission has or had access to adequate resources to continue in operational existence for the foreseeable future.

Preparer of the financial statements

The financial statements were prepared under the supervision of Mr B. Kazengura who is the Finance Director and has the following qualifications: Bachelor of Technology Honours in Accounting (UZ) and is an affiliate member of the Association of Chartered Certified Accountants (ACCA).

The external auditors are responsible for independently auditing and reporting on the Commission's financial statements. The financial statements have been examined by the Commission's external auditors and their report is presented on pages 4 to 7.

The financial statements set out on pages 8 to 32, which have been prepared on the going concern basis, were approved by the board of Directors on 09 / 03 / 2020 and were signed on their behalf by:

Approval of financial statements

Mr Blessmore Kazengura (B. Tech. HACC-UZ, ACCA) - Preparer

Dr Grace Muradzikwa -Commissioner

Mr Albert Nduna - Chairperson

Independent auditor's report

To the Minister of Finance and Economic development and the Board of directors of the Insurance & Pensions Commission,

Adverse Opinion

We have audited the accompanying financial statements of the Insurance & Pensions Commission, which comprise the Statement of Financial Position as at 31 December 2019, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash flows for the year then ended, and a summary of significant accounting policies and the explanatory notes as set out on pages 46 to 70

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion paragraph, the accompanying financial statements do not present fairly, the financial position of the Insurance & Pensions Commission, as at 31 December 2019, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Insurance and Pensions Commission Act [Chapter 24:21].

Basis for Adverse Opinion

Effects of IAS 21 'The Effects of Changes in Foreign Exchange Rates'

The Commission operated in an environment where suppliers were applying multitier pricing, where a single product had different prices depending on the mode of payment, whether USD cash, electronic payment, mobile money or bond notes. Due to the economic environment the Commission operated in, the Commission ended up experiencing premiums on the official foreign exchange rate of 1:1 prescribed by statutory instrument 133 of 2016, between the RTGS FCA, Bond Notes and the Nostro FCA during the period 1 January 2019 to 22 February 2019. This resulted in transactions bearing similarities to what one would expect with transactions that are undertaken in different currencies to which International Accounting Standard (IAS) 21 "The Effect of Changes in Foreign Exchange Rates" would apply.

To comply with the legislation as described in note 2.1 to the financial statements, the transactions presented in the period 1 January 2019 to 22 February 2019, the balances on the 22nd of February 2019 and balances in the financial statements for the prior financial year, were converted to the local reporting currency (ZWL) at a rate of 1:1 except for Nostro FCA denominated balances which were converted at 1:2.5 in line with the requirements of Statutory Instrument 33 of 2019. However, International Accounting Standard (IAS) 21 requires the use of a single market exchange rate when converting balances and transactions upon change in functional currency. Consequently, using a rate of 1:1 for translating transactions during the period 1 January 2019 to 22 February 2019 to ZWL and use of different exchange rates when converting balances and transactions upon change in functional currency resulted in distortion of the ZWL values presented on the financial statements. This resulted in a material and pervasive departure from the requirements of IAS 21.

Furthermore, as described in accounting policy 3.11 to the financial statements, the Public Accountants and Auditors Board issued a pronouncement that required companies to apply the requirements of IAS 29 - Financial Reporting in Hyperinflationary Economies ("IAS 29") in the preparation and presentation of its financial statements for financial periods beginning on or after 1 July 2019. The misstatements described in the paragraph above affect the historical amounts which are used in the calculation of the inflation adjusted amounts. Had the underlying historical financial statements been prepared in accordance with the requirements of IAS 21, and then inflation adjusted in accordance with IAS 29, many elements in the accompanying financial statements would have been materially restated. It was not practicable to quantify the financial effects on the financial statements.

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the financial statements section of our report. We are independent of the Commission in accordance with the International Ethics Standards Board of Accountants Code of Ethics for Professional Accountants (IESBA Code) and other independence requirements applicable to performing audits of financial statements in Zimbabwe. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audits in Zimbabwe. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. 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.

Key audit matter	**How our audit addressed the key audit matter**
IAS 29 – Financial Reporting in Hyperinflationary Economies The Commission has applied IAS 29 – Financial Reporting in Hyperinflationary Economies in its preparation of the financial statements for the year. IAS 29 Financial Reporting in Hyperinflationary Economies is a key audit matter due to the significance of the balances, transactions, complexity and subjectivity over the application of the standard. The standard requires significant judgments to be made by Directors considering when applying guidelines provided in IAS 29.	Our procedures included: • Reviewing the IAS 29 computations including evaluating the rationale for the cumulative inflation rate, consumer price indices, any adjustments to the economic indicators and justifications thereof, validation of the source of data used, testing and validation of key assumptions and sensitivity of the application of a variation of the parameters among others. • Reviewing the judgments and assumptions made by the Directors during the application of the requirements of IAS 29; and; • Assessing whether disclosures in the financial statements appropriately reflect the effects of the adoption of IAS 29. Based on the audit work performed we conclude that IAS 29 was fairly applied.

Responsibilities of the Board and Those Charged with Governance for the Financial Statements

The Board is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and requirements of the Insurance and Pensions Commission Act
[Chapter 24:21], and for such internal control as the Board determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, the Board is responsible for assessing the Commission's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Those charged with governance are responsible for overseeing the Commission's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 ISA's 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 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 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 controls.

• Obtain an understanding of internal controls 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 Commission's internal controls.

• Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Board.

• Conclude on the appropriateness of Board's 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 Commission'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 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 Commission to cease to continue as a going concern.

• Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to 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 those charged with governance, we determine those matters that were of most significance in the audit of the 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.

The engagement partner on the audit resulting in this independent auditor's report is Bernard Matamba:

15/06/2020

Per: - Bernard Matamba
--Date, Harare
PAAB Practising Number: -77
Nolands Harare Chartered Accountants

Statement of Financial Position

Figures in Zimbabwe Dollar	Note(s)	Inflation adjusted 2019	Inflation adjusted 2018	Historical 2019	Historical 2018
Assets					
Non-Current Assets					
Property and equipment	6	17,434,021	7,208,891	17,089,940	811,382
Right-of-use assets	7	443,299	-	321,435	-
Intangible assets	8	1,844,700	3,813,488	1,844,700	438,708
Investment at fair value	13	64,878	241,323	64,878	29,585
Other financial assets	9	75,953	1,476,735	75,953	75,953
		19,862,851	**12,740,437**	**19,396,906**	**1,355,628**
Current Assets					
Inventories	10	473,771	224,494	236,885	27,450
Loans to directors, managers and employees	11	262,122	1,311,280	262,122	160,755
Trade and other receivables	12	7,204,305	2,927,423	7,338,375	358,884
Cash and cash equivalents	14	8,200,359	119,092,992	8,200,359	14,600,077
		16,140,557	**123,556,189**	**16,037,741**	**15,147,166**
Total Assets		**36,003,408**	**136,296,626**	**35,434,647**	**16,502,794**
Equity and Liabilities					
Equity					
Reserves		1,122,445	1,122,445	11,005,081	199,211
Retained income		31,680,583	133,789,475	21,214,482	16,134,133
		32,803,028	**134,911,920**	**32,219,563**	**16,333,344**
Liabilities					
Non-Current Liabilities					
Lease liabilities	15	401,363	-	292,527	-
Current Liabilities					
Trade and other payables	16	2,759,632	1,384,706	2,893,852	169,450
Lease liabilities		39,385	-	28,705	-
		2,799,017	**1,384,706**	**2,922,557**	**169,450**
Total Liabilities		**3,200,380**	**1,384,706**	**3,215,084**	**169,450**
Total Equity and Liabilities		**36,003,408**	**136,296,626**	**35,434,647**	**16,502,794**

The financial statements and the notes on pages 8 to 32, were approved by the board of directors on 09 / 03 / 2020 and were signed on its behalf by:

Mr Blessmore Kazengura (B Tech. HACC-UZ, ACCA) - Preparer

Dr Grace Muradzikwa -Commissioner

Mr Albert Nduna - Chairperson

Statement of Profit or Loss and Other Comprehensive Income

Figures in Zimbabwe Dollar	Note(s)	Inflation adjusted		Historical	
		2019	2018	2019	2018
Revenue	17	51,896,034	69,846,940	18,045,351	8,322,787
Other operating income	18	257,900	601,360	116,573	78,688
Other operating gains (losses)	19	4,511,406	(259,243)	1,945,265	(30,172)
Other operating expenses	27	(32,453,359)	(26,160,809)	(15,635,287)	(3,319,157)
Operating profit (loss)	20	**24,211,981**	**44,028,248**	**4,471,902**	**5,052,146**
Investment income	23	2,344,909	3,926,275	609,481	485,875
Finance costs	24	(42,823)	-	(36,327)	-
Net monetary loss		(128,658,252)	-	-	-
Other non-operating gains (losses)	25	35,293	46,016	35,293	7,408
(Loss) / profit for the year		**(102,108,892)**	**48,000,539**	**5,080,349**	**5,545,429**
Other comprehensive income		-	-	**10,805,870**	-
Total comprehensive income/ (loss) for the year		**(102,108,892)**	**48,000,539**	**15,886,219**	**5,545,429**

Statement of Changes in Reserves

Figures in Zimbabwe Dollar	Revaluation Reserve	Other NDR	Total reserves	Retained Income	Total
Inflation adjusted					
Balances at 01 January 2018	**-**	**832,543**	**832,543**	**85,788,936**	**86,621,479**
Profit for the year	-	-	-	48,000,539	48,000,539
Other Comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	**48,000,539**	**48,000,539**
Equity investments	-	289,902	289,902	-	289,902
Total contributions by and distributions to owners of Commission recognised directly in equity	**-**	**289,902**	**289,902**	**-**	**289,902**
Balances as at 01 January 2019	**-**	**1,122,445**	**1,122,445**	**133,789,475**	**134,911,920**
Loss for the year	-	-	-	(102,108,892)	(102,108,892)
Other comprehensive Loss for the year	-	-	-	-	-
Total comprehensive Loss for the year	-	-	-	(102,108,892)	(102,108,892)
Balances as at 31 December 2019	**-**	**1,122,445**	**1,122,445**	**31,680,583**	**32,803,028**

Historical

Figures in Zimbabwe Dollar	Revaluation Reserve	Other NDR	Total reserves	Retained Income	Total Equity
Balances at 01 January 2018	**84,775**	**92,260**	**177,035**	**10,588,704**	**92,260**
Profit for the year	-	-	-	5,545,429	5,545,429
Other Comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	**5,545,429**	**5,545,429**
Equity investments	-	22,176	22,176	-	-
Total contributions by and distributions to owners of Commission recognised directly in equity	**-**	**22,176**	**22,176**	**-**	**22,176**
Balances as at 01 January 2019	**84,775**	**114,436**	**199,211**	**16,134,133**	**16,532,555**
Profit for the year	-	-	-	5,080,349	5,080,349
Other comprehensive income for the year	10,805,870	-	10,805,870	-	10,805,870
Total comprehensive income for the year	**10,805,870**	**-**	**10,805,870**	**5,080,349**	**15,886,219**
Balances as at 31 December 2019	**10,890,645**	**114,436**	**11,005,081**	**21,214,482**	**32,219,563**

Statement of Cashflows

Figures in Zimbabwe Dollar	Note(s)	Inflation adjusted		Historical	
		2019	2018	2019	2018
Cash flows from operating activities					
Cash (used in)/generated from activities	26	(104,836,126)	44,861,316	(1,464,471)	5,074,143
Interest income		2,344,909	3,926,275	609,481	485,875
Finance costs		(42,823)	-	(36,327)	-
Net cash from operating activities		**(102,534,040)**	**48,787,591**	**(891,317)**	**5,560,018**
Cash flows from investing activities					
Purchase of property and equipment	6	(13,634,090)	(1,028,474)	(7,172,396)	(131,743)
Sale of property and equipment	6	162,642	490,568	50,891	16,785
Purchase of other intangible assets	8	-	(1,367,102)	-	(167,607)
Loans to directors, managers and employees repaid		1,049,158	(1,170,209)	(101,367)	(19,684)
Net Cash from financing activities		**(12,422,290)**	**(3,075,217)**	**(7,222,872)**	**(302,249)**
Cash flows from financing activities					
Payment of lease liabilities		(286,421)	-	(180,325)	-
Total cash movement for the year		**(115,242,751)**	**45,712,374**	**(8,294,515)**	**5,257,769**
Cash at beginning of the year		119,092,992	73,380,618	14,600,077	9,342,308
Effect of exchange rate movement on cash balances		4,350,118	-	1,894,797	-
Total cash at end of the year	14	**8,200,359**	**119,092,992**	**8,200,359**	**14,600,077**

Accounting Policies

1 Nature of the business

The Insurance and Pensions Commission (IPEC) is a statutory body established in terms of the Insurance and Pensions Commission Act [Chapter 24:21], to regulate the insurance and pensions industry with the objective of developing the industry for the protection of insurance policyholders and pension fund members' interests.

2 Basis of preparation

The financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparing these financial statements and the IPEC Act [Chapter 24:21], except for the non compliance with International Accounting Standards (IAS) 21, The effect of Changes in Foreign Exchange Rates explained note 2.1.

2.1 Functional and presentation currency

Items included in the financial statements of the Commission are measured using the currency of primary economic environment in which the entity operates(the functional currency). The financial statements are presented in Zimbabwe Dollars (ZWL), which is the Commission's functional and presentation currency.

The Commission operated in a multi-currency environment which included foreign currencies, mainly the United States Dollars (USD) and quasi-currency instruments in the form of electronic balances and bond notes which, during the reporting period, were officially pegged to the US$ at an official exchange rate of 1:1. Multi-tier pricing in the market depending on the mode of payment (US$, bond note, mobile money or RTGS$) and persistent shortages of foreign currency resulting in delays in settling foreign obligations at the official exchange rate, particularly subsequent to monetary policy changes in October 2018, triggered deliberations on whether the US$ remained the functional currency for companies operating in Zimbabwe.

Given the environment that the Commission is currently operating in, the directors have assessed in terms of International Accounting Standards (IAS) 21, if there has been a change in the functional currency used by the Commission during the year. In their assessment the Directors included considerations of whether the various modes of settlement may represent different forms of currency. The following was considered:

(a) On the 1st October 2018 the Reserve Bank of Zimbabwe (RBZ) through Exchange Control Directive RT120/2018, directed all banks to ring-fence Nostro foreign currency accounts (FCAs) by separating them into two categories, namely Real Time Gross Settlement (RTGS) FCAs for local RGTS transactions and Nostro FCAs for foreign currency transactions at a parity rate of 1:1.

(b) On the 22nd of February 2019 Statutory Instrument 33 of 2019 (SI 33) was issued as an amendment to the Reserve Bank of Zimbabwe Act and it introduced a new currency named the RTGS Dollar/ ZWL at a base rate of USD1:ZWL 2.5. Another Exchange Control Directive RU 28 of 2019 was issued at the time which introduced an interbank market for trading US$ as well as other currencies in the multi-currency regime.

(c) On June 24 2019 the Government gazetted Statutory Instrument 142 of 2019 which outlawed the use of multi-currencies and compelled that all transactions be made in local currency (RTGS Dollar/ZWL).

As a result of these currency changes announced by the monetary authorities, the directors assessed as required by IAS 21 and consistent with the guidance issued by the Public Accountants and Auditors Board (PAAB), whether use of the US$ as functional currency remained appropriate. Based on the assessment, the directors concluded that the Commission's functional currency became ZWL with effect from 1 October 2018. However, this could not be effected at law, because there was no local currency in Zimbabwe until 22 February 2019. The inconsistency between the legal requirement and International Financial Reporting Standards (IFRS) from October 2018 to 22 February 2019 resulted in auditors expressing an adverse opinion on the financial statements.

3. Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

3.1 Significant judgements and sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Trade receivables, loans and other receivables

The Commission assesses its trade receivables, loans and other receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, the Commission 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 trade receivables, loans and other receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Commission is the current bid price.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

3.2 Property and equipment

The cost of an item of property and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the Commission; and
- the cost of the item can be measured reliably.

Property and equipment is initially measured at cost. Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Property and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Subsequent to initial recognition, property and equipment is stated at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

When an item of property and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

3.2 Property and equipment (Continued)

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the Commission. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

The useful lives of items of property and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Buildings	Straight line	25 years
Furniture and fittings	Straight line	5 years
Motor vehicles	Straight line	5 years
Office equipment	Straight line	5 years
Other property and equipment	Straight line	5 years
SAP Hardware	Straight line	5 years
Right of use asset	Straight line	5 years
Leasehold improvement -Town office	Straight line	5 years
IT equipment	Straight line	3 years
Computer software	Straight line	3 years
Leasehold improvements-162 Rhodesville offices	Straight line	1 year

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

3.3 Intangible Assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably. Intangible assets are initially recognised at cost.

Intangible assets are initially recognised at cost.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

3.3 Intangible Assets (Continued)

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Depreciation Method	Average Useful life
Computer Software	Straight line	3 Years
SAP Software		Indefinite

3.4 Financial Instruments

Financial instruments held by the Commission are classified in accordance with the provisions of IFRS 9 Financial Instruments.

Broadly, the classification possibilities, which are adopted by the Commission ,as applicable, are as follows:

Financial assets which are equity instruments:
- Mandatorily at fair value through profit or loss; or
- Designated as at fair value through other comprehensive income. (This designation is not available to equity instruments which are held for trading or which are contingent consideration in a business combination).

Financial assets which are debt instruments:
- Amortised cost. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows); or
- Fair value through other comprehensive income. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is achieved by both collecting contractual cash flows and selling the instruments); or

- Mandatorily at fair value through profit or loss. (This classification automatically applies to all debt instruments which do not qualify as at amortised cost or at fair value through other comprehensive income); or
- Designated at fair value through profit or loss. (This classification option can only be applied when it eliminates or significantly reduces an accounting mismatch).

Financial liabilities:
- Amortised cost; or
- Mandatorily at fair value through profit or loss. (This applies to contingent consideration in a business combination or to liabilities which are held for trading); or
- Designated at fair value through profit or loss. (This classification option can be applied when it eliminates or significant ly reduces an accounting mismatch; the liability forms part of a group of financial instruments managed on a fair value basis; or it forms part of a contract containing an embedded derivative and the entire contract is designated as at fair value through profit or loss).

Trade and other receivables

Classification

Trade and other receivables, excluding, when applicable, VAT and prepayments, are classified as financial assets subsequently measured at amortised cost.

They have been classified in this manner because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the Commission's business model is to collect the contractual cash flows on trade and other receivables.

Recognition and measurement

Trade and other receivables are recognised when the Commission becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any.

3.4 Financial Instruments (Continued)

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the receivable initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Impairment

The Commission recognises a loss allowance for expected credit losses on trade and other receivables, excluding VAT and prepayments. The amount of expected credit losses is updated at each reporting date.

The Commission measures the loss allowance for trade and other receivables at an amount equal to lifetime expected credit losses (lifetime ECL), which represents the expected credit losses that will result from all possible default events over the expected life of the receivable.

Measurement and recognition of expected credit losses

The Commission makes use of a provision matrix as a practical expedient to the determination of expected credit losses on trade and other receivables. The provision matrix is based on historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecast direction of conditions at the reporting date, including the time value of money, where appropriate.

Measurement and recognition of credit losses

The customer base is widespread and does not show significantly different loss patterns for different customer segments. The loss allowance is calculated on a collective basis for all trade and other receivables in totality.

An impairment gain or loss is recognised in profit or loss with a corresponding adjustment to the carrying amount of trade and other receivables, through use of a loss allowance account. The impairment loss is included in other operating expenses in profit or loss as a movement in credit loss allowance.

Write off policy

The Commission writes off a receivable when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Receivables written off may still be subject to enforcement activities under the Commission recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Operating leases-lessee

Operating lease payments are recognised as an expense on a straight line basis over the lease term. The difference between the amounts recognised as an expenses and the contractual payments are recognised as an operating lease. This liability is not discounted.

Trade and other payables

Classification

Trade and other payables, excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

They are recognised when the Commission becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents are stated at carrying amount which is deemed to be fair value.

3.4 Financial Instruments (Continued)
Derecognition

Financial assets
The Commission derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Commission neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Commission recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Commission retains substantially all the risks and rewards of ownership of a transferred financial asset, the Commission continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities
The Commission derecognises financial liabilities when, and only when, the Commission obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

3.5 Leases
The Commission assesses whether a contract is, or contains a lease, at the inception of the contract. 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.

In order to assess whether a contract is, or contains a lease, management determine whether the asset under consideration is "identified", which means that the asset is either explicitly or implicitly specified in the contract and that the supplier does not have a substantial right of substitution throughout the period of use. Once management has concluded that the contract deals with an identified asset, the right to control the use thereof is considered. To this end, control over the use of an identified asset only exists when the Commission has the right to substantially all of the economic benefits from the use of the asset as well as the right to direct the use of the asset.

In circumstances where the determination of whether the contract is or contains a lease requires significant judgement, the relevant disclosures are provided in the significant judgments and sources of estimation uncertainty section of these accounting policies.

Commission as lessee
A lease liability and corresponding right-of-use asset are recognised at the lease commencement date, for all lease agreements for which the Commission is a lessee, except for short-term leases of 12 months or less, or leases of low value assets. For these leases, the Commission recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Lease liability
The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Commission uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:
- fixed lease payments, including in-substance fixed payments, less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the Commission under residual value guarantees;
- the exercise price of purchase options, if the Commission is reasonably certain to exercise the option;
- lease payments in an optional renewal period if the Commission is reasonably certain to exercise an extension option; and
- penalties for early termination of a lease, if the lease term reflects the exercise of an option to terminate the lease.

3.5 Leases (Continued)

Right of use assets

Right-of-use assets are presented as a separate line item on the Statement of Financial Position. Lease payments included in the measurement of the lease liability comprise the following:

- the initial amount of the corresponding lease liability;
- any lease payments made at or before the commencement date;
- any initial direct costs incurred;
- any estimated costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, when the Commission incurs an obligation to do so, unless these costs are incurred to produce inventories; and
- less any lease incentives received.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset.

3.6 Inventory

Inventories are measured at the lower of cost and net realisable value. Inventories are measured at the lower of cost and net realisable value on the first-in-first-out basis. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

3.7 Employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted. The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

3.8 Provisions and contingencies

Provisions are recognised when:

- the Commission has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation.

3.9 Revenue from contracts with customers

The Commission recognises revenue from the following major sources:

- Levies form Pension funds and Insurance companies
- Annual fees from members
- Application fees
- Registration fees

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Commission recognises revenue when it transfers control of a product or service to a customer.

3.9 Revenue from contracts with customers (Continued)

Revenue from Pension funds and Insurance companies

Revenue from levies is recognised at the beginning of every quarter and this is the point in time when the Commission transfers the regulatory services to Insurance and Pensions companies intending to do business in that quarter.

Annual fees from members

Revenue from annual fees is recognised at the beginning of the year as this is the point in time when the Commission is unconditionally entitled to receive the annual fees.

Application fees

Revenue from application fees is recognised at the point in time when a prospective client makes an application to the Commission. This is the point in time when the Commission is unconditionally entitled to receive the application fees income.

Registration fees

Revenue from registration fees is recognised at the point in time when the Commission registers a new member and this is the point in time when the Commission becomes unconditionally entitled to receiving registration fee income.

3.10 Translation of foreign currencies Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Zimbabwe Dollars, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

In circumstances where the Commission receives or pays an amount in foreign currency in advance of a transaction, the transaction date for purposes of determining the exchange rate to use on initial recognition of the related asset, income or expense is the date on which the Commission initially recognised the non-monetary item arising on payment or receipt of the advance consideration.

If there are multiple payments or receipts in advance, Commission determines a date of transaction for each payment or receipt of advance consideration. Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in profit or loss in the period in which they arise.

3.11 IAS 29 Hyperinflationary economies

The Public Accountants and Auditors Board through its pronouncement 01/2019 provided guidance to all entities that report based on the International Financial Reporting Standards (IFRSs) on the application of Financial Reporting in Hyperinflationary Economies Standard (IAS29) in Zimbabwe. The pronouncement requires that companies that prepare and present financial statements for financial period ended on or after 1 July 2019 apply the requirements of IAS29 " Financial Reporting in Hyperinflationary economies."

The historical amounts were restated at the end of the reporting period to reflect the general change in purchasing power of the reporting currency (ZWL). Professional judgement was used and appropriate adjustments were made to historical financial statements in preparing financial statements which are IAS 29 compliant.

Sources of price index

Indices used were obtained from the Zimbabwe Statistical Office for the period from February 2009 to December 2019.

Year	Indices	Average indices	Conversion factor
December 2017	61.13	61.13	9.02
December 2018	88.81	67.63	6.21
December 2019	551.63	240.28	1

4 Changes in accounting policy

The financial statements have been prepared in accordance with International Financial Reporting Standards on a basis consistent with the prior year except for the adoption of the following new or revised standards.

Application of IFRS 16 Leases

In the current year, the commission has adopted IFRS 16 Leases (as issued by the IASB in January 2016) with the date of initial application being 01 January 2019. IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases - Incentives and SIC 27 - Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at the lease commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in the accounting policy for leases. The impact of the adoption of IFRS 16 on the commission's financial statements is described below.

The commission has applied the practical expedient available in IFRS 16 which provides that for contracts which exist at the initial application date, an entity is not required to reassess whether they contain a lease. This means that the practical expedient allows an entity to apply IFRS 16 to contracts identified by IAS 17 and IFRIC 4 as containing leases; and to not apply IFRS 16 to contracts that were not previously identified by IAS 17 and IFRIC 4 as containing leases.

IFRS 16 has been adopted by applying the modified retrospective approach, whereby the comparative figures are not restated. Instead, cumulative adjustments to retained earnings have been recognised in retained earnings as at 01 January 2019.

Leases where commission is lessee Impact on financial statements

On transition to IFRS 16, the commission recognised an additional Z$ 321 435- of right-of-use assets and Z$ 321 232- of lease liabilities, recognising the difference in retained earnings. When measuring lease liabilities, commission discounted lease payments using its incremental borrowing rate at 01 October 2019. The discounting rate applied is 45% per annum.

Application of IFRS 9 Financial Instruments

In the current year, the Commission has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRSs. IFRS 9 replaces IAS 39 Financial Instruments and introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) impairment for financial assets and 3) general hedge accounting. Details of these new requirements are set out in accounting policy 3.4.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction contracts; IAS 18 Revenue; IFRIC 13 Customer Loyalty Programmes; IFRIC 15 Agreements for the construction of Real Estate; IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue - Barter Transactions Involving Advertising Services.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue when (or as) the entity satisfies a performance obligation.

Refer to accounting policy 3.9 for more details.

5. New Standards and Interpretations

The Commission has chosen not to early adopt the following standards and interpretations, which have been published and are

5.1 Standards and interpretations effective and adopted in the current year

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
IFRS 9 Financial Instruments	1 January 2018	The impact of the standard is set out in note 4 Changes in accounting policy.
IFRS 15 Revenue from Contracts with Customers	1 January 2018	The impact of the standard is set out in note 4 Changes in accounting policy.
IFRS 16 Leases	1 January 2019	The impact of the standard is set out in note 4 Changes in accounting policy.

5.2 Standards and interpretations not yet effective

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
IFRS 17 Insurance Contracts	1 January 2021	Impact is immaterial.

Notes to the financial Statements

Figures in Zimbabwe Dollar

6 Property and equipment

Reconciliation of property, plant and equipment- 2019

	Opening balance	Additions	Disposals	Revaluations	Elimination of costs	Elimination of accumulated depreciation	Depreciation	Total	
								Inflation adjusted	Historical
Land	1,931,993	-	-	68,007	-	-	-	2,000,000	2,000,000
Buildings	2,340,222	15,329	-	3,000,000	(2,605,963)	296,540	(46,128)	3,000,000	3,000,000
Leasehold improvements-162 Rhodesville office	-	254,926	-	-	-	-	(37,219)	217,707	94,769
Furniture and Fixtures	519,555	984,480	(128)	1,196,900	(1,871,628)	570,813	(203,092)	1,196,900	1,196,900
Motor vehicles	534,876	10,903,846	-	6,373,000	(13,674,367)	3,173,001	(937,356)	6,373,000	6,373,000
Office equipment	89,048	307,736	-	322,220	(689,017)	399,371	(107,138)	322,220	322,220
IT equipment	704,190	601,050	-	1,187,872	(1,968,162)	1,036,317	(373,395)	1,187,872	1,187,872
Computer software	41,130	218,099	-	80,650	(264,195)	20,768	(15,802)	80,650	80,650
Leasehold improvements-Town office	-	727,169	-	-	-	-	(29,547)	697,622	476,479
SAP Hardware	922,142	82,418	-	2,000,000	(1,619,321)	1,036,856	(422,095)	2,000,000	2,000,000
Cellphones	73,051	150,628	-	98,600	(227,626)	13,433	(9,486)	98,600	98,600
Other property and equipment	52,684	115,578	(1,226)	259,450	(574,894)	509,918	(102,060)	259,450	259,450
	7,208,891	14,361,259	(1,354)	14,586,699	(23,495,173)	7,057,017	(2,283,318)	17,434,021	17,089,940

Reconciliation of property, plant and equipment- 2018

	Opening balance	Additions	Disposals	Revaluations	Elimination of costs	Elimination of accumulated depreciation	Depreciation	Inflation adjusted	Historical
Land	1,931,993	-	-	-	-	-	-	1,931,993	210,000
Buildings	2,424,116	-	-	-	-	-	(83,894)	2,340,222	255,421
Furniture and Fixtures	347,048	248,404	(21,715)	-	-	-	(54,182)	519,555	68,684
Motor vehicles	1,267,045	-	(662,761)	-	-	-	(69,408)	534,876	59,694
Office equipment	113,516	38,063	(39,485)	-	-	-	(23,046)	89,048	10,274
IT equipment	309,376	617,825	(25,850)	-	-	-	(197,161)	704,190	85,242
Computer software	-	42,918	-	-	-	-	(1,788)	41,130	5,043
SAP Hardware	1,229,522	-	-	-	-	-	(307,380)	922,142	102,189
Cellphones	-	76,998	-	-	-	-	(3,947)	73,051	8,956
Other property and equipment	64,737	4,266	-	-	-	-	(16,319)	52,684	5,879
	7,687,353	**1,028,474**	**(749,811)**	**-**	**-**	**-**	**(757,125)**	**7,208,891**	**811,382**

Notes to the financial Statements

Figures in Zimbabwe Dollar	Inflation adjusted		Historical	
	2019	2018	2019	2018

7 Leases (commission as lessee)

The commission leases two office buildings one located at number 162 Rhodesville, Greendale Harare and the other one at Shop number 5 Kingstones House along Leopard Takawira in Harare . The lease term is 1 year for the Rhodesville offices and 5 years for Shop number 5 Kingstones House.

Details pertaining to leasing arrangements, where the commission is lessee are presented below:

The commission adopted IFRS 16 for the first time in the current financial period. Comparative figures have been accounted for in accordance with IAS 17. The information presented in this note for right-of-use assets therefore only includes the current period and relates to Shop number 5 Kingstones House only. The 162 Rhodesville lease is shortterm as defined and the lease rentals were expensed accordingly.

Net carrying amounts of right-of-use assets

The carrying amounts of right-of-use assets are as follows:

	Inflation adjusted 2019	Inflation adjusted 2018	Historical 2019	Historical 2018
Buildings	480,518	-	353,025	-
Accumulated depreciation	(37,219)	-	(31,590)	-
	443,299	**-**	**321,435**	**-**

Depreciation recognised on right-of-use assets

Depreciation recognised on each class of right-of-use assets, is presented below. It includes depreciation which has been expensed in the total depreciation charge in profit or loss (note 23), as well as depreciation which has been capitalised to the cost of other assets.

	Inflation adjusted 2019	Inflation adjusted 2018	Historical 2019	Historical 2018
Buildings	16,917	-	16,917	-

Notes to the financial Statements

Figures in Zimbabwe Dollar

8 Intangible assets

Reconciliation of intangible assets - 2019

	Opening balance	Additions	Revaluations	Elimination of cost	Total Inflation adjusted	Total Historical
Computer software SAP	3,813,488	1,844,700	1,844,700	(3,813,488)	1,844,700	1,844,700

Reconciliation of intangible assets - 2018

	Opening balance	Additions	Revaluations	Elimination of cost	Total Inflation adjusted	Total Historical
Computer software SAP	244,386	1,367,102	-	-	3,813,488	438,708

9 Other financial assets

	Inflation adjusted 2019	Inflation adjusted 2018	Historical 2019	Historical 2018
At fair value through profit or loss - designated				
Other financial asset	75,953	1,476,735	75,953	75,953
Cabs money market deposit maturing on 07 December 2028, nterest 3%				
Non-current assets				
Designated as at FV through profit (loss) (FV through income)	75,953	1,476,735	75,953	75,953

Fair value of held to maturity investments

The commission has not reclassified any financial assets from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior year.

10 Inventories

	Inflation adjusted 2019	Inflation adjusted 2018	Historical 2019	Historical 2018
Stationery	110,060	194,712	55,030	23,831
Fuel coupons	363,711	29,782	181,855	3,619
	473,771	**224,494**	**236,885**	**27,450**

11 Loans to directors, managers and employees

Schedule of loans to directors, managers and employees

	Inflation adjusted 2019	Inflation adjusted 2018	Historical 2019	Historical 2018
Staff loans	262,122	1,311,280	262,122	160,755
At beginning of the year	1,311,280	141,071	1,311,280	141,071
Advances	(899,384)	1,276,527	(899,384)	126,002
Repayments	(149,774)	(106,318)	(149,774)	(106,318)
	262,122	**1,311,280**	**262,122**	**160,755**

12 Trade and other receivables

	Inflation adjusted 2019	Inflation adjusted 2018	Historical 2019	Historical 2018
Financial instruments:				
Trade receivables	360,057	4,368,275	360,057	535,524
Loss allowance	(119,415)	(1,618,163)	(119,565)	(198,377)
Trade receivables at amortised cost	**240,642**	**2,750,112**	**240,492**	**337,147**
Non-financial instruments:				
Employee costs in advance	3,762	-	3,762	-
Prepayments	6,959,901	177,311	7,094,121	21,737
Total trade and other receivables	**7,204,305**	**2,927,423**	**7,338,375**	**358,884**

Notes to the financial Statements

Figures in Zimbabwe Dollar	Inflation adjusted		Historical	
	2019	2018	2019	2018
12 Trade and other receivables (Continued)				
Split between non-current and current portions				
Non-current assets	-	-	-	-
Current assets	**7,204,305**	**2,927,423**	**7,338,375**	**358,884**
13 Investments at fair value				
Investments held by the commission which are measured at fair value, are as follows:				
Mandatorily at fair value through profit or loss:				
Listed shares	64,878	241,323	64,878	29,585
Split between non-current and current portions				
Non-current assets	64,878	241,323	64,878	29,585
14 Cash and cash equivalents				
Cash and cash equivalents consist of:				
Bank balances	2,624,828	3,539,723	2,624,828	433,949
Short-term deposits	5,575,531	115,553,269	5,575,531	14,166,128
	8,200,359	**119,092,992**	**8,200,359**	**14,600,077**
15 Lease liabilities				
Non-current liabilities	401,363	-	292,527	-
Current liabilities	39,385	-	28,705	-
	440,748	-	321,232	-
16 Trade and other payables				
Financial instruments:				
Trade payables	264,666	14,161	264,666	1,736
Other payables	2,476	34,674	2,476	3,944
Statutory obligations	134,220	27,408	134,220	3,360
Accrued leave pay	919,844	883,931	919,844	108,365
Accrued salaries	1,289,572	-	1,423,792	-
Accrued interest payable	12,046	-	12,046	-
Non-financial instruments:				
Amounts received in advance	136,808	424,532	136,808	52,045
	2,759,632	**1,384,706**	**2,893,852**	**169,450**
Financial instrument and non-financial instrument components of trade and other				
At amortised cost	2,622,824	960,174	2,757,044	117,405
Non-financial instruments	136,808	424,532	136,808	52,045
	2,759,632	**1,384,706**	**2,893,852**	**169,450**

Notes to the financial Statements

Figures in Zimbabwe Dollar	Inflation adjusted		Historical	
	2019	2018	2019	2018
17 Revenue				
Revenue from contracts with customers				
Levies	49,975,118	65,581,284	17,667,241	7,833,267
Registration fees	262,730	659,506	77,200	78,970
Application fees	18,273	366,718	4,300	41,900
Annual fees	1,639,913	3,239,432	296,610	368,650
	51,896,034	**69,846,940**	**18,045,351**	**8,322,787**
Disaggregation of revenue from contracts with customers				
The commission disaggregates revenue from customers as follows:				
Timing of revenue recognition				
At a point in time				
Levies	49,975,118	65,581,284	17,667,241	7,833,267
Annual fees	262,730	659,506	296,610	368,650
Registration fees	18,273	366,718	77,200	78,970
Application fees	1,639,913	3,239,432	4,300	41,900
	51,896,034	**69,846,940**	**18,045,351**	**8,322,787**
18 Other operating income				
Fines and penalties	6,348	34,624	600	4,200
Tender bonds	-	14,256	-	1,620
Bank interest	10,002	2,583	4,521	338
Other income	241,550	549,897	111,452	72,530
	257,900	**601,360**	**116,573**	**78,688**
19 Other operating gains (losses)				
Gains (losses) on disposals of assets				
Property and equipment	161,288	(259,243)	50,468	(30,172)
Foreign exchange gains (losses)				
Net foreign exchange gains	4,350,118	-	1,894,797	-
Total other operating gains (losses)	4,511,406	(259,243)	1,945,265	(30,172)
20 Operating profit (loss)				
Operating profit for the year is stated after charging (crediting) the following, amongst others:				
Auditor's remuneration - external				
Audit fees	196,070	60,104	142,703	6,824
Employee costs				
Salaries, wages, bonuses and other benefits	13,583,556	11,197,126	6,869,724	1,721,256
Management fuel allowances	487,799	191,522	242,919	24,206
Total employee costs	14,071,355	11,388,648	7,112,643	1,745,462
Leases				
Operating lease charges				
Lease rentals	301,797	148,647	136,083	22,195
Depreciation and amortisation				
Depreciation of property and equipment	2,283,318	757,125	680,862	127,790
Depreciation of right-of-use assets	16,917	-	16,917	-
Total depreciation and amortisation	2,300,235	757,125	697,779	127,790

Notes to the financial Statements

Figures in Zimbabwe Dollar	Inflation adjusted		Historical	
	2019	2018	2019	2018
21 Employee costs				
Employee costs				
Basic	11,833,472	9,319,039	6,198,596	1,471,898
Medical aid	575,865	536,818	210,960	82,952
NSSA	137,844	330,019	48,875	24,999
Zimdef	111,425	142,681	44,524	14,872
Pension	718,794	590,409	289,363	90,480
Recruitment costs	206,156	278,160	77,406	36,055
Management fuel allowances	487,799	191,522	242,919	24,206
	14,071,355	**11,388,648**	**7,112,643**	**1,745,462**
22 Depreciation, amortisation and impairment losses				
Depreciation				
Property and equipment	2,283,318	757,125	680,862	127,790
Right-of-use assets	16,917	-	16,917	-
	2,300,235	757,125	697,779	127,790
23 Investment income				
Interest income				
Investments in financial assets:				
Bank and other cash	2,289,371	3,923,412	595,452	471,806
Debt instruments at fair value through profit or loss	55,538	2,863	14,029	14,069
Total interest income	2,344,909	3,926,275	609,481	485,875
24 Finance costs				
Interest expense	42,823	-	36,327	-
25 Other non-operating gains (losses)				
Fair value gains (losses)				
Financial assets mandatorily at fair value through profit or loss	35,293	46,016	35,293	7,408
26 Cash (used in)/generated from operations				
Loss before taxation Adjustments for:	(102,006,877)	**48,035,220**	**5,080,349**	**5,545,429**
Depreciation and amortisation	2,300,235	757,125	697,779	127,790
(Gains) losses on disposals of assets	(161,288)	259,243	(50,468)	30,172
Net monetary loss	128,524,039	-	-	-
Gains on foreign exchange	(4,350,118)	-	(1,894,797)	-
Interest income	(2,344,909)	(3,926,275)	(609,481)	(485,875)
Finance costs	42,823	-	36,327	-
Fair value gains	(35,293)	(46,016)	(35,293)	(7,408)
Other non-cash items	-	-	113,988	-
Right of use asset	443,299	-	(338,351)	-
Non cash effect of IAS 29	(123,994,789)	(402,342)	-	-
Changes in working capital:				
Inventory	(249,270)	(10,384)	(209,435)	(18,915)
Trade and other receivables	(4,411,102)	453,569	(6,979,491)	(124,829)
Trade and other payables	1,407,124	(258,824)	2,724,402	7,779
	(104,836,126)	**44,861,316**	**(1,464,471)**	**5,074,143**

Notes to the Financial Statements

Figures in Zimbabwe Dollar	Note(s)	Inflation adjusted		Historical	
		2019	2018	2019	2018
27 Other operating expenses					
Advertising and public communications		(214,030)	(175,601)	(97,572)	(20,000)
Anti - Money laundering		-	(6,211)	-	(1,000)
Auditors remuneration - external auditors		(196,070)	(60,104)	(142,703)	(6,824)
Bad debts movement		78,812	(1,143,058)	78,812	(182,177)
Bank charges		(568,090)	(136,592)	(263,616)	(19,304)
Board fees and expenses		(325,826)	(1,056,240)	(201,398)	(129,406)
Cleaning		(37,879)	(121,581)	(17,567)	(5,469)
Commission of Inquiry on Conversion		(646,527)	(8,157)	(126,605)	(927)
Conferences		(1,727,262)	(728,680)	(665,548)	(88,718)
Consultancy fees		(927,881)	(549,513)	(566,695)	(63,738)
Consumer awareness		(3,461,766)	(2,274,132)	(1,641,610)	(274,536)
Corporate social responsibility		(7,500)	-	(7,500)	-
Depreciation		(2,300,235)	(757,125)	(697,779)	(127,790)
Employee costs		(14,071,355)	(11,388,648)	(7,112,643)	(1,745,462)
Insurance		(355,360)	(55,052)	(204,934)	(6,400)
IT expenses		(617,091)	(1,082,365)	(307,480)	(143,972)
Lease rentals on operating lease		(301,797)	(148,647)	(136,083)	(22,195)
Legal fees		(410,695)	(223,950)	(151,616)	(25,943)
Motor vehicle expenses		(834,437)	(392,705)	(474,093)	(36,184)
Municipal expenses		(55,397)	(171,367)	(25,538)	(20,194)
Parking fees		(7,195)	(210,787)	(3,271)	(492)
Postage		(515)	(3,342)	(140)	(383)
Printing and stationery		(518,689)	(293,850)	(311,111)	(34,199)
Repairs and maintenance		(760,838)	(391,276)	(422,997)	(62,595)
Review and evaluation		(523,663)	(506,170)	(200,902)	(59,226)
Security		(169,789)	(277,852)	(71,777)	(33,600)
Staff welfare		(1,458,502)	(396,010)	(838,929)	(62,912)
Subscriptions		(574,057)	(77,092)	(296,737)	(6,700)
Telephone and fax		(138,759)	(167,676)	(68,663)	(20,740)
Training		(1,320,966)	(3,357,026)	(658,592)	(118,071)
		(32,453,359)	**(26,160,809)**	**(15,635,287)**	**(3,319,157)**

Notes to the financial Statements

Figures in Zimbabwe Dollar	Inflation adjusted		Historical	
	2019	2018	2019	2018
28 Related parties				
Related party	**Relationship**			
Ministry of Finance and Economic Development	Parent Ministry			
Board of Directors	Key management			
Related party transactions				
Board fees and expenses	325,826	1,056,240	201,398	129,406

29 Risk management

Capital risk management

The Commission's objective when managing capital (which includes reserves, working capital and cash and cash equivalents) is to maintain a flexible capital structure that reduces the cost of capital to an acceptable level of risk and to safeguard the Commission's ability to continue as a going concern while taking advantage of strategic opportunities in order to maximise stakeholder returns sustainably.

	Inflation adjusted 2019	Inflation adjusted 2018	Historical 2019	Historical 2018
Lease liabilities	440,748	-	321,232	-
Trade and other payables	2,622,936	1,350,032	2,625,412	169,450
Total borrowings	3,063,684	1,350,032	2,946,644	169,450
Total borrowings	(8,200,359)	(119,092,992)	(8,200,359)	14,600,077
Net borrowings	(5,136,675)	(117,742,960)	(5,253,715)	14,769,527
Equity	32,803,028	134,911,920	32,219,563	16,333,344
Gearing ratio	(0.16)	(0.87)	(0.15)	(0.87)

Financial risk management

Overview

The Commission is exposed to the following risks from its use of financial instruments:
- Credit risk;
- Liquidity risk; and
- Market risk (currency risk, interest rate risk and price risk).

The Commission's risk management policies are established to identify and analyse the risks faced by the Commission, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Commission's activities

The Commission finance and audit committee oversees how management monitors compliance with the risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Commission. The audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee and the risk committee.

Financial risk management

Credit risk is the risk of financial loss to the Commission if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Notes to the Financial Statements

Figures in Zimbabwe Dollar

29 Financial instruments and risk management (continued)

Credit risk

Credit risk is the risk of financial loss to the Commission if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Commission is exposed to credit risk on loans receivable, debt instruments at fair value through other comprehensive income, trade and other receivables, contract receivables, lease receivables, cash and cash equivalents, loan commitments and financial guarantees.

Foreign currency risk

The Commission is exposed to foreign currency risk as a result of certain transactions which are denominated in foreign currencies. Exchange rate exposures are managed within approved policy parameters utilising Interbank market rate. The foreign currencies in which the Commission deals primarily are US Dollars.

30 Fair value information

Fair value hierarchy

The table below analyses assets and liabilities carried at fair value. The different levels are defined as follows:
Level 1: Quoted unadjusted prices in active markets for identical assets or liabilities that the Commission can access at measurement date.

Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

Levels of fair value measurements

Level 1

Recurring fair value measurements

		Inflation adjusted		**Historical**	
Assets	Note(s)				
Financial assets mandatorily at fair value through profit or loss	14				
Listed shares		64,878	241,323	64,878	29,585
Total		64,878	241,323	64,878	29,585

31 Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Notes to the financial Statements

Figures in Zimbabwe Dollar	Inflation adjusted		Historical	
	2019	2018	2019	2018

32 Events after reporting period

The Coronavirus pandemic

In December 2019, a novel strain of the coronavirus was reported in Wuhan, China. The World Health Organisation has declared the outbreak to constitute a "Public Health Emergency of International Concern". The Government of Zimbabwe on 17 March 2020 declared the outbreak of the Coronavirus a National Disaster. The impact of this virus on the operations of the Commission is depended on various developments which include duration and spread of the outbreak, impact of the virus on the Commission's stakeholders and other unforeseen events. The related financial impact cannot be reasonably estimated at this time, however, the impact is likely to be significant.

Zimbabwe went into its initial phase of national “lockdown” on 27 March 2020. This was after WHO declared COVID-19 to be a pandemic on 11 march 2020, with the first COVID-19 local cases diagnosed on the 20th and 21st of March 2020 with the first fatality being announced on 23 March 2020. The Commission considers this outbreak to be a non-adjusting event occurring after the reporting date.

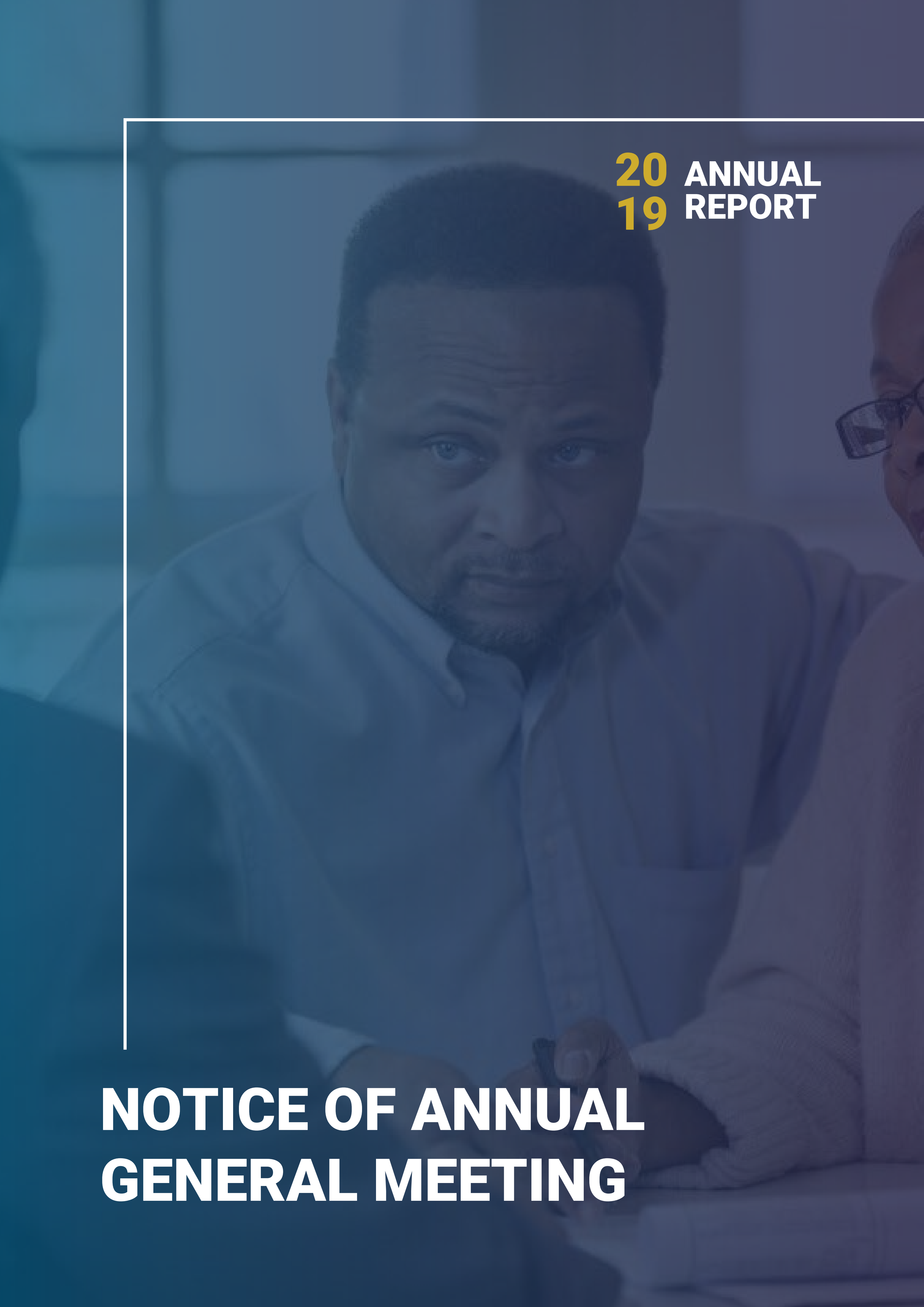
IPEC invoked its Business Continuity Plan (BCP) which ensures that the Commission continues to offer essential services to insurance policyholders and pension fund members, industry, government, staff and key stakeholders. This entails observing social distancing for both staff members and visitors to IPEC offices. Staff have been capacitated to work from home, only coming to the office as an exception. Personal protective equipment has also been provided to staff as a way of minimising risk of infection.

Initial assessment of the Commission is that current COVID19 pandemic will not affect the ability of IPEC to continue as a going concern due to the BCP measures being implemented and support from IPEC Board and Ministry of Finance and Economic Development. The Commission continues to service all stakeholders taking full advantage of available ICT platforms where possible. Interaction within IPEC as well as with external stakeholders continues to be done through digital platforms offered by various telecoms service providers listed as critical services and are therefore able to continuously provide these services. Whilst it is generally accepted that Zimbabwe, just like the global economy, is likely to be negatively impacted by the pandemic, we remain confident that the Commission’s pro-active and prudent approach to the risk and financial management will allow the business to navigate the difficult environment.

The Commission’s assessment is that revenues, and therefore business operations, will not be negatively affected in a material manner. Current revenue performance indicates that the Commission is performing beyond budget projections.

However, the above notwithstanding, as a result of the uncertainties relating to the current pace, spread and containments of the COVID19 pandemic, it may result in an adverse impact on the Commission’s future financial position, operations, financial results and cash flaws. The COVID19 continued business disruption and the related financial effect and impact cannot be reasonably estimated at this time.

Suffice to say assessment of financial reporting information as at 31 December 2019 is that COVID19 virus will not significantly impact the Commission’s service delivery and going concern status.



NOTICE OF ANNUAL GENERAL MEETING

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 2nd Annual General Meeting of the Insurance and Pensions Commission (IPEC) will be held on Tuesday, the 30th of June 2020 at 1000 hours, at Cresta Lodge Msasa, Harare, for the purpose of transacting the following business:

AGENDA

Ordinary Business:

1. Chairperson's welcome and opening remarks.
2. Adoption of the Notice Convening the Meeting.
3. Confirmation of the Minutes of the 2018 Annual General Meeting.
4. To receive, consider and adopt the Chairperson's Report.
5. To receive, consider and adopt the Commissioner's Report for the year ended 31 December 2019 and update on operations.
6. To receive, consider and adobt the Financial Statements of the Commission, for the year ended 31 December 2019
7. To approve the Auditor's remuneration for the 2019 financial year.
8. To approve the remuneration of Directors for the 2019 financial year.
9. To re-appoint Nolands Chartered Accountants (Zimbabwe) as the auditors ofb the Commission until the next annual general meeting.

By Order of the Board

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Samantha Nhende
Company Secretary
08 June 2020

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PROTECTING THE INTERESTS OF INSURANCE AND PENSION CONSUMERS

2019 IPEC ANNUAL REPORT

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