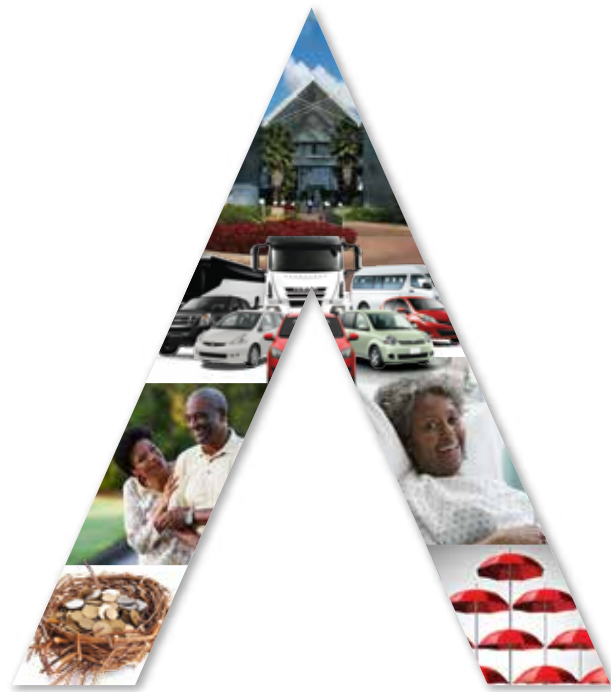


FIRST MUTUAL

HOLDINGS LIMITED

Go Beyond

LIFE | HEALTH | INSURANCE | REINSURANCE | SAVINGS | PROPERTY



2017 Annual Report

Vision | Mission | Values

To be a leader in our chosen markets by providing superior returns to all our stakeholders, ensuring stability, security and growth.

To be an investment and financial services group that provides accessible solutions which offer peace of mind and enrich the lives of all households, communities and businesses in our chosen markets by managing risk, creating and managing wealth.

Integrity - We are true to self and true to others.

Accountability - We take responsibility for our actions.

Professionalism - We display expert competence in the way we do business.

Sustainability - We believe in continuance and preservation of future generations.

Care - We show concern and seek the well-being of all our stakeholders.

Innovation - We strive for creativity and relevance in our market.

FIRST MUT

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FIRST MUTUAL PARK

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The financial statements are expressed in the United States of America dollar ("US\$").

Corporate Information

REGISTERED OFFICE AND HEAD OFFICE

First Mutual Park
100 Borrowdale Road
Borrowdale
Harare
Zimbabwe

POSTAL ADDRESS

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Telephone: +263(04) 886000-17
Email: info@firstmutualholdings.com

IMPORTANT CONTACT DETAILS

Group Company Secretary
+263 (4) 886047

Group Marketing
+263 (4) 850325

Group Audit and Risk Management
+263 (4) 886046

Website

www.firstmutualholdings.com

BUSINESS

First Mutual Holdings Limited (“the Company”) is incorporated and domiciled in Zimbabwe, and is an investment holding company.

The main business of the Company and its subsidiaries, (together “the Group”) is that of provision of life and pensions insurance, health insurance, short-term insurance, reinsurance, property management and development, and wealth management.

REPORTING PERIOD

The current reporting period is from 1 January 2017 to 31 December 2017. The comparative reporting period is 1 January 2016 to 31 December 2016. The reporting and functional currency is the United States of America dollar.

INDEPENDENT AUDITOR

PricewaterhouseCoopers Chartered Accountants (Zimbabwe)
Building No. 4, Arundel Office Park
Norfolk Road
Mount Pleasant
Harare
Zimbabwe

TRANSFER SECRETARIES

First Transfer Secretaries (Private) Limited 1 Armagh Avenue, Eastlea, Harare.

Contact Details

+263 (4) 782869/72,
+263 (4) 782869

Email

ftsgen@mercantileholdings.co.zw

STATUTORY ACTUARY

Giles Waugh, Independent Actuarial Consultant, 24 West Meath Road, Parkview, Johannesburg 2193, Republic of South Africa

PRINCIPAL BANKERS

Standard Chartered Bank Zimbabwe Limited
Stanbic Bank Zimbabwe Limited
Barclays Bank of Zimbabwe Limited

PRINCIPAL PROPERTY VALUERS

Knight Frank Zimbabwe (Private) Limited
P O Box 3526
1st Floor Finsure House
Harare, Zimbabwe.

PRINCIPAL LEGAL ADVISORS

Scanlen & Holderness
CABS Centre
74 Jason Moyo
P.O. Box 188
Harare
Zimbabwe

Directorate

DIRECTORS

as at the reporting date:

Oliver Mtasa	(Chairman)
Douglas Hoto*	(Group Chief Executive Officer)
Elisha Moyo	
Evlyn Mkondo (Ms)	
Gareth Baines	
John Sekeso	
Memory Mukondomi (Mrs)	
Robin Tendai Vela	(Resigned 31 December 2017)
Samuel Vengai Rushwaya	
William Munyaradzi Marere*	(Group Finance Director)
Chakanyuka Crawford Nziradzemhuka	(Appointed 8 September 2017)

* Executive

Group Chairman's Statement to Shareholders



ECONOMIC OVERVIEW

Zimbabwe was expected to record a 3.7% growth in GDP in 2017 (2016: 0.7%) on the back of a good 2016/17 agriculture season. This was complemented by the recovery of the mining sector following the increase in international commodity prices. Money market interest rates averaged 2.5% in 2017 whilst bond and treasury bills averaged 6%. Inflation closed the year at 3.2% compared to a negative 0.9% in 2016, driven by the monetisation of the budget deficit and persistent shortage of funded nostro account balances. The shortage of funded nostro account balances and inflationary pressure resulted in investors pursuing equities and properties as the main options for value preservation. This gave the Zimbabwe Stock Exchange ("ZSE") impetus in 2017. The mainstream industrial index rose by 130% (2016: 26%) owing to the rally on the ZSE in 2017 as investors moved cash and near cash investments to equities to hedge against currency and inflation risks. However, the property sector continued to experience challenges due to low demand for rental space and downward rental review requests by tenants.

ACQUISITION OF NICOZDIAMOND INSURANCE COMPANY LIMITED AND CAPITAL RAISE

As part of the Group's growth strategy, on 31 August 2017, shareholders approved the acquisition of the entire issued share capital of NicozDiamond Insurance Company Limited ("NDIL") and a renounceable Rights Offer to raise US\$17.25 million. Subsequent to the approval, on 20 November 2017 First Mutual completed the acquisition of NDIL. The acquisition enhanced the Group's market share in the short-term insurance industry

The Group achieved profit for the year of
US\$12.2 million
 compared to US\$9.3 million in the previous year.

while the capital raised was utilised to recapitalise some group businesses, repay legacy borrowings and complete the NDIL transaction. In terms of the ZSE Listing Requirements, First Mutual is required to make a mandatory offer to acquire the remaining 19.08% shareholding in NDIL to be launched in the second quarter of 2018. Both the initial acquisition of the controlling stake and the mandatory offer to NDIL minorities have been treated as a single acquisition in the preparation of the 2017 financial statements. For accounting purposes, the effective date of acquisition is 1 December 2017. Consequently the results below include trading results for the month of December 2017 for NDIL.

FINANCIAL HIGHLIGHTS

The financial highlights for the year ended 31 December 2017 are shown below:

	Including NDIL 31-Dec-17 US\$000	Excluding NDIL 31-Dec-17 US\$000	Excluding NDIL 31-Dec-16 US\$000
COMPREHENSIVE INCOME			
Total Gross Premium Written ("GPW")	124 927	122 192	116 480
Health insurance	56 867	56 867	52 209
Pensions and savings business	20 619	20 619	22 525
Life assurance	14 650	14 650	14 120
Property and casualty	32 791	30 056	27 626
Net premium earned	115 123	112 418	107 556
Rental income	6 470	6 416	6 732
Investment income	32 924	33 303	8 803
Operating profit	8 143	7 843	9 284
Profit before income tax	14 800	14 521	10 857
Profit for the year	12 224	12 210	9 304
FINANCIAL POSITION			
Investment property	136 433	124 757	124 302
Equities securities at fair value through profit or loss	55 267	51 085	19 863
Debt securities held to maturity investments	39 391	37 680	20 292
Cash and balances with banks	53 028	46 924	37 657
Total assets	329 946	309 405	229 707
STATEMENT OF CASH FLOWS			
Cash generated from operating activities	18 251	19 538	21 293
Net increase in cash and cash equivalents	17 171	11 374	22 084
Cash and cash equivalents	53 028	46 924	35 550

FINANCIAL PERFORMANCE

Statement of financial position

The Group's total assets increased from US\$229.7 million as at 31 December 2016 to US\$329.9 million as at 31 December 2017. The growth arose largely from increases in the listed equity investment portfolio of US\$31.2 million, debt securities of US\$17.4 million and cash and balances with banks of US\$11.4 million as well as the acquisition of NDIL which contributed total assets of US\$20.5 million.

Statement of comprehensive income

The Group, including consolidating NDIL for the month of December 2017, achieved GPW of US\$124.9 million for the year ended 31 December 2017 representing a growth of 7% on 2016. The growth was driven by the health insurance business and property and casualty segments whose GWP grew by 9% and 19% respectively. The growth in the two segments was, however, offset by the 8% decline in pensions and savings business arising from lower single premiums in 2017 compared to 2016. The decrease in single premiums is in line with the general slow down in retrenchments during 2017 compared to 2016. Included in the property and casualty segment is GPW amounting to US\$2.7 million for NDIL.

Rental income from the Group's property portfolio, at US\$6.4 million (including the NDIL property portfolio) was 4% less than 2016. The decline is largely attributed to the general decline in rentals in the country. During the year, efforts were made

"I would like to thank fellow Board members, management and staff for the unwavering commitment, wise counsel and vision in taking the Group forward."

by management to improve the ambience of the property portfolio, which played a vital role in the retention of existing tenants and acquisition of new tenants.

The Group's operating profit of US\$8.1 million for 2017 was lower than the US\$9.3 million achieved in 2016 mainly due to the impact of unusually high agriculture business claims which were ameliorated by improved performance in other units.

The Group achieved an investment income of US\$32.9 million for the year ended 31 December 2017 compared to income of US\$8.8 million in 2016. The improved performance of the equities portfolio is attributed to an increase in the fair values of counters held by the Group on the ZSE. Debt securities also increased by 94% which resulted in an increase in interest income.

Overall, the Group achieved a profit for the year of US\$12.2 million (2016: US\$9.3 million).

FIRST MUTUAL IN THE COMMUNITY

First Mutual Foundation, which was established to provide educational support to the less privileged, assisted more than 100 selected students from primary to tertiary level countrywide with educational bursaries. The Foundation also launched a sponsorship programme to support the Reformed Church University through the provision of a bursary programme worth US\$80 000 over a four year

period effective 1 January 2017. The Group, through its Employee Corporate Social Responsibility initiatives, donated groceries and clothes to the Cancer Association of Zimbabwe, victims of the Tsholotsho flooding disaster, Marondera Childcare Centre and Arcadia Girls Hostel. In addition, the employees performed a clean-up campaign at Harare Charge Office bus terminus as well as hosting a fund raising day in Bulawayo to assist Ingutsheni Hospital.

OUTLOOK

In the short to medium term, the economy is expected to recover following enhanced international re-engagement and improved business performance driven by the agriculture and mining sectors. Agricultural output is expected to be supported by scaled up funding from the government and greater investment in irrigation development whilst international commodity prices are expected to spur growth in the mining industry. The Group is well placed to take advantage of opportunities arising from the expected growth.

DIRECTORATE

Appointments

Mr Chakanyuka C Nziradzemhuka was appointed as a non-executive director, effective 8 September 2017. Subsequent to year end, Mr Amos R T Manzai was appointed as non-executive director, effective 1 January 2018. On behalf of the Board, I welcome them and look forward to their positive contribution.

Resignation

Mr Robin T Vela resigned as a non-executive director, effective 31 December 2017. On behalf of the Board, I would like to thank him for the valuable contribution he made to the Group.

DIVIDEND

At a meeting held on 16 March 2018, the Board resolved that a final dividend of US\$1 050 000, being US0.15 cents per share be declared from the profits of the Group for the year ended 31 December 2017. The dividend will be payable on or about 27 April 2018 to all shareholders of the Company registered at close of business on 6 April 2018. The shares of the Company will be traded cum-dividend on the Zimbabwe Stock Exchange up to the market day of 10 April 2018 and ex-dividend as from 11 April 2018.

APPRECIATION

Lastly, I would like to thank our shareholders, regulators, customers and other stakeholders for their efforts and support to the Group. I would also like to thank fellow Board members, management and staff for their unwavering commitment, wise counsel and vision in taking the Group forward.

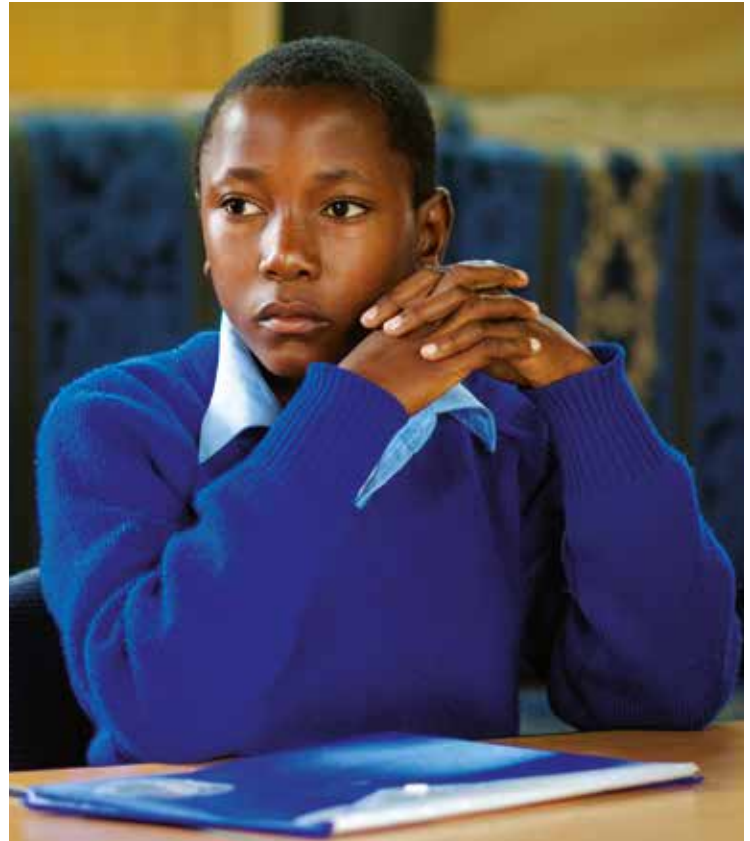


Oliver Mtasa
Chairman

16 March 2018

FIRST MUTUAL
foundation

Economic dignity begins
with the right Foundation.



Group Chief Executive Officer's

Review of Operations



“The Group is anchored on availing economic dignity to our stakeholders...”

The Group delivered on its core pillars of risk management, wealth creation and wealth management during the year ended 31 December 2017. This is becoming increasingly important in a dynamic environment, characterised by shrinking disposable income and increasing customer discernment in pursuit of value for money. The Group is anchored on availing economic dignity to our stakeholders by delivering value through innovation, service excellence, strategic partnerships, relevant products and capacitating our distribution channels driven by robust Information & Communication Technology (“ICT”) platforms.

The Group’s strategic intent to be a leader in our chosen markets has gained momentum through the acquisition of a major short-term insurance business. The acquisition and capital raising will strengthen the Group’s position in a market where flight to quality has become more prevalent.

Group Chief Executive Officer's Review of Operations (continued)

During the period under review, the Group achieved improved financial performance for the year of US\$12.2 million compared to a profit of US\$9.3 million in 2016.

Systems and Processes

The Group remains committed to improving customer service, ICT process efficiencies, greater customer convenience and cost containment. The Group continues to make substantial investments to achieve these objectives.

OPERATIONS REVIEW

Except where indicated, the commentary below refers to unconsolidated figures.

HEALTH INSURANCE

First Mutual Health Company (Private) Limited ("FMHC")

The business experienced growth in GPW of 9% to US\$56.9 million (2016: US\$52.2 million) driven mainly by the acquisition of new business and organic growth on corporate clients. The acquisitions are reflected in growth in membership which stood at 118 590 as at 31 December 2017 compared to 108 811 members as at 31 December 2016. Claims also increased by 9% in line with the growth in business whilst the claims ratio remained constant at 79% (2016: 79%).

The business successfully launched a customer based interface mobile application during the year to improve customer convenience. The business, through the biometric claims administration system, enhanced its efficiency on claims processing and settlement. FMHC continues to impact positively the lives of our customers through wellness campaigns, innovative products and competitive pricing to members.

LIFE AND PENSIONS BUSINESS

First Mutual Life Assurance Company (Private) Limited

Total GPW of US\$35.3 million for both Life Assurance and Pensions and Savings businesses declined by 4% compared to 2016. The two segments are further analysed below.

Pensions and Savings

The segment's contribution to GPW, at US\$20.6 million (2016: US\$22.5 million), decreased by 8% compared to the comparative period. The decrease was mainly a result of a 30% decline in single premiums which normally arise through the setup of pension annuities and preservation funds when employees leave employment through either retirement, resignation or retrenchment. The decline in single premiums was, however, mitigated by growth in Individual Life Assurance cash accumulations that were 16% ahead of last year. Claims and benefits also went down by 13% in 2017 as a result of the general decline in retrenchments countrywide compared to 2016.

Life Assurance

The shareholder risk business, which comprises the traditional Funeral Cash Plan, mobile based funeral cash plan, e-FML and Group Life Assurance ("GLA") grew by 4% to US\$14.7 million compared to US\$14.1 million in 2016. The increase was mainly driven by e-FML whose GPW contribution to the business went up by 44%. Claims for the shareholders risk business were 3% ahead of 2016. The increase in claims is attributed to the growth in business particularly from e-FML.

PROPERTY AND CASUALTY INSURANCE

First Mutual Reinsurance Company Limited

Property and Casualty Segment

GPW for the year went down by 1% from US\$17.2 million in 2016 to US\$17.1 million in 2017. The decrease was largely due to a 69% decline in regional business precipitated by the uncertainty around remittance of funds related to foreign commitments from Zimbabwe. The decline in regional business was partially offset by the growth in local business due to higher agriculture business compared to 2016. However, the segment experienced high agriculture business claims related to severe hailstorms during the year resulting in a claims ratio of 68% in 2017 compared to 48% in 2016.

"We believe that investment in human capital is essential to achieve our business strategy."

“The Group is well positioned to go beyond in delivering value to all stakeholders through commitment, innovation, cost optimisation targets and focus on profitable product lines.”

Life and Health Segment

GPW for the period decreased by 14% to US\$2.2 million (2016:US\$2.5 million). Health business premium was 65% below prior year as a result of the deliberate management decision to scale down on regional health business due to higher than expected claims and difficulties in collecting the premium. As a result, the loss ratio improved from 61% to 52%.

FMRE Property and Casualty (Proprietary) Limited - Botswana

The GPW for the year at US\$7 million (BWP71.6 million) was 31% above the prior year figure of US\$5.4 million (BWP58.3 million). The growth was as a result of new business acquired from both local and regional cedants arising from increased market confidence in the company. The local market contributed 58% of the premium in 2017 compared to 59% in 2016 with the balance coming from the regional market. The business continues to be prudent in underwriting local business in order to ensure rates are consistent with risk and claims experience.

First Mutual Insurance Company Limited t/a TristarInsurance

The GPW increased by 31% to US\$4.8 million compared to US\$3.6 million in 2016. The growth was driven by new business owing to improved market confidence following the recapitalisation of the company. The dominant classes continue to be motor, fire and accident with GPW of 63%, 19% and 11% respectively.

NicozDiamond Insurance Company Limited (“NDIL”)

The recently acquired NDIL achieved GPW of US\$31.5 million for the year ended 31 December 2017 compared to US\$29.6 million in 2016. The growth was driven by new business acquired during the year. Only GPW related to the month of December 2017 amounting to US\$2.7 million and related expenses were consolidated in 2017 Group results.

PROPERTY

First Mutual Properties Limited (“FMP”) (formerly Pearl Properties (2006) Limited)

Revenue for the year at US\$7.4 million (2016: US\$7.9 million) declined by 5% mainly due to the general decline in rentals in the economy and increased voids. Despite the tough operating environment, the business achieved an operating profit of US\$4.1 million compared to US\$3.7 million in 2016. There were no significant movements in property values based on an independent property valuation by Knight Frank Zimbabwe (Private) Limited as at 31 December 2017.

WEALTH MANAGEMENT

First Mutual Wealth Management (Private) Limited

The business achieved investment fees of US\$1.7 million for the year 2017 compared to US\$1.2 million for the same period in 2016. The favourable performance is reflective of the increase in funds under management, driven by the rise in the listed equity portfolio.

HUMAN CAPITAL DEVELOPMENT

We believe that investment in human capital is essential to achieve our business strategy. We therefore continue to invest in talent development and human capital through various developmental programs.

LOOKING AHEAD

The Group is well positioned to go beyond in delivering value to all stakeholders through commitment, innovation, cost optimisation and focus on profitable product lines. The Group will continue to focus on customer service excellence and prudent investment philosophy centered on creating value for our customers.

During 2018 First Mutual will also make the required mandatory offer to NDIL minorities to acquire their shareholding, after which the Group will consolidate the operations of the recently acquired NDIL and TristarInsurance.



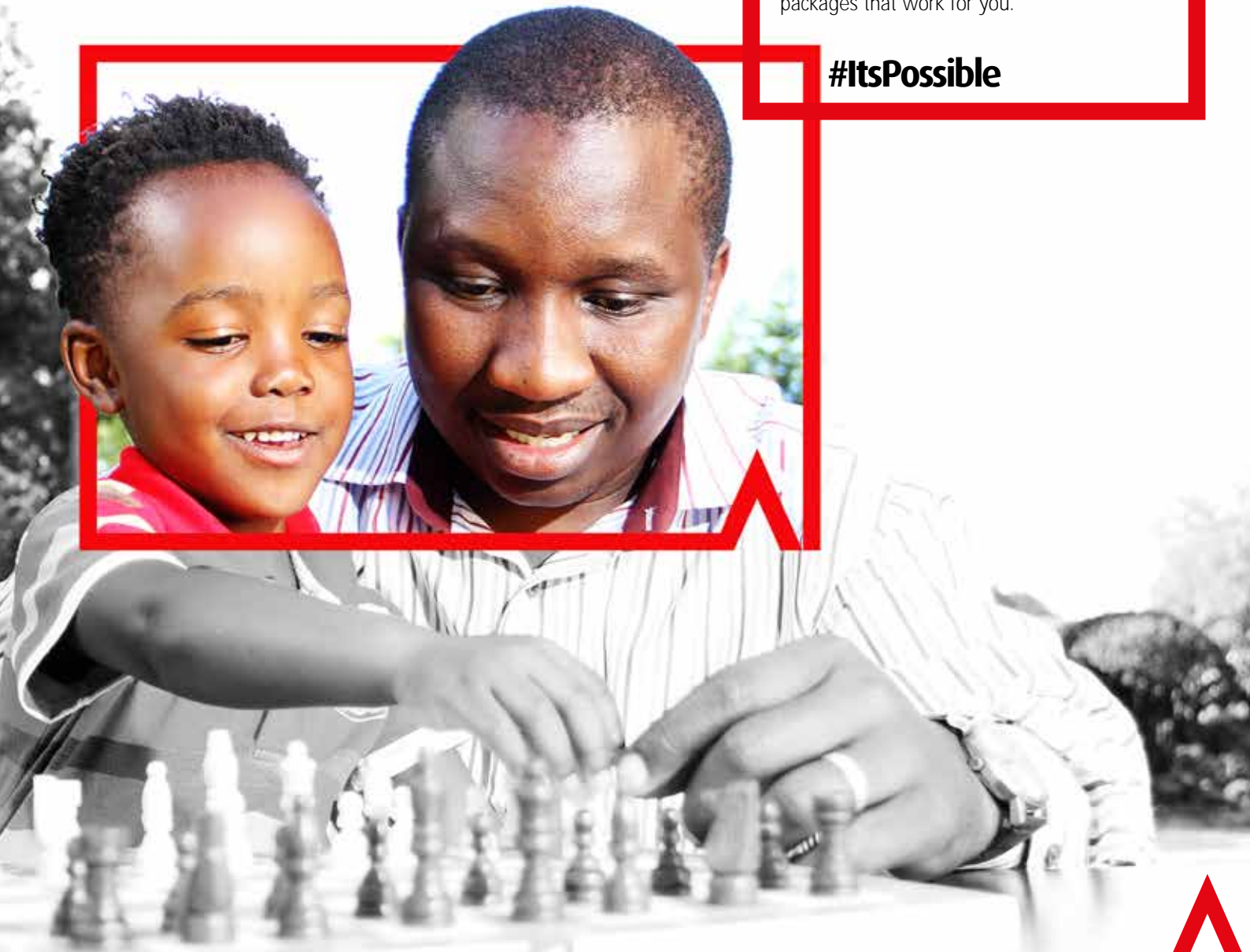
Douglas Hoto
Group Chief Executive Officer

16 March 2018

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FIRST MUTUAL LIFE





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Borrowdale, Harare, Zimbabwe.

P O Box 1083, Harare.

Tel: +263 (4) 798517 - 24, 250420, 250424, 886018 - 36

E-mail: info@fmlzim.co.zw

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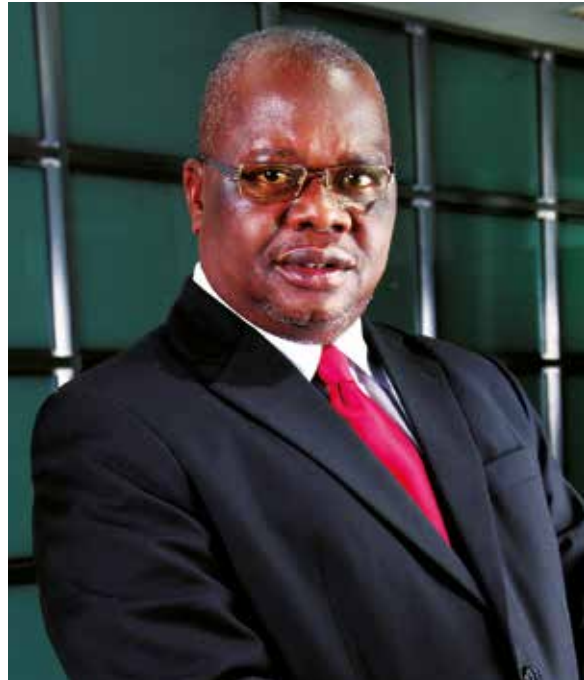
FIRST MUTUAL LIFE
ASSURANCE COMPANY
— *Creating Wealth For Life* —

A member of FIRST MUTUAL HOLDINGS LIMITED

Board of Directors



**Oliver Mtasa
(Chairman)**



**Douglas Hoto
(Group Chief Executive Officer)**



**William Munyaradzi Marere
(Group Finance Director)**

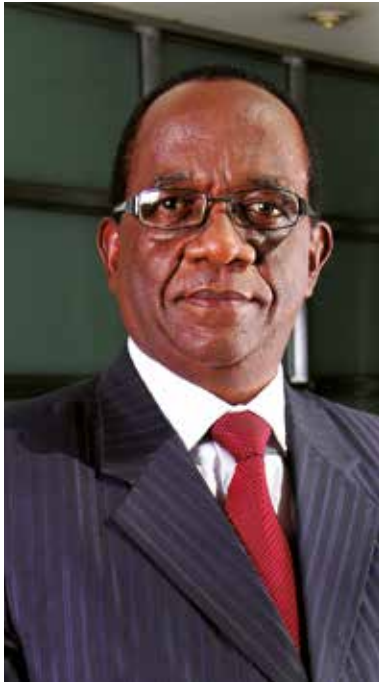


Elisha Moyo



Amos R T Manzai

Robin Tendai Vela (Resigned 31 December 2017)



John Sekeso



Samuel Vengai Rushwaya



Evlyn Mkondo



Gareth Baines



Memory Mukondomi



**Chakanyuka Crawford
Nziradzemhuka**



Medical cover with you in mind.

At First Mutual Health, we understand that you need complete health cover for your wellbeing. We offer a variety of plans that are accessible in all parts of the country to ensure that wherever you need medical services, we will be there for you.

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FIRST MUTUAL HEALTH

First Mutual Park, First Floor, 100 Borrowdale Road,
Borrowdale, Harare, Zimbabwe.





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Fax: +263 (4) 886068, 886069

E-mail: info@fmlmedical.co.zw

Website: www.fmlmedical.co.zw

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FIRST MUTUAL

HEALTH

Go Beyond

Boards of Directors of Subsidiary Companies

as at 31 December 2017

1. FIRST MUTUAL HEALTH COMPANY (PRIVATE) LIMITED

T A Makoni Dr (Chairman)
D Hoto (Group Chief Executive Officer)
T Khumalo (Ms)
N Dube (Mrs)
R Mandima

2. FIRST MUTUAL LIFE ASSURANCE COMPANY (PRIVATE) LIMITED

S V Rushwaya (Chairman)
D Hoto (Group Chief Executive Officer)
R B Ncube (Ms)* (Managing Director)
I P Z Ndlovu
W M Marere (Group Finance Director)
A R T Manzai
G Baines

3. FIRST MUTUAL INSURANCE COMPANY LIMITED t/a TristarInsurance (formerly TristarInsurance Company Limited)

E K Moyo (Chairman)
D Nyabadza * (Managing Director)
C Chetsanga (Mrs)
D Hoto (Group Chief Executive Officer)
E F Muzvondiwa
P P Shoniwa

4. FIRST MUTUAL REINSURANCE COMPANY LIMITED (formerly FMRE Property & Casualty (Private) Limited)

O Mtasa (Chairman)
I C Tavonesa* (Managing Director)
D Hoto (Group Chief Executive Officer)
M M Mukonoweshuro (Mrs)
M S Manyumwa
C Chiswo

5. FMRE PROPERTY AND CASUALTY (PROPRIETARY) LIMITED

D Hoto (Chairman and Group Chief Executive Officer)
I C Tavonesa * (Managing Director)
S Tumelo
I Chagonda
J Kamuyka

6. NICOZDIAMOND INSURANCE COMPANY LIMITED

J Karidza (Chairman)
G Muradzikwa (Mrs) * (Managing Director)
T C Mazingi
B Campbell
R P Kupara (Mrs)
N Mukwehwa
K Naik
D Tomana
D Hoto (Group Chief Executive Officer (Appointed 24 September 2017))

7. FIRST MUTUAL PROPERTIES LIMITED (formerly Pearl Properties (2006) Limited)

E K Moyo - Chairman
C K Manyowa (Managing Director (Appointed 1 March 2017))
D Hoto (Group Chief Executive Officer)
R B Ncube (Ms)
W M Marere (Group Finance Director)
Dr S Jogi
J S Mutizwa (Resigned 6 March 2017)
E Mkondo (Ms)

8. FIRST MUTUAL WEALTH MANAGEMENT (PRIVATE) LIMITED

R T Vela (Chairman)
O Mtasa
A R T Manzai
D Hoto (Group Chief Executive Officer)*
W M Marere* (Group Finance Director)

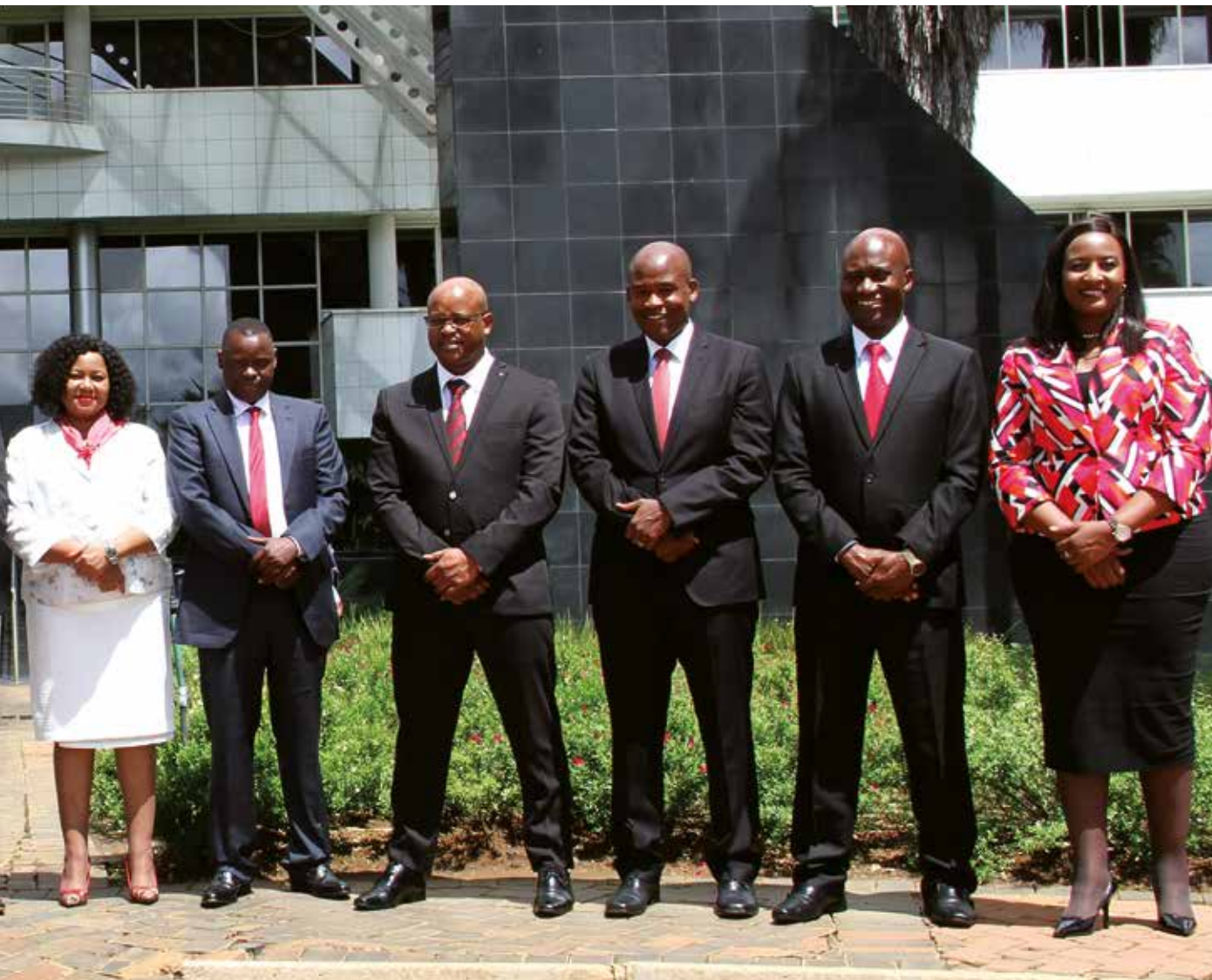
* Executive

Executive Committee Members



From Right:

C K Manyowa (First Mutual Properties Limited - Managing Director), W M Marere (Group Finance Director), P. Dhliwayo (Group Human Resources Executive), S Lorimer (Group Company Secretary), B Pasipanodya (Group Information and Communication Technology Executive), D Hoto (Group Chief Executive Officer),



R B Ncube (First Mutual Life Assurance Company (Private) Limited - Managing Director), I C Tavonesa (First Mutual Reinsurance Company Limited - Managing Director), J Mhlabi (Group Audit & Risk Management Executive), D Nyabadza (First Mutual Insurance Company Limited - Managing Director), S Sisywa (First Mutual Health Company (Private) Limited - General Manager) and F Mangwende (Group Marketing and Strategy Executive).

Absent: M Ncube (First Mutual Wealth Management (Private) Limited - General Manager)

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First Mutual Park, First Floor, 100 Borrowdale Road,
Borrowdale, Harare, Zimbabwe.

P O Box BW1111 Borrowdale, Harare, Zimbabwe.

Tel: +263 (4) 886060 - 9

Email: info@tristarinsurance.co.zw

Website: www.tristarinsurance.co.zw

 +263 778 917 309   



Directors' Report

31 DECEMBER 2017

First Mutual Holdings Limited ("First Mutual" or "the Company") is the parent company of subsidiaries that provide life and funeral assurance and non-life insurance (comprising general insurance, reinsurance and healthcare insurance), property management and development and asset management services:

Subsidiary and the services provided

- 1 First Mutual Health Company (Private) Limited
Health insurance
- 2 First Mutual Life Assurance Company (Private) Limited
Life assurance, funeral assurance, employee benefits
- 3 First Mutual Reinsurance Company Limited
Short-term general reinsurance and life and health reinsurance
- 4 First Mutual Insurance Company Limited
Short-term insurance
- 5 First Mutual Properties Limited
Property ownership, management and development
- 6 First Mutual Wealth Management (Private) Limited
Fund management
- 7 NicozDiamond Insurance Limited
Short-term insurance (effective date of acquisition 20 November 2017, for accounting purposes 1 December 2017)
- 8 First Mutual Funeral Services
**Funeral services
Incorporated on 1 September 2017**

First Mutual Holdings Limited and its subsidiaries, together the Group sold their 19.96% of the issued shares of Rainbow Tourism Group Limited ("RTG") on 01 October 2017 to its ultimate parent NSSA. RTG is a hospitality and tourism group with business interests in hotels and other related tourism ventures in Southern Africa. The investment in RTG was previously equity accounted because the Group had significant influence through board representation but was reclassified as a non current asset held for sale in the financial statements for the year ended 31 December 2017.

Share capital

As at 31 December 2017, the authorised and issued share capital of the Company is as follows:

- Authorised - 1,000,000,000 (2016: 1,000,000,000) ordinary shares with a nominal value of US\$0.001 each
- Issued and fully paid - 696,137,739 (2016: 380,200,758) ordinary shares with a nominal value of US\$0.001 each
- 22 424 770 shares to be issued for the ZSE mandatory offer to NDIL non-controlling shareholders with a nominal value of US\$0.001 each.

Group results

The financial statements of the Group for the year are set out on pages 40 to 124.

Directors

In accordance with Article 106 of the Company's Articles of Association, Mrs Memory Mukondomi, Mr Samuel Vengai Rushwaya and Mr John Sekeso retire as directors of the Company and, being eligible, offer themselves for re-election.

Mr Chakanyuka Crawford Nziradzemhuka and Mr Amos Manzai were appointed as non-executive directors of the Board on 8 September 2017 and 1 January 2018, respectively. They also retire, and being eligible, offer themselves for re-election in terms of Article 113.

Capital commitments

Details of the Group's capital commitments are set out in note 31.1.2 of the financial statements.

Dividend

The directors at the meeting held on 16 March 2018 declared a dividend of US\$1 050 000 be paid from the profit of the Group for the year ended 31 December 2017.

Directors' Report (continued)

Director's shareholding in the Company	Direct interest	Indirect interest	Share options
O Mtasa (Chairman)	-	-	-
R T Vela	-	-	-
S V Rushwaya	10 100	-	-
D Hoto (Group Chief Executive Officer)	-	-	3 417 264
E K Moyo	924	-	-
E Mkondo	-	-	-
W M Marere (Group Finance Director)	204 825	-	1 830 863
J Sekeso	-	-	-
M Mukondomi	-	-	-
G Baines	-	-	-
C Nziradzemhuka	-	-	-
A Manzai	-	-	-

* As at 31 December 2017 Mr R T Vela was non-executive chairman of NSSA and Mrs M Mukondomi is a non-executive director of the National Social Security Authority ("NSSA"). Mr R T Vela resigned from First Mutual Board effective 31 December 2017.

NSSA owns approximately 68.81% (2016: 51%) directly and an additional 11.41% (2016: 20%) indirectly through Capital Bank Limited (under liquidation). NSSA owns 84% (2016: 84%) of Capital Bank Limited.

Remuneration

• Non-executive directors' remuneration is subject to shareholder approval.

Independent Auditors

At the forthcoming Annual General Meeting, shareholders will be asked to fix the remuneration of the independent auditors for the past year and appoint independent auditors for the Group for the ensuring year.

By Order Of The Board



Mr O Mtasa
Group Chairman
Harare

16 March 2018



Mrs S F Lorimer
Group Company Secretary
Harare

16 March 2018

Stability and strength make a perfect balance

We understand that risk can be found where you least expect it. That is why we offer solid financial security and commitment to contain it, even for insurance companies, because they too need the right insurance.

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FIRST MUTUAL REINSURANCE

First Mutual Park, Second Floor, 100 Borrowdale Road,
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FIRST MUTUAL

REINSURANCE

Go Beyond

Corporate Governance

31 DECEMBER 2017

“The Board monitors the effectiveness of controls through reviews by the Combined Audit and Actuarial Committee and independent assessment by the external auditors.”

The Group is committed to the principles of good corporate governance based on best global practice. The directors recognise the need to conduct business of the Group with integrity and in accordance with generally accepted corporate practices in order to safeguard stakeholders' interests. The Board and management believe the governance systems and practices in place are appropriate for the Group and are essentially in line with National Code on Corporate Governance.

CODE OF CORPORATE PRACTICES AND CONDUCT

The Group is committed to promoting the highest standards of ethical behaviour amongst all its employees. All employees are required to maintain the highest ethical standards in ensuring that the Group's business practices are conducted in a manner which in all reasonable circumstances is above reproach. Furthermore, all employees are required to observe the Group's Code of Ethics. The Group is a subscriber to an independently managed fraud hotline system.

In line with the Zimbabwe Stock Exchange Listing Requirements, the Group operates a “closed period” prior to publication of its interim and year-end financial results during which period executive and non-executive directors and staff of the Group are not authorised to deal in the shares of the Group.

BOARD COMPOSITION AND APPOINTMENT

The Board of Directors is chaired by an independent non-executive director and comprises eight other non-executive and two executive directors. The Board enjoys a strong mix of skills and experience. The Board is the primary governance organ. The role of the Board is to determine overall policies, plans and strategies of the Group and to ensure that these are implemented in an ethical and professional manner.

The Board meets regularly, at least four times a year, and guides corporate strategy, risk management practices, annual budgets and business plans. Special Board meetings may be convened on an ad-hoc basis when necessary to consider issues requiring urgent attention or decision. The Company Secretary maintains an attendance register of Directors for all

scheduled meetings during the year through which Directors can assess their devotion of sufficient time to the Group.

The Board has overall responsibility for ensuring the integrity of the Group's accounting and financial reporting systems including the independent audit, and that appropriate systems of control, risk management and compliance with laws are in place. To ensure effectiveness, Board members have unfettered access to information regarding the Group's operations which is available through Board meetings, and Board Committees as well as Strategic Planning workshops organised by the Group. Directors may, at the Group's expense, seek independent professional advice concerning the Group's affairs.

The Board appointments are made to ensure a variety of skills and expertise is represented on the Board. A third of the Directors are required to retire on a rotational basis each year along with any Directors appointed to the Board during the year. Executive directors are employed under performance driven service contracts setting out responsibilities of their particular office.

Corporate Governance (continued)

	Number of meetings	Number of meetings attended
First Mutual Holdings Limited Board members' attendance during the year:		
O Mtasa (Chairman)	6	6
D Hoto (Group Chief Executive Officer)	6	6
E K Moyo	6	5
E Mkondo (Ms)	6	6
G Baines	6	5
J Sekeso	6	6
M Mukondomi (Mrs)	6	5
R T Vela (Resigned effective 31 December 2017)	6	6
S Rushwaya	6	6
W M Marere (Group Finance Director)	6	6
C Nziradzemhuka (Appointed 8 September 2017)	3	3

BOARD ACCOUNTABILITY AND DELEGATED FUNCTIONS

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

Each Committee acts within written terms of reference under which certain functions of the Board are delegated with clearly defined purposes. The Board monitors the effectiveness of controls through reviews by the Combined Audit and Actuarial Committee and independent assessment by the independent auditors. The Group from time to time reviews the number of Committees as necessitated by the prevailing environment.

FIRST MUTUAL HOLDINGS LIMITED BOARD COMMITTEES

In order to more effectively discharge its duties and responsibilities, standing committees are placed to deal with specific issues.

I. COMBINED AUDIT AND ACTUARIAL COMMITTEE

E Mkondo (Chairperson), C Chetsanga, N Dube and M Mukondomi

The Combined Audit and Actuarial Committee comprises four (4) non-executive directors, one of whom is the Chairperson. The Group Chief Executive Officer and Group Finance Director attend these meetings in ex-officio capacities. The Combined Audit and Actuarial Committee has written terms of reference and is tasked with ensuring financial discipline within the Group, sound corporate values and financial procedures. This Committee is further tasked with reviewing and recommending for adoption by the Board the interim and annual financial statements of the Group. The Committee also recommends the appointment and reviews the fees of the independent auditors. The Group's Audit and Risk Management Executive and the independent auditors are invited to attend all meetings and have unrestricted access to this Committee to ensure their independence and objectivity.

In respect of actuarial work, the Committee is tasked with protecting policyholders' interests by:

- ensuring separate accounting for the assets of policyholders and shareholders of the insurance companies in the Group;
- devising and ensuring adherence to profit participation rules; and
- reviewing actuarial valuation reports and monitoring implementation of actuarial recommendations.

The actuary of the Group is invited to attend all the Committee meetings.

Corporate Governance (continued)

Combined Audit and Actuarial Committee members' attendance during the year:	Number of meetings	Number of meetings attended
E Mkondo (Chairperson)	4	4
C Chetsanga	4	2
N Dube	4	4
M Mukondomi	4	3

II. GROUP HUMAN RESOURCES AND GOVERNANCE COMMITTEE

S V Rushwaya (Chairperson), J Sekeso, O Mtasa and E Moyo

This Committee comprises four (4) non-executive directors of First Mutual, one of whom is the Chairperson. This Committee is mandated to deal with staff development and formulate remuneration policies as well as approve remuneration packages for executive directors and senior executives. The Committee is responsible for reviewing and assessing organizational structure in line with the Strategy and makes recommendations to the Board. The Committee reviews recruitment procedures and strives to ensure that remuneration packages remain competitive. The Committee acts as a Nominations Committee for Directors to Boards in the Group of Companies and, in addition, the Committee considers wider corporate governance issues and related party transactions.

The remuneration policy is designed to reward performance and to attract, motivate and retain high calibre individuals who will contribute fully to the success of each of the businesses in which First Mutual operates. Accordingly, a performance related profit share is offered in addition to a basic salary package whilst a discretionary share option scheme is in place for eligible staff members who achieve certain performance ratings. Under the share option scheme, allocations are made annually at the market value at date of allocation and may be exercised subject to the rules of the scheme only after periods of between one and three years. The Committee draws on local and regional survey data from independent advisors to ensure that the remuneration policy is appropriate and relevant to the prevailing times.

Group Human Resources and Governance Committee members' attendance during the year:	Number of meetings	Number of meetings attended
S V Rushwaya (Chairperson)	6	6
E Moyo	6	5
J Sekeso	6	5
O Mtasa	6	6

III. GROUP INVESTMENTS COMMITTEE

R T Vela (Chairperson - resigned effective 31 December 2017), O Mtasa and A R T Manzai

This Committee comprises three (3) non-executive directors (one of whom is the Chairperson). The Group Chief Executive Officer and Group Finance Director attend in ex officio capacities. The Committee formulates investments strategy and policy, reviews the performance of investments within the Group and recommends new investments for approval by the Board. The Committee assists the Board in reviewing the implementation of its investment policies and ensures that portfolio management is conducted in accordance with the Group's policies.

Corporate Governance (continued)

	Number of meetings	Number of meetings attended
Group Investments Committee members' attendance during the year:		
R T Vela (Chairman)	6	5
A R T Manzai	6	3
O Mtasa	6	5
C Nziradzemhuka (appointed 26 October 2017)	1	1

iv. **Group Risk Committee**

G Baines (Chairperson), N Dube and E K Moyo

A Group Board Risk Committee was established during the course of 2017. This Committee comprises three (3) Non-Executive Directors of First Mutual Holdings Limited, one of whom is the Chairperson. The Committee reviews Group's overall risk strategy, current risk exposures, and risk governance. The Committee considers and approves the remit of the risk management function and reviews reports on material breaches of risk limits, as well as the adequacy of remedial action. The Committee also advises the Board on the risks aspects of proposed strategic transactions. The Committee liaises with other Board Committees as necessary.

	Number of meetings	Number of meetings attended
Group Risk Committee members' attendance during the year:		
G Baines (Chairman)	1	1
E K Moyo	1	1
N Dube (Mrs)	1	1

WORKS COUNCIL

The Group holds Works Council meetings every quarter. The meetings provide a forum for employees to participate in the decision making process and discuss employees' concerns with management.

GROUP INTERNAL AUDIT AND RISK MANAGEMENT

The Group Internal Audit and Risk Management Department is headed by the Group Audit and Risk Management Executive. Its main activities are to address the following issues at each of the business units of the Group:

- appraising of systems, procedures and management controls and providing recommendations for improvements;
- evaluating the integrity of management and financial information;
- assessing controls over the Group assets; and
- reviewing compliance with applicable legislation, regulations, Group policies and procedures.

The Group Internal Audit and Risk Management Department reports to the subsidiary company audit committees and to the Group Combined Audit and Actuarial Committee and has unrestricted access to these Committees. Each company within the Group is audited regularly by the internal auditors based on the annual work plan and close communication is maintained between internal and independent auditors.

Corporate Governance (continued)

FINANCIAL CONTROL

The Group's internal financial controls are set out in the relevant procedures manuals which also set the required standards and key control activities. Adequate segregation of duties is in place to enhance the effectiveness of these controls. The accounting policies are reviewed periodically by the Group Combined Audit and Actuarial Committee, internal auditors and independent auditors.

RISK MANAGEMENT

Risk Management is practised within the Group in order to protect assets and earnings against financial losses and legal liabilities. Operational risks are managed through formalised procedures and controls, well trained personnel and where necessary back-up facilities. The Group manages risk of all forms including operational, market, reputational, liquidity and credit risks. These risks are identified and monitored through various channels and mechanisms. The Group Internal Audit and Risk Management Department is responsible for the assessment of the overall risk profile which is managed by the Managing Directors and General Managers on an on-going basis. Emphasis is placed on continuous improvement of systems and ways of working through business process re-engineering as well as internal and external audits.

The internal audit and risk management functions have recently been separated and a new Risk Management Policy has been adopted. The subsidiaries have their own internal Risk Management Committees. Furthermore, a Group Board Risk Committee has been established. The new Board Risk Committee works closely with the other Board Committees, particularly the Audit Committees, to ensure that risk is minimised and to assess the adequacy of the internal controls, making the necessary recommendations to the Board.



Mr O Mtasa
Group Chairman

16 March 2018

Investments that raise your status

With sound investments in infrastructure, you are assured that you can achieve the long term value you desire.

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FIRST MUTUAL PROPERTIES

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FIRST MUTUAL

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Directors' Statement of Responsibility

31 DECEMBER 2017

The Group's independent auditors, PricewaterhouseCoopers Chartered Accountants (Zimbabwe), have audited the financial statements and their report is set out on pages 33 to 39.

The Directors of the Company are responsible for maintaining adequate accounting records and for the preparation of financial statements that present fair and accurate information.

In discharging this responsibility, the Group maintains a system of internal controls designed to provide reasonable assurance that the assets are safeguarded and that transactions are executed and recorded in accordance with Group policies.

The Directors have satisfied themselves that all the subsidiary companies in the Group are in a sound financial position and have adequate resources to continue in operational existence for the foreseeable future.

The Directors have assessed the ability of the Group, the Company and its subsidiaries to continue operating as going concern and believe that the preparation of these financial statements on a going concern basis is appropriate.



Mr O Mtasa
Chairman
Harare

16 March 2018

Certificate of Compliance by Group Company Secretary

31 DECEMBER 2017

In my capacity as Group Company Secretary of First Mutual Holdings Limited and its subsidiary companies, I confirm that in terms of the Zimbabwe Companies Act (Chapter 24:03), the Company lodged with the Registrar of Companies all such returns as are required of a public quoted company in terms of this Act, and all such returns are true, correct and up to date.



S F Lorimer (Mrs)
Group Company Secretary
Harare

16 March 2018

Declaration by Group Finance Director

These financial statements have been prepared under the supervision of the Group Finance Director, William M Marere, a member of the Institute of Chartered Accountants of Zimbabwe, and registered with the Public Accountants and Auditors Board, as a registered public auditor, certificate number 02431.



W M Marere
Group Finance Director
Harare

16 March 2018



Performance-backed investments

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FIRST MUTUAL WEALTH




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FIRST MUTUAL

WEALTH

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INDEPENDENT AUDITOR'S REPORT

to the shareholders of

FIRST MUTUAL HOLDINGS LIMITED

Report on the audit of the consolidated and separate financial statements

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial positions of First Mutual Holdings Limited (the "Company") and its subsidiaries (together "the Group") and the Company as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") and in the manner required by the Zimbabwe Companies Act (Chapter 24:03).

What we have audited

First Mutual Holdings Limited's financial statements, set out on pages 40 to 126, comprise:

- the consolidated statement of financial position as at 31 December 2017, and the separate statement of financial position of the Company standing alone as at 31 December 2017;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

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

Independence

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

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


T I Rwodzi – Senior Partner

The Partnership's principal place of business is at Arundel Office Park, Norfolk Road, Mount Pleasant, Harare, Zimbabwe where a list of the Partners' names is available for inspection.

Independent auditor's report (continued)

Our audit approach

Overview

	<p>Overall group materiality US\$1 644 580, which represents 1% of consolidated revenue</p>
	<p>Group audit scope We performed statutory audits of the Company and its seven subsidiaries, the most significant of which are:</p> <ul style="list-style-type: none"> • First Mutual Life Assurance Company (Private) Limited; • First Mutual Health (Private) Limited; and • First Mutual Properties Limited <p>The statutory audit of the eighth subsidiary, recently acquired, which is also a significant subsidiary, NicozDiamond Insurance Limited ("NDIL"), was performed by a component auditor.</p> <p>The Group operates mainly in Zimbabwe and has operations in Botswana through its subsidiary, FMRE Property and Casualty (Proprietary) Limited.</p> <p>Key audit matters Applicable to the consolidated financial statements,</p> <ul style="list-style-type: none"> • Valuation of policyholder insurance and investment contract liabilities; • Valuation of investment property ; and • Acquisition accounting of the purchase of NicozDimond Insurance Limited ("NDIL")

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

Materiality

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

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

Overall group materiality	US\$1 644 580
How we determined it	1% of consolidated revenue
Rationale for the materiality benchmark applied	<p>We chose revenue as the benchmark because, in our view, it is a benchmark against which the performance of the Group can be consistently measured in circumstances of volatile year-on-year earnings. This benchmark has remained a stable and key driver of the Group's business.</p> <p>We chose 1% based on our professional judgement and after consideration of the range of quantitative materiality thresholds that we would typically apply when using revenue to compute materiality.</p>

How we tailored our group audit scope

Independent auditor's report (continued)

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

Due to statutory audit requirements, the Company and all eight of its subsidiaries were subjected to audit. These subsidiaries are incorporated in Zimbabwe, except for FMRE Property and Casualty (Proprietary) Limited, which is incorporated in Botswana. The most significant of the subsidiaries are First Mutual Life Assurance Company (Private) Limited, First Mutual Health (Private) Limited, NicozDiamond Insurance Limited and First Mutual Properties Limited. All components were audited by PwC teams except for NicozDiamond Insurance Limited.

In establishing the overall approach to the group audit, we determined the extent of the work that needed to be performed by us, as the group engagement team, and other component auditors from other audit firms, operating under our instruction, in order to issue our audit opinion on the consolidated financial statements of the Group. For the audit of NicozDiamond Insurance Limited, we determined the level of involvement necessary in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the consolidated financial statements as a whole.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined that there are no key audit matters relating to the separate financial statements to communicate in our report.

Key audit matter	How our audit addressed the key audit matter
Applicable to the consolidated financial statements	
<p>Valuation of investment property</p> <p>Valuation of investment property was considered a matter of most significance to our audit due to the significant judgement management exercised to determine the appropriate valuation methods and the assumptions used in the valuation. The investment property, at US\$136,4 million, is also material to the consolidated financial statements as a whole. A net fair value loss of US\$293,552 has been recognised in the consolidated statement of comprehensive income and is referred to in note 7 to financial statements.</p> <p>In the current year, a desktop valuation was performed which assumes that the properties are still in the same state of repair and development as when inspected during the previous full valuation exercise as at 31 December 2016.</p>	<p>We evaluated controls over the valuation of the investment property, including management's selection of the valuer ("management's expert"), the assessment and approval of the valuation results.</p> <p>We evaluated the competence, capabilities, independence and objectivity of the management expert and obtained an understanding of their work. We inspected the company profile and curricula vitae of the individuals performing the valuation in order to assess their experience and competence.</p> <p>We obtained the valuation report from management's expert, who had been engaged by management to perform the valuation of the investment property as at 31 December 2017.</p> <p>We assessed the appropriateness of the valuation methods used by management's expert and assessed whether the methods used are considered generally accepted valuation methodologies for investment properties.</p>

Independent auditor's report (continued)

Key audit matter	How our audit addressed the key audit matter
Applicable to the consolidated financial statements	
<p>Valuation of investment property (continued)</p> <p>The professional valuers engaged to perform the desktop valuation used the income approach for developed commercial and industrial properties, and the market approach for undeveloped land and residential property.</p> <p>Under the income approach, a property's fair value is estimated based on the expected net operating income generated by the property, which is divided by the capitalisation rate.</p> <p>Using the market approach, a property's fair value is estimated based on comparable transactions. The unit of comparison applied by the Group is the price per square metre ("US\$$\text{sqm}$").</p> <p>The key unobservable inputs that require management to exercise judgement are rental per square metre, prime yield and vacancy rates for the income approach.</p> <p>Disclosure is provided in the accounting policy note 3.2.3 .</p>	<p>In order to consider the reasonableness of the valuation methods and assumptions used, we met with management's expert to obtain an understanding of the assumptions used in applying the respective valuation methods.</p> <p>We considered the reasonableness of the assumptions used in both valuation methods with reference to prevailing market rentals, market yields and for land, prevailing market price per square metre. Our audit procedures also included comparing these assumptions to those used by other external property valuers for similar property types.</p> <p>We agreed the key assumptions to supporting evidence, on a sample basis as follows:</p> <ul style="list-style-type: none"> - performed data validation of key inputs involving report validation of tenancy schedules used in the valuation; - agreeing rentals noted on the tenancy schedule to the underlying lease agreements,; - agreeing occupancy levels to the tenancy schedule; and - for land, price per square metre was agreed to prevailing market prices. <p>We also performed an independent calculation of potential annual rental income using average rentals per square metre and lettable space, and prime yield using an interpolation formula, on a sample basis. We recomputed the market value by capitalising the potential annual income by the yield. We further made use of our internal valuations expertise to verify the accuracy of the recomputations.</p>

Key audit matter	How our audit addressed the key audit matter
Applicable to the consolidated financial statements	
<p>Valuation of policyholder insurance and investment contract liabilities</p> <p>We considered this as an area of most significance in our audit as the value of the Group's policyholder insurance and investment contract liabilities, with and without discretionary participating features, as at 31 December 2017 amounted to US\$122.6 million (2016: to US\$101,694 million) and the valuation of policyholder insurance and investment contracts involves complex calculations, significant judgements, estimates and assumptions.</p>	<p>Through discussions with management we obtained an understanding of the process over data extraction and approval of the assumptions used in the valuation.</p> <p>We assessed the independence, experience and competence of the statutory actuary, through inquiry with the actuary and management and inspecting their curricula vitae in order to assess their experience and competence. We inspected the actuary's curriculum vitae to assess his experience and competence.</p> <p>We understood and evaluated controls over the valuation model changes of the policyholder insurance and investment contract liabilities including the selection of the valuer ("management expert"), and the assessment and approval of the valuation results.</p>

Independent auditor's report (continued)

Key audit matter	How our audit addressed the key audit matter
Applicable to the consolidated financial statements	
<p>Valuation of policyholder insurance and investment contract liabilities (continued)</p> <p>Valuation assumptions include mortality, lapses, and economic and expense assumptions. Most of the assumptions by management have remained unchanged in 2017 and are based on the experience investigation conducted in 2016.</p> <p>Disclosure is provided in the consolidated financial statements with respect to the policyholder insurance and investment contract liabilities valuation methodology. Refer to the accounting policy note 2.22 for insurance contract liabilities, note 3.1.2 on critical accounting estimates and judgements and note 18 to the financial statements.</p>	<p>On a sample basis, we tested the underlying data used in the valuation of the reserves for accuracy and completeness through tracing data to the audited balances.</p> <p>We made use of our actuarial expertise to evaluate the significant assumptions and estimates, the actuarial computations and the actuarial valuation report for adequacy and reasonableness. We also performed the following:</p> <ul style="list-style-type: none"> - an assessment of the proposed valuation basis through discussion with the statutory actuary, and an assessment of the appropriateness thereof given the nature of the business as well as actuarial good practice; - an assessment of the proposed valuation methodology for compliance with Standard of Actuarial Practice 104; and, - an assessment of the valuation results by performing spot checks and model cashflow checks and considering the high level reasonability of the output to determine whether the application of the selected methodology and assumptions was accurate. <p>We also inspected the actuarial report for 2017 prepared by the statutory actuary and compared it with the prior year signed actuarial report in order to identify any significant changes in assumptions and methodology.</p> <p>We did not note significant changes in assumptions relating to lapse, mortality, expense, investment returns and changes to other assumptions as the assumptions were consistent with the prior year valuation.</p>

Key audit matter	How our audit addressed the key audit matter
Applicable to the consolidated financial statements	
<p>Acquisition accounting for the purchase of NicozDiamond Insurance Limited (NDIL)</p> <p>We considered the acquisition accounting for the purchase of NicozDiamond Insurance Limited ("NDIL") as a matter of most significance to our audit due to significant judgement exercised to determine the date when control was obtained, the appropriate method of accounting for the purchase and the treatment of the mandatory tender offer ("MTO") to acquire minority shareholding in Nicoz Diamond Insurance Limited.</p>	<p>We made use of our accounting expertise to evaluate the appropriateness of the accounting for the acquisition transaction, the accounting for the MTO and the determination of the acquisition date.</p> <p>We inspected the sale and purchase agreement between NSSA and the Company to understand the key terms and conditions of the transaction.</p> <p>We assessed the relationship before and after the transaction between the three parties to the transaction to consider whether NSSA controlled both businesses before and after the transaction.</p> <p>We inspected the terms and contracts to assess when the Company obtained control of NDIL.</p>

Independent auditor's report (continued)

Key audit matter	How our audit addressed the key audit matter
Applicable to the consolidated financial statements	
<p>Acquisition accounting for the purchase of NicozDiamond Insurance Limited (NDIL) (continued)</p> <p>Management applied their judgment in determining the acquisition date in line with the requirements of IFRS 3, 'Business combinations'.</p> <p>It was determined by management that the transaction was a common control transaction, since the shares were acquired from the National Social Security Authority ("NSSA"), the parent entity of both the Company and NDIL.</p> <p>Management applied their judgement in accounting for the MTO and the initial acquisition of a controlling stake as a single transaction. Disclosure is provided in the financial statements in respect of the MTO in note 9.1.3</p> <p>The acquisition date was not apparent as there were a number of dates which had to be considered, taking into account the conditions that had to be fulfilled for the purchase agreement to be considered effective and the various approvals which had to be obtained from regulatory authorities before the acquisition was considered effective. Disclosure is provided in the financial statements on notes 2.4 and 9.1. This determination was important as it had an effect on how NDIL would be accounted for in the consolidated financial statements. The transaction has been determined to be a common control transaction and as a result it falls out of the scope of IFRS 3, 'Business combinations'.</p> <p>There is currently no guidance in IFRS on the accounting treatment for combinations among entities under common control. International Accounting Standard 8, 'Accounting policies, changes in accounting estimates and errors', requires management, if there is no specifically applicable standard or interpretation, to develop a policy that is relevant to the decision-making needs of users and that is reliable. As described in note 9.1, management has used predecessor accounting, which took into account the guidance contained in US GAAP.</p> <p>Disclosure is provided in the financial statements with respect to Business Combinations. Refer to accounting policy note 2.2 for the basis of consolidation, and note 9, investment in subsidiaries.</p>	<p>We assessed management's judgements and interpretations that the transaction is a common control transaction which is specifically excluded from IFRS 3 by comparing the facts to the criteria contained in IFRS 3.</p> <p>In understanding the key terms, we noted that there were conditions that had to be fulfilled in order for the purchase to be valid. We considered the fulfilment of these conditions in evaluating the date determined by management as the acquisition date.</p> <p>We considered whether the conditions had been met through inspection of the relevant approval documents from the regulatory authorities.</p> <p>We assessed the conclusions by management on the treatment of the MTO to assess compliance with IFRS and IFRS Interpretations Committee guidance based on the facts and circumstances. Based on the results of our work performed we accepted management's conclusions relating to the accounting for the MTO.</p>

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated and separate financial statements on pages 40 to 126 and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and in the manner required by the Zimbabwe Companies Act (Chapter 24:03), and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and Company's

Independent auditor's report (continued)

ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.


As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and / or Company to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Registered Public Auditor

Partner for and on behalf of

PricewaterhouseCoopers Chartered Accountants (Zimbabwe)

Public Accountants and Auditors Board, Public Auditor Registration Number 0439

Institute of Chartered Accountants of Zimbabwe, Public Practice Certificate Number 253168

4 May 2018

Harare, Zimbabwe.

Consolidated and Separate Statements of Financial Position

As at 31 December 2017

	Note	Audited Group 2017 US\$	Audited Group 2016 US\$	Audited Company 2017 US\$	Audited Company 2016 US\$
ASSETS					
Property, plant and equipment	6	10 258 459	9 250 984	56 686	109 003
Investment property	7	136 432 500	124 302 000	-	-
Intangible assets	8	1 104 350	59 152	-	-
Investment in subsidiaries	9	-	-	61 473 288	30 300 695
Investment in associate	10	1 992 014	-	-	-
Financial assets:					
- equity securities at fair value through profit or loss	11.1	55 267 195	19 863 340	2 289 740	138 607
- debt securities held to maturity investments	11.2	39 390 615	20 291 754	-	-
Non-current assets classified as held for sale	15	-	4 370 013	-	-
Deferred acquisition costs	12	2 680 940	1 085 801	-	-
Income tax asset	22.2	530 182	86 982	-	-
Inventory	13	497 061	283 208	37 676	30 288
Insurance receivables including loans and other receivables	14	28 764 691	12 456 702	849 350	516 054
Cash and balances with banks	16	53 028 153	37 657 295	4 898 332	116 905
TOTAL ASSETS		329 946 160	229 707 231	69 605 072	31 211 552
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the parent					
Share capital	17	718 563	380 201	718 563	380 201
Share premium		39 971 685	7 957 918	39 971 685	7 957 918
Non-distributable reserves	17.6	6 470 756	2 074 493	354 227	291 047
Retained profits		26 735 072	13 812 556	27 791 350	13 621 857
Total equity attributable to equity holders of the parent		73 896 076	24 225 168	68 835 825	22 251 023
Non-controlling interests		49 777 592	51 650 738	-	-
Total equity		123 673 668	75 875 906	68 835 825	22 251 023
Liabilities					
Life insurance contracts liabilities with DPF	18.1	13 261 769	15 521 731	-	-
Life insurance contracts liabilities without DPF	18.1	11 982 477	6 475 616	-	-
Investment contract liabilities:					
- with DPF	18.2	85 451 978	66 775 134	-	-
- without DPF	18.2	20 461 042	8 532 451	-	-
Shareholder risk reserve	18.1	11 931 594	12 922 437	-	-
Borrowings	19	1 191 665	4 309 240	-	2 017 573
Insurance contract liabilities - short term	20.1	34 536 964	20 920 598	-	-
Insurance liabilities - life assurance	20.2	2 254 045	2 068 560	-	-
Other payables	21	12 222 578	5 514 755	769 247	6 942 956
Deferred income tax	22.1	12 366 279	10 786 966	-	-
Current income tax liabilities	22.2	612 101	3 837	-	-
Total liabilities		206 272 492	153 831 325	769 247	8 960 529
TOTAL EQUITY AND LIABILITIES		329 946 160	229 707 231	69 605 072	31 211 552

These financial statements were approved by the Board of Directors on 16 March 2018 and signed on behalf of the Directors



O Mtasa
Chairman



D Hoto
Group Chief Executive Officer

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2017

	Note	2017 US\$	2016 US\$
INCOME			
Gross premium written	23	124 926 871	116 479 783
Reinsurance	23	(8 872 946)	(9 319 761)
Net premium written	23	116 053 925	107 160 022
Unearned premium reserve		(930 911)	396 424
Net premium earned		115 123 014	107 556 446
Rental income	24	6 470 074	6 731 887
Fair value loss - investment property	7	(293 552)	(1 530 575)
Gain on disposal of a subsidiary	15.2	-	334 406
Investment income	25	32 924 088	8 802 828
Fee income:			
- insurance contracts	26.1	1 425 918	1 207 441
- investment contracts	26.1	3 082 573	3 092 825
Other income	26.2	1 011 068	1 196 488
Total income		159 743 183	127 391 746
EXPENDITURE			
Insurance benefits	27	(10 028 647)	(11 460 131)
Insurance claims and loss adjustment expenses	27	(61 917 019)	(54 258 974)
Insurance claims and loss adjustment expenses recovered from reinsurers	27	826 670	635 825
Net insurance benefits and claims	27	(71 118 996)	(65 083 280)
Movement in insurance contract liabilities	18.5	(25 294 452)	(13 791 977)
Movement in shareholder risk reserve	18.6	990 843	1 417 302
Investment profit on investment contract liabilities	18.7	(11 933 633)	(2 531 535)
Acquisition of insurance and investment contracts expenses	28	(8 596 308)	(7 431 628)
Administration expenses	29	(28 287 494)	(25 275 161)
Impairment allowances	29.3	(389 615)	(497 365)
Finance cost on borrowings		(326 882)	(506 595)
Total expenditure		(144 956 537)	(116 534 843)
Profit before share of profit of associate		14 786 646	10 856 903
Share of profit of associate	10	13 480	-
Profit before income tax		14 800 126	10 856 903
Income tax expense	22.3	(2 576 602)	(1 553 353)
Profit for the year		12 223 524	9 303 550
Other comprehensive income			
Other comprehensive income/(loss) to be reclassified to statement of comprehensive income in subsequent periods:			
Exchange gain/(loss) on translating foreign operations		294 426	(33 330)
Other comprehensive income/(loss) to be reclassified to statement of comprehensive income in subsequent periods			
		294 426	(33 330)
Total comprehensive income for the year		12 517 950	9 270 220
Profit attributable to:			
Non-controlling interest		631 919	455 009
Equity holders of the parent		11 591 605	8 848 541
Profit for the year		12 223 524	9 303 550
Comprehensive income attributable to:			
Non-controlling interest		631 919	455 009
Equity holders of the parent		11 886 031	8 815 211
Total comprehensive income for the year		12 517 950	9 270 220
			(Restated)
Basic earnings per share (US cents)	30.1	2.13	1.74
Diluted earnings per share (US cents)	30.2	1.95	1.74

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Share capital US\$	Share premium US\$	Non distributable reserve (note 17.6) US\$	Retained profits US\$	Total equity for parent US\$	Non-controlling Interest US\$	Total equity US\$
For the year ended 31 December 2016							
As at 1 January 2016	380 201	7 957 918	2 094 601	3 515 562	13 948 282	53 411 033	67 359 315
Profit for the year	-	-	-	8 848 541	8 848 541	455 009	9 303 550
Other comprehensive loss	-	-	(33 330)	-	(33 330)	-	(33 330)
Total comprehensive (loss)/income	-	-	(33 330)	8 848 541	8 815 211	455 009	9 270 220
Transactions with shareholders in their capacity as owners:							
Share based payments	-	-	13 222	-	13 222	-	13 222
Acquisition of non-controlling interest (note 17.8)	-	-	-	1 448 453	1 448 453	(1 898 146)	(449 693)
Dividend declared and paid	-	-	-	-	-	(317 158)	(317 158)
As at 31 December 2016	380 201	7 957 918	2 074 493	13 812 556	24 225 168	51 650 738	75 875 906
For the year ended 31 December 2017							
As at 1 January 2017	380 201	7 957 918	2 074 493	13 812 556	24 225 168	51 650 738	75 875 906
Profit for the year	-	-	-	11 591 605	11 591 605	631 919	12 223 524
Other comprehensive income	-	-	294 426	-	294 426	-	294 426
Total comprehensive income	-	-	294 426	11 591 605	11 886 031	631 919	12 517 950
Transactions with shareholders in their capacity as owners:							
Issue of shares:							
• Acquisition of NDIL	95 105	10 366 497	4 038 686	-	14 500 288	-	14 500 288
- acquisition of 50.82%	59 736	6 511 252	2 536 720	-	9 107 708	-	9 107 708
- acquisition of 30.09%	35 369	3 855 245	1 501 966	-	5 392 580	-	5 392 580
- mandatory tender offer	22 425	4 091 133	-	-	4 113 558	-	4 113 558
• Rights Offer	210 371	17 040 083	-	-	17 250 454	-	17 250 454
• Share Options	10 461	516 054	-	-	526 515	-	526 515
Disposal of treasury shares	-	-	-	195 557	195 557	-	195 557
Share based payments	-	-	63 151	-	63 151	-	63 151
Acquisition of non-controlling interest (note 17.8)	-	-	-	1 609 046	1 609 046	(2 215 093)	(606 047)
Dividend declared and paid	-	-	-	-	-	(289 972)	(289 972)
Acquisition of treasury shares	-	-	-	(473 692)	(473 692)	-	(473 692)
As at 31 December 2017	718 563	39 971 685	6 470 756	26 735 072	73 896 076	49 777 592	123 673 668

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Note	2017 US\$	2016 US\$
Profit before income tax		14 800 126	10 856 903
Adjustments for non-cash items:			
Depreciation	6	946 901	654 229
Fair value losses on investment properties	7	293 552	1 530 575
Amortisation of intangible assets	8	156 323	90 541
Fair value adjustment on quoted equities	11.1	25 101 624	5 789 216
Fair value gain on quoted equities		(26 069 595)	(7 578 680)
Fair value loss on quoted equities		967 971	1 789 464
Gain from disposal of subsidiary	15.2	-	(334 406)
(Gain)/loss on disposal of quoted investments at fair value through profit or loss	25	(4 258 363)	196 832
Profit on disposal of equipment	26.2	(4 846)	(36 957)
Loss on disposal of equipment	26.2	7 160	513
Effects of exchange rate changes on cash and cash equivalents		-	149 972
Movement in allowance for credit losses	29.3	389 615	497 365
Movement in insurance contract liabilities		3 246 899	(160 206)
Movement in investment contract liabilities		30 605 435	13 982 486
Movement in IBNR provisions		(697 640)	(740 634)
Movement in shareholder risk reserves		(990 843)	-
Unearned premium reserve movement		930 911	(396 424)
Share of loss of associate		(13 481)	-
Deferred acquisition costs	12	1 595 139	(48 258)
Adjustments for separately disclosed items:			
Finance costs on borrowings		326 882	506 595
Dividend received	25	(824 473)	(554 457)
Interest received	25	(2 729 309)	(2 655 987)
Operating cash flows before working capital changes		18 678 364	17 749 466
Working capital changes			
Increase/(decrease) in inventory		(213 853)	2 798 754
Increase/(decrease) in other receivables		(6 354 471)	1 773 862
Increase in rental receivables		(823 759)	(3 470)
Increase in insurance receivables		(9 572 958)	(324 553)
Increase in other payables		6 707 823	1 675 027
Increase/(decrease) in insurance contract liabilities - life assurance		381 335	(159 660)
Increase/(decrease) in insurance contract liabilities - short term		9 448 603	(2 216 032)
Cash generated from operations		18 251 084	21 293 394
Finance costs on borrowings		(326 882)	(506 595)
Interest received	25	2 729 309	2 655 987
Income tax paid	22.2	(939 114)	(904 944)
Net cash flows from operating activities		19 714 397	22 537 842
Investing activities			
Dividends received	25	824 473	554 457
Additions to property, plant and equipment	6	(1 045 057)	(683 797)
Additions to investment property	7	(748 552)	(3 805 574)
Proceeds from disposal of property, plant and equipment		(5 314)	623 813
Purchase of investments		(70 223 352)	(22 515 948)
Proceeds from sale of investments		54 811 722	26 928 719
Cash (utilised in)/generated from investing activities		(16 386 080)	1 101 670
Financing activities			
Issue of shares	17.4	17 250 454	-
Loan repayment	19	(3 117 575)	(1 238 992)
Dividends paid to non-controlling interest		(289 972)	(317 158)
Cash flows generated from/(utilised in) financing activities		13 842 907	(1 556 150)
Net increase in cash and cash equivalents		17 171 224	22 083 362
Cash and cash equivalents at the beginning of the year	16	35 549 686	13 616 297
Effects of exchange rate changes on cash and cash equivalents		307 243	(149 973)
Cash and cash equivalents at the end of the year		53 028 153	35 549 686

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

1 GENERAL INFORMATION

The main business of First Mutual Holdings Limited (the "Company") and its subsidiaries and associates (together "the Group") is that of provision of life assurance, non-life insurance (comprising general insurance, reinsurance, health insurance and funeral assurance), property management and development and wealth management services.

First Mutual Holdings Limited is a public company, incorporated and domiciled in Zimbabwe whose shares are publicly traded on the Zimbabwe Stock Exchange ("ZSE").

The ultimate parent of the Company is National Social Security Authority ("NSSA") which owns 69% (2016: 51%) directly and an additional 11% (2016: 20%) indirectly through Capital Bank Limited (under liquidation). NSSA owns 84% (2016: 84%) of Capital Bank Limited.

The registered office is located at First Mutual Park, Second Floor, 100 Borrowdale Road, Borrowdale, Harare, Zimbabwe.

The historical financial statements of the Company and the Group for the year ended 31 December 2017 were authorised for issue in accordance by a resolution of the Directors' at a meeting held on 16 March 2018.

Acquisition of NicozDiamond Insurance Company

On 31 August 2017, the shareholders of First Mutual Holdings Limited ("FMHL") approved the acquisition by FMHL of the entire issued share capital of NicozDiamond Insurance Company Limited ("NDIL"). The Company acquired 477 424 440 NDIL shares from NSSA, representing 80.92% of the NDIL share capital at a consideration of 1 new FMHL ordinary share for every 5.02 NicozDiamond ordinary shares held by NSSA and issued and allotted 95 104 470 new FMHL shares to NSSA in exchange for these NDIL shares. Subsequent to the acquisition of 80.92% of NDIL, the Company is further authorised to make a mandatory offer to the remaining 19.08% NDIL shareholders at terms and conditions acceptable to the Directors in line with prevailing market conditions and ZSE Listing Requirements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation and presentation

2.1.1 Basis of preparation

The financial statements of the Group have been prepared in accordance with International Financial Reporting Standards, ("IFRS") as issued by the International Accounting Standards Board ("IASB"), International Financial Reporting Interpretations Committee ("IFRIC") as issued by the International Financial Reporting Interpretations Committee ("IFRS IC") and in a manner required by the Zimbabwe Companies Act (Chapter 24:03). The financial statements are based on statutory records that are maintained under the historical cost convention except for investment property, equity securities at fair value through profit or loss, non-current assets classified as held for sale and insurance and investment contract liabilities that have been measured at fair value basis.

Notes to the Consolidated Financial Statements (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1.2 Foreign currency translation

(a) Functional and presentation currency

Items included in the interim financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in the United States of America dollar ("US\$"), which is the Company's and the Group's functional and presentation currency.

(b) Transactions and balances

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

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

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

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

All differences arising from settlement or translation of monetary items are taken to statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the date of the initial transaction and are not subsequently restated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

2.1.3 Changes in accounting policies and disclosures

a) New standards, amendments and interpretations effective for the first time for 31 December 2017 year ends that are relevant to the Group;

Standard/interpretation	Effective date	Executive summary
Amendment to International Accounting Standard ("IAS") 7, 'Cash flow statements' Statement of cash flows on disclosure initiative	1 January 2017	<p>In January 2016, the International Accounting Standards Board ("IASB") issued an amendment to IAS 7, introducing an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.</p> <p>The amendment responds to requests from investors for information that helps them better understand changes in an entity's debt. The amendment will affect every entity preparing IFRS financial statements. The required information is disclosed in note 19.</p>

Notes to the Consolidated Financial Statements (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1.3 Changes in accounting policy and disclosures (continued)

a) New standards, amendments and interpretations effective for the first time for 31 December 2017 year ends that are relevant to the Group (continued);

Standard/interpretation	Effective date	Executive summary
Amendment to IAS 12, 'Income taxes' Recognition of deferred tax assets for unrealised losses.	1 January 2017	<p>The amendment was issued to clarify the requirements for recognising deferred tax assets on unrealised losses. The amendment clarifies the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. It also clarifies certain other aspects of accounting for deferred tax assets.</p> <p>The amendment clarifies the existing guidance under IAS 12. It does not change the underlying principles for the recognition of deferred tax assets.</p>
Annual improvements 2014-2016 (part)	Annual periods beginning on or after 1 January 2017 (published December 2016)	<p>These amendments impact 3 standards, one being applicable in 2017: IFRS 12, 'Disclosure of interests in other entities' regarding clarification of the scope of the standard. The amendment clarified that the disclosures requirement of IFRS 12 are applicable to interest in entities classified as held for sale except for summarised financial information (para B17 of IFRS 12). Previously, it was unclear whether all other IFRS 12 requirements were applicable for these interests. These amendments should be applied retrospectively for annual periods beginning on or after 1 January 2017.</p>

The above amendments have not impacted the Group.

b) New standards, amendments and interpretations issued but not effective for 31 December 2017 year ends that are relevant to the Group but have not been early adopted;

Standard/interpretation	Effective date	Executive summary
Amendments to IFRS 9 – 'Financial instruments' on - prepayment features with negative compensation and -modification of financial liabilities.	1 January 2019	<p>The narrow-scope amendment covers two issues:</p> <ul style="list-style-type: none"> • The amendments allow companies to measure particular prepayable financial assets with so-called negative compensation at amortised cost or at fair value through other comprehensive income if a specified condition is met—instead of at fair value through profit or loss. It is likely to have the biggest impact on banks and other financial services entities. • How to account for the modification of a financial liability. The amendment confirms that most such modifications will result in immediate recognition of a gain or loss. This is a change from common practice under IAS 39 today and will affect all kinds of entities that have renegotiated borrowings.

Notes to the Consolidated Financial Statements (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1.3 Changes in accounting policy and disclosures (continued)

b) New standards, amendments and interpretations issued but not effective for 31 December 2017 year ends that are relevant to the Group but have not been early adopted (continued);

Standard/interpretation	Effective date	Executive summary
<p>IFRS 9, 'Financial instruments' (2009 and 2010)</p> <ul style="list-style-type: none"> • Financial liabilities • Derecognition of financial instruments • Financial assets • General hedge accounting 	1 January 2018	<p>This IFRS is part of the IASB's project to replace IAS 39, 'Financial instruments: recognition and measurement'. IFRS 9 addresses classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value.</p> <p>The IASB has updated IFRS 9, 'Financial instruments' to include guidance on financial liabilities and derecognition of financial instrument. The accounting and presentation for financial liabilities and for derecognising financial instruments has been relocated from IAS 39, 'Financial instruments: recognition and measure', without change, except for financial liabilities that are designated at fair value through profit or loss.</p> <p>IFRS 9: Financial Instruments will replace IAS 39: Financial Instruments: Recognition and Measurement. The Group adopted this standard from 1 January 2018 and it will make use of the prospective approach. The standard introduces new requirements for the classification and measurement of financial instruments. The Group conducted an assessment of the potential classification and measurement changes that may result from the adoption of the new standard, based on the composition of the Group Statement of Financial Position as at 31 December 2016, for the purposes of a preliminary impact assessment, as well as 31 December 2017, to assess the impact on adoption. The outcome of this process indicates that there will be limited changes in classification and measurement across the Group.</p> <p>IFRS 9 introduces a new expected credit loss ("ECL") impairment model for all financial assets and certain loan commitments. As some of the group's financial assets are subject to more than an insignificant amount of credit risk, the implementation of the standard will result in changes in the measurement basis of impairment provisions which will be limited to the Group's investment in held to maturity investments and loans and other receivables. The entity will be impacted by the stage 2 and stage 3 measurement models of IFRS 9. Based on ongoing assessments, while the carrying value of these instruments will decrease on adoption of IFRS 9, the impact based on current assessments indicate that this decrease should not be in excess of 5% of the balance of the instruments, and therefore might not be material to the Group. This will however be substantiated during the year.</p>
Amendment to IFRS 9 -'Financial instruments', on general hedge accounting	1 January 2018	The IASB has amended IFRS 9 to align hedge accounting more closely with an entity's risk management. The revised standard also establishes a more principles-based approach to hedge accounting and addresses inconsistencies and weaknesses in the current model in IAS 39.

Notes to the Consolidated Financial Statements (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1.3 Changes in accounting policy and disclosures (continued)

b) New standards, amendments and interpretations issued but not effective for 31 December 2017 year ends that are relevant to the Group but have not been early adopted (continued);

Standard/interpretation	Effective date	Executive summary
IFRS 15, 'Revenue from contracts with customers'	1 January 2018	<p>The Financial Accounting Standards Board ("FASB") and IASB issued their long awaited converged standard on revenue recognition on 29 May 2014. It is a single, comprehensive revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue. Revenue is recognised based on the satisfaction of performance obligations, which occurs when control of good or service transfers to a customer.</p> <p>IFRS 15: Revenue from contracts with customers replaces all existing revenue recognition requirements in IFRS and applies to all revenue arising from contracts with clients, unless the contracts are in the scope of the standards on leases, insurance contracts and financial instruments. The standard is effective for the Group for the financial year commencing 1 January 2018. The potential areas of significant impact for the Group relate to rental income earned by First Mutual Properties, clinic income earned by First Mutual Health Company (Private) Limited and fee income charged on fund assets of all Group companies. The impact on other areas is still being assessed but is not expected to be material to the Group.</p>
Amendment to IFRS 15, 'Revenue from contracts with customers'	1 January 2018	The IASB has amended IFRS 15 to clarify guidance, but there were no major changes to the standard itself. The amendments comprise clarifications of guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of these areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard.
Amendment to IAS 40, 'Investment property' Transfers of investment property	1 January 2018	These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence.
Amendment to IFRS 4, 'Insurance contracts' Regarding the implementation of IFRS 9, 'Financial instruments'	1 January 2018	<p>These amendments introduce two approaches: an overlay approach and a deferral approach. The amended standard will:</p> <ul style="list-style-type: none"> . give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is issued; and . give companies whose activities are predominantly connected with insurance an optional exemption from applying IFRS 9 until 2021. The entities that defer the application of IFRS 9 will continue to apply the existing financial instruments standard – IAS 39, Financial instrument: recognition and measurement.

Notes to the Consolidated Financial Statements (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1.3 Changes in accounting policy and disclosures (continued)

b) New standards, amendments and interpretations issued but not effective for 31 December 2017 year ends that are relevant to the Group but have not been early adopted (continued);

Standard/interpretation	Effective date	Executive summary
IFRS 16, 'Leases'	1 January 2019 – earlier application permitted if IFRS 15 is also applied	<p>This standard replaces the current guidance in IAS 17, Leases and is a far reaching change in accounting by lessees in particular.</p> <p>Under IAS 17, lessees were required to make a distinction between a finance lease (on statement of financial position) and an operating lease (off statement of financial position). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees.</p> <p>For lessors, the accounting stays almost the same. However, as the IASB has updated guidance on the definition of a lease (as well as guidance on the combination and separation of contracts), lessors will also be affected by the new standard.</p> <p>At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.</p> <p>IFRS 16 supersedes 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'.</p> <p>The standard is not expected to materially affect the Group as the Group is mainly a lessor and does not have material lease arrangements as a lessee.</p>
Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28, 'Investments in associates and joint ventures' on sale or contribution of assets	The amendment effective date was postponed from an effective date of 1 January 2016.	<p>The postponement applies to changes introduced by the IASB in 2014 through narrow-scope amendments to IFRS 10 'Consolidated financial statements' and IAS 28 'Investments in associates and joint ventures'. The changes affect how an entity should determine any gain or loss it recognises when assets are sold or contributed between the entity and an associate or joint venture in which it invests. The changes do not affect other aspects of how entities account for their investments in associates and joint ventures.</p> <p>The reason for making the decision to postpone the effective date is that the IASB is planning a broader review that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.</p>

Notes to the Consolidated Financial Statements (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1.3 Changes in accounting policy and disclosures (continued)

b) New standards, amendments and interpretations issued but not effective for 31 December 2017 year ends that are relevant to the Group but have not been early adopted (continued);

Standard/interpretation	Effective date	Executive summary
IFRS 17, 'Insurance contracts'	1 January 2021 Early application is permitted for entities that apply IFRS 9, 'Financial instruments', and IFRS 15, 'Revenue from contracts with customers', at or before the date of initial application of IFRS 17	<p>The IASB issued IFRS 17, 'Insurance contracts', and thereby started a new epoch of accounting for insurers. Whereas the current standard, IFRS 4, allows insurers to use their local GAAP, IFRS 17 defines clear and consistent rules that will significantly increase the comparability of financial statements. For insurers, the transition to IFRS 17 will have an impact on financial statements and on key performance indicators.</p> <p>Under IFRS 17, the general model requires entities to measure an insurance contract at initial recognition at the total of the fulfilment cash flows (comprising the estimated future cash flows, an adjustment to reflect the time value of money and an explicit risk adjustment for non-financial risk) and the contractual service margin. The fulfilment cash flows are remeasured on a current basis each reporting period. The unearned profit (contractual service margin) is recognised over the coverage period.</p> <p>Aside from this general model, the standard provides, as a simplification, the premium allocation approach. This simplified approach is applicable for certain types of contract, including those with a coverage period of one year or less.</p> <p>For insurance contracts with direct participation features, the variable fee approach applies. The variable fee approach is a variation on the general model. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the contractual service margin. As a consequence, the fair value changes are not recognised in profit or loss in the period in which they occur but over the remaining life of the contract.</p>
Amendments to IFRS 2, 'Share-based payments' - clarifying on how to account for certain type of share based payment transactions.	1 January 2018	This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.
Amendments to IAS 28, 'Investments in associates and joint ventures' - long term interests in associates and joint ventures.	1 January 2019	<p>These amendments impact 2 standards:</p> <ul style="list-style-type: none"> · IFRS 1, 'First-time adoption of IFRS', regarding the deletion of short-term exemptions for first-time adopters regarding IFRS 7, IAS 19, and IFRS 10 effective 1 January 2018. · IAS 28, 'Investments in associates and joint ventures' regarding measuring an associate or joint venture at fair value. IAS 28 allows venture capital organisations, mutual funds, unit trusts and similar entities to elect measuring their investments in associates or joint ventures at fair value through profit or loss. The Board clarified that this election should be made separately for each associate or joint venture at initial recognition. Effective 1 January 2018.

Notes to the Consolidated Financial Statements (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1.3 Changes in accounting policy and disclosures (continued)

b) New standards, amendments and interpretations issued but not effective for 31 December 2017 year ends that are relevant to the Group but have not been early adopted (continued);

Standard/interpretation	Effective date	Executive summary
Annual improvements 2014-2016	1 January 2017 and 2018	<p>These amendments impact 3 standards:</p> <ul style="list-style-type: none"> • IFRS 1, 'First-time adoption of IFRS', regarding the deletion of short-term exemptions for first-time adopters regarding IFRS 7, IAS 19, and IFRS 10 effective 1 January 2018, • IFRS 12, 'Disclosure of interests in other entities' regarding clarification of the scope of the standard. The amendment clarified that the disclosures requirement of IFRS 12 are applicable to interest in entities classified as held for sale except for summarised financial information (para B17 of IFRS 12). Previously, it was unclear whether all other IFRS 12 requirements were applicable for these interests. These amendments should be applied retrospectively for annual periods beginning on or after 1 January 2017, and • IAS 28, 'Investments in associates and joint ventures' regarding measuring an associate or joint venture at fair value. IAS 28 allows venture capital organisations, mutual funds, unit trusts and similar entities to elect measuring their investments in associates or joint ventures at fair value through profit or loss. The Board clarified that this election should be made separately for each associate or joint venture at initial recognition. Effective 1 January 2018.
Annual improvements 2015-2016	1 January 2019	<p>These amendments include minor changes to:</p> <ul style="list-style-type: none"> - IFRS 3, 'Business combination' - a company remeasures its previously held interest in a joint operation when it obtains control of the business. - IFRS 11, 'Joint arrangements', - a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business. - IAS 12, 'Income taxes' - The amendment clarified that the income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised. - IAS 23, 'Borrowing costs' - a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.
IFRIC 22, 'Foreign currency transactions and advance consideration'	1 January 2018	<p>This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payment/receipts are made. The guidance aims to reduce diversity in practice.</p>
IFRIC 23, 'Uncertainty over income tax treatments'	1 January 2019	<p>IFRIC 23 provides a framework to consider, recognise and measure the accounting impact of tax uncertainties. The interpretation provides specific guidance in several areas where previously IAS 12 was silent. The interpretation also explains when to reconsider the accounting for a tax uncertainty. Most entities will have developed a model to account for tax uncertainties in the absence of specific guidance in IAS 12. These models might, in some circumstances, be inconsistent with IFRIC 23 and the impact on tax accounting could be material. Management should assess the existing models against the specific guidance in the Interpretation and consider the impact on income tax accounting.</p>

There are no other standards, amendments and interpretations that are not yet effective that are likely to have a material impact on the Group.

Notes to the Consolidated Financial Statements (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1.4 Going concern assumption

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

2.2 Basis of consolidation

Group

The financial statements comprise the statement of financial position of the Company and the financial statements of the Company and its subsidiaries and associates (together the "Group") as at 31 December 2017.

(a) Subsidiaries

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

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

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

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

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income and statement of financial position from the date the Group gains control until the date the Group ceases to control the subsidiary.

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

Acquisition-related costs are expensed as incurred.

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

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

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

Notes to the Consolidated Financial Statements (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Basis of consolidation (continued)

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

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

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

All subsidiaries in the Group are 100% owned, except for First Mutual Properties which is 63% owned, have 31 December year ends and are consolidated in the presented financial statements.

(b) Loss of control

If the Group loses control over a subsidiary, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiary;
- derecognises the carrying amount of any non-controlling interest;
- derecognises the cumulative transaction differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in the statement of comprehensive income; and
- reclassifies the parent's share of components previously recognised in other comprehensive income to statement of comprehensive income or retained earnings, as appropriate.

Changes in ownership interests in subsidiaries without change of control:

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Separate financial statements of the Company

In the Company's separate financial statements, investments in subsidiaries are accounted for using the equity method of accounting. Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Company's share of the post-acquisition profits or losses of the investee in profit or loss, and the Company's share of movements in other comprehensive income of the investee in other comprehensive income.

(d) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. If the holding is less than 20%, the Group will be presumed not to have significant influence unless such influence can be clearly demonstrated. The existence of significant influence by the Group is usually evidenced in one or more of the following ways:

- representation on the board of directors or equivalent governing body of the investee.
- participation in the policy-making process.
- material transactions between the investor and the investee.
- interchange of managerial personnel.
- provision of essential technical information.

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

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

Notes to the Consolidated Financial Statements (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Basis of consolidation (continued)

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

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

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

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

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

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

Dilution gains and losses arising in investments in associates are recognised in the statement of comprehensive income.

2.3 Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in statement of comprehensive income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purposes of impairment testing, goodwill acquired in a business combination is allocated to an appropriate cash-generating unit that is expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

2.4 Common control transactions

A combination involving entities or businesses under common control is a business combination in which all the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and the control is not transitory. Common control transactions are excluded from the scope of IFRS 3, "Business Combinations". The Board of Directors made a policy choice to use predecessor accounting for common control transactions.

No assets or liabilities are restated to their fair values. Instead, the acquirer incorporates predecessor carrying values. These are the carrying values of the acquired entity. They are generally the carrying amounts of assets and liabilities of the acquired entity from the consolidated financial statements of the highest entity that has common control for which consolidated financial statements are prepared. These amounts include any goodwill recorded at the consolidated level in respect of the acquired entity. If no consolidated financial statements are produced, the values used are those from the financial statements of the acquired entity. Gain or losses on acquisition are accounted directly in the statement of changes in equity utilising available reserves.

Notes to the Consolidated Financial Statements (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Common control transactions (continued)

The acquired entity's results and statement of financial position are incorporated prospectively from the date on which the business combination between entities under the same carrying occurred. Consequently, the financial statements do reflect the results of the acquired entity for the period after the transaction occurred.

2.5 Segment reporting

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

2.6 Property, plant and equipment

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

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

• Computers	5 years
• Vehicles and equipment	5 years
• Furniture	10 years
• Property	50 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on de-recognition is included in statement of comprehensive income in the year the asset is de-recognised.

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

Owner occupied properties comprise property which is owned by the Group but is significantly occupied by Group companies, regardless of the leasing of the property being at market related rentals and terms. Significant occupation by a Group company is considered as 25% of the space of the property occupied or above. Such owner occupied properties are classified under property, plant and equipment and depreciated in line with the Group policy on property, plant and equipment.

2.7 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in statement of comprehensive income in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in statement of comprehensive income in the expense category that is consistent with the function of the intangible assets.

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

Notes to the Consolidated Financial Statements (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Intangible assets (continued)

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in statement of comprehensive income when the asset is derecognised.

2.8 Investment property

Investment property comprises land and buildings that are either held for capital appreciation or to earn rentals or both. Buildings under construction to be used for rental to others or for capital appreciation or both are also classified as investment property.

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

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

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

2.9 Inventory

Inventory comprises property acquired or being constructed for sale in the ordinary course of business, consumables and other stocks. Consumables and other stocks are valued on the basis of weighted average cost and at the lower of cost or estimated net realisable value ("NRV"), property classified as inventory is valued at the lower of cost or estimated NRV, but is based on the specific identification of the property. NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date and less costs to completion and the estimated costs of sale. NRV for completed inventory property is assessed with reference to market conditions and prices existing at the reporting date, and is determined by the Group in light of recent market transactions.

2.10 Impairment of non-financial assets

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

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

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified; an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Notes to the Consolidated Financial Statements (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Impairment of non-financial assets (continued)

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in statement of comprehensive income.

2.11 Fair value

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- level 1 - quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- level 2 - valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- level 3 - valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.12 Borrowing costs

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

2.13 Non-current assets (disposal group) held for sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of the carrying amount and fair value less costs to sell.

Notes to the Consolidated Financial Statements (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Financial instruments

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

2.14.1 Financial assets

Financial assets within the scope of IAS 39, Financial instruments : recognition and measurement are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available for-sale financial assets as appropriate. Financial assets are recognised initially at fair value plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. Fair value gains/(losses) on financial assets at fair value through profit or loss are recognised in statement of comprehensive income. The Group determines the classification of its financial assets on initial recognition and where allowed and appropriate, re-evaluates the designation at each financial year-end. Transaction costs from financial assets at fair value through profit or loss are recognised in the statement of comprehensive income.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed and determinable payments that are not quoted in an active market. Such financial assets are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in the profit or loss statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Held-to-maturity investments

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

Available-for-sale financial investments

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

2.14.2 Impairment of financial assets

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of a financial asset or a group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Notes to the Consolidated Financial Statements (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Financial instruments (continued)

2.14.2 Impairment of financial assets (continued)

Financial assets carried at amortised cost

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

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of comprehensive income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as finance income in the statement of comprehensive income. Financial assets at amortised cost together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write off is later recovered, the recovery is credited to statement of comprehensive income.

2.14.3 De-recognition of financial assets

A financial asset is de-recognised when the right to receive cash flows from the asset has expired or the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either, has transferred substantially all the risks and rewards of the asset to another party, or the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

2.14.4 Financial liabilities

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

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

The Group's financial liabilities include trade and other payables, borrowings, insurance contracts, and investment contracts. All the Group's financial liabilities are classified as other financial liabilities.

Subsequent to initial recognition, financial liabilities are measured at amortised cost using the effective interest rate method. Gains and losses are recognised in statement of comprehensive income when the liabilities are derecognised as well as through the effective interest rate method ("EIR") amortisation process.

Notes to the Consolidated Financial Statements (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Financial instruments (continued)

2.14.5 De-recognition of financial liabilities

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

2.14.6 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported on the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.14.7 Amortised cost of financial instruments

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

2.15 Share capital and reserves

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

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

Treasury shares (repurchase and reissue of ordinary shares)

When share capital recognised as equity is bought back the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as an equity deduction. The Company's own shares reacquired in a share buyback scheme are deducted from equity and are classified as treasury shares and are presented in a separate reserve for owned shares. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is presented within the share premium.

2.16 Cash and balances with banks

Cash and balances with banks comprise cash and balances with banks less than three months, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in fair value.

Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of less than three months and bank overdrafts. In the consolidated statement of financial position, bank overdrafts are shown within borrowings.

2.17 Leases

The Group has numerous leasing contracts as the lessor of investment property. The leases are operating leases, which are those leases where the Group retains a significant portion of risks and rewards of ownership. Contractual rental income is recognised on a straight-line basis over the period of the lease term.

Notes to the Consolidated Financial Statements (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Revenue recognition

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding any discounts and rebates, and other value added taxes or duty. The following specific recognition criteria must be met before the revenue is recognised:

2.18.1 Premium income

Premium income is accounted for gross of reinsurance and accounted for as follows:

Pensions	- when due
Life	- when due
Property and casualty insurance (short-term insurance)	- when due
Health insurance	- when paid

In the short-term business, premium income is accounted for as and when the premiums are agreed and risks accepted. Refer to note 2.19.6 for the Group's accounting policy for unearned premium.

2.18.2 Rental income

The Group is the lessor on operating leases transactions.

Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease term and is included in revenue in the statement of comprehensive income due to its operating nature, except for contingent rental income which is recognised when it arises. Services and management fees are recognised in the accounting period in which they are incurred.

Tenant lease incentives are recognised as a reduction of rental revenue on a straight-line basis over the term of the lease. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, the directors are reasonably certain that the tenant will exercise that option.

Amounts received or receivable from tenants to terminate leases or to compensate for dilapidations as well as recovery of fixed operating costs are recognised in statement of comprehensive income when the right to receive them arises.

2.18.3 Property services income

Property services income comprises income received or receivable from property-related services to other parties. The income is recognised when the related services have been provided. Property services income will be generated from the following services:

- Project management;
- Property management;
- Property purchases;
- Property sales; and
- Property valuations.

2.18.4 Sale of completed property

A property is regarded as sold when the significant risks and rewards have been transferred to the buyer, which is normally on transfer of property. For conditional exchanges, sales are recognised only when all the significant conditions are satisfied.

2.18.5 Sale of property under development

Where property is under development and agreement has been reached to sell such property when construction is complete, the directors consider whether the contract comprises:

- a contract to construct a property, or
- a contract for the sale of a completed property.

Where a contract is judged to be for the construction of a property, revenue is recognised using the percentage-of-completion method as construction progresses.

Notes to the Consolidated Financial Statements (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Revenue recognition (continued)

2.18.5 Sale of property under development (continued)

Where the contract is judged to be for the sale of a completed property, revenue is recognised when the significant risks and rewards of ownership of the real estate have been transferred to the buyer. If, however, the legal terms of the contract are such that the construction represents the continuous transfer of work in progress to the purchaser, the percentage-of-completion method of revenue recognition is applied and revenue is recognised as work progresses. Continuous transfer of work in progress is applied when:

- the buyer controls the work in progress, typically when the land on which the development takes place is owned by the final customer; and
- all significant risks and rewards of ownership of the work in progress in its present state are transferred to the buyer as construction progresses, typically, when buyer cannot put the incomplete property back to the Group.

In such situations, the percentage of work completed is measured based on the cost incurred to date.

2.18.6 Dividend income

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

2.18.7 Interest income

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

2.18.8 Fee income

Insurance contract policyholders are charged for policy administration services, surrenders and other contract fees. These fees and charges are recognised as revenue over the period in which the related services are performed.

2.18.9 Commission income

Commission income received or receivable under insurance and reinsurance contracts for non-life insurance contracts is recognised in full in the year in which the contract is entered into.

2.18.10 Realised gains and losses

Realised gains and losses recorded in statement of comprehensive income on investments include gains and losses on financial assets and investment properties. Gains and losses from the sale of investments are calculated as the difference between net sales proceeds and the carrying amount and are recorded on occurrence of the sale transaction.

2.19 Claims

2.19.1 Life insurance

Insurance benefits and claims relating to group life insurance contracts are recognised in profit or loss based on the estimated liability for compensation owed to the contract holder. Death, disability and severe illness and surrender claims are accounted for when notified. These claims include outstanding claims and claims incurred but not reported ("IBNR"). The IBNR estimate is determined taking into account the likelihood of the claim being valid and the expected severity of the claim given that the claim is valid. The proportion to be included is estimated separately for each benefit type. An estimate of the expected claim amount is charged to profit or loss and included in liabilities under insurance contracts. Maturity and income disability are recorded as incurred. Liabilities are held to reflect IBNR claims. The IBNR is modified to reflect actual current operating conditions. The liabilities are calculated gross of reinsurance. An asset is then raised to allow for the expected recoveries from reinsurers.

2.19.2 Non-life insurance

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

Notes to the Consolidated Financial Statements (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Claims (continued)

2.19.2 Non-life insurance (continued)

Claims are accounted for as incurred and consist of claims paid, movement in the provision for outstanding claims and related claims handling expenses. The provision for outstanding claims is based on estimates of the cost of settling all claims incurred but unpaid at the reporting date, whether reported or not. Related anticipated reinsurance recoveries are disclosed separately as assets in the statement of financial position and are included in recoveries from reinsurers in profit or loss.

2.20 Reinsurance recoveries

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

2.21 Acquisition costs and insurance contracts

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

Commission

Commission is recognised as an expense in statement of comprehensive income when the premium is received or receivable through an intermediary or agent. The period over which commission is paid or payable and the commission rate differ per product depending on the product design structure.

Other acquisition costs

Other acquisition costs are costs incurred for running the Group's branch network for the insurance businesses. Branches are set up to acquire business across the country and the costs are charged to statement of comprehensive income in the period in which they are incurred. Costs of running the branches, cost of supporting the agents and staff expenses for employees working in the branches are included as acquisition costs together with all other costs for maintaining the branches functional.

2.22 Insurance contract liabilities

Policyholder insurance and investment contracts

Policyholder contracts are classified into four categories, namely, insurance contracts with discretionary participation features, insurance contracts without discretionary participation features, investment contracts with discretionary participation features and investment contracts without discretionary participation features.

2.22.1 Insurance contract

An insurance contract is one under which the Group accepts significant insurance risk from another party (the "policyholder") by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the "insured event") adversely affects the policyholder. Such contracts may also transfer financial risk. The Group defines significant insurance risk as the possibility of having to pay benefits on the occurrence of the insured event that are significantly more than the benefits payable if the insured event did not occur.

2.22.2 Investment contracts

Investment contracts are those contracts that transfer financial risk with no significant insurance risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variables.

2.22.3 Discretionary participation features ("DPF")

A number of insurance contracts and investment contracts contain a discretionary participation feature. This feature entitles the policyholder to receive, as a supplement to guaranteed benefits, additional benefits or bonuses:

- i) that are likely to be a significant portion of the total contractual benefits;
- ii) whose amount or timing is contractually at the discretion of the Group; and
- iii) that are contractually based on:
 - the performance of a specified pool of contracts or a specified type of contract; and/or
 - realised and/or unrealised investment returns on a specified pool of assets held by the Group.

All components of the DPFs are included in the policyholder liabilities.

Notes to the Consolidated Financial Statements (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Insurance contract liabilities (continued)

2.22.4 Determination of liabilities

The liabilities are determined on the basis derived by the Group's actuary as detailed in note 4.8.1. Actuarial valuation reports for each year are done annually and signed-off by the statutory actuary.

2.22.4.1 Insurance contract liabilities and investment contract liabilities with DPF

The liability for life insurance contracts and investment contracts with DPF is measured using the Financial Soundness Valuation ("FSV") method as set out in the guidelines issued by the Actuarial Society of South Africa in Professional Guidance Note ("SAP 104"). Under this guideline, provisions are valued using realistic expectations of future experience, with compulsory margins for prudence and deferral of profit emergence. All contracts are subject to liability adequacy tests, which reflect management's best current estimate of future cash flows.

The main assumptions used relate to mortality, longevity, investment returns, expenses, lapse and surrender rates and discount rates. The Group bases mortality on historical experiences, adjusted when appropriate to reflect the Group's unique risk exposure, product characteristics, target markets and own claims severity and frequency experiences.

Lapse and surrender rates are based on the Group's historical experience of lapses and surrenders. Discount rates are based on current industry risk rates. The liability in respect of some of the investment contracts with DPF is taken as the investment value. The main example is the Deposit Administration business where the reserve is the face value of the accounts together with the bonus smoothing reserve. Although it could be argued that the Group expects the contracts to be profitable, it would not be advisable to account for such profits in advance of them arising. Surplus allocated to policyholders under investment contract liabilities with DPF but not yet distributed (i.e. bonus smoothing reserves) is included in the carrying value of liabilities.

2.22.4.2 Investment contracts without DPF

Investment contracts without DPF are determined by applying deposit accounting where the contributions, claims and benefits paid, investment income and related expenses are not accounted through profit or loss but are accounted as direct increases or decreases to the investment contract liability and the corresponding assets.

2.22.5 Life assurance liabilities

Life assurance liabilities comprise the policyholder funds and the shareholder risk reserves. These are determined by the independent actuary as detailed in note 4.8.1. Actuarial valuation reports for each year are done annually and signed-off by the statutory actuary.

The liability for life insurance contracts is based on current assumptions reflecting the best estimate at the time increased with a margin for risk and adverse deviation. All contracts are subject to a liability adequacy tests, which reflect management's best current estimate of future cash flows.

The main assumptions used relate to mortality, morbidity, longevity, investment returns, expenses, lapse and surrender rates and discount rates. The Group bases mortality and morbidity on historical experiences, adjusted when appropriate to reflect the Group's unique risk exposure, product characteristics, target markets and own claims severity and frequency experiences. For those contracts that insure risk related to longevity, prudent allowance is made for expected future mortality improvements as well as wide ranging changes to life style that could result in significant changes to the expected future mortality exposure.

Lapse and surrender rates are based on the Group's historical experience of lapses and surrenders. Discount rates are based on current industry risk rates, adjusted for the Group's own risk exposure.

2.22.6 Insurance contract liabilities - short term (which comprises general insurance and health care)

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

Notes to the Consolidated Financial Statements (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Insurance contract liabilities (continued)

2.22.6 Insurance contract liabilities - short term (which comprises general insurance and health care) (continued)

Outstanding claims

The outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of these cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim project techniques, based on empirical data and current assumptions that include a margin for adverse variation. The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the obligation to pay a claim expires, is discharged or is cancelled.

Provision for incurred but not reported claims - ("IBNR")

The provision for incurred but not reported claims ("IBNR") represents all claims incurred before the reporting date but only reported subsequent to year-end. The IBNR is actuarially determined.

Unearned premium reserves - ("UPR")

The unearned premium reserve represents that portion of premiums received or receivable that relates to risks that have not yet expired at the reporting date. The reserve is recognised when contracts are entered into and premiums are charged, and is brought to account as premium income over the term of the contract in accordance with the pattern of insurance service provided under the contract.

2.23 Deferred acquisition costs

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

2.24 Reinsurance

The Group cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies, for the primary insurers and balances due from retrocession companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer. The impairment loss is recorded in profit or loss.

Gains or losses on buying reinsurance are recognised in statement of comprehensive income immediately at the date of purchase and are not amortised. Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders.

The Group also assumes reinsurance risk in the normal course of business for life insurance and non-life insurance contracts where applicable. Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance assets represent balances due to the Group. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance. Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or have expired or when the contract is transferred to another party.

Reinsurance contracts that do not transfer significant insurance risk are accounted for directly through the statement of financial position.

Notes to the Consolidated Financial Statements (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25.1 Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from, or paid to the tax authorities. The tax rates and laws used to compute the amounts are those that are enacted or substantively enacted by the reporting date.

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

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

2.25.2 Deferred tax

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

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

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and carry forward of unused tax credits and unused tax losses can be utilised except:

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period.

The Group adopted the rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40, 'Investment property', should be determined on the basis that its carrying amount will be recovered through sale.

Notes to the Consolidated Financial Statements (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25.2 Deferred tax (continued)

The effect of adopting the amendment of IAS 12, 'Income taxes', for the purposes of recognising deferred tax, is that the carrying amount of the investment property measured at fair value will be recovered through sale. Consequently the applicable rate of tax when calculating deferred tax would be the capital gains tax rate of 5% instead of the corporate income tax rate of 25.75% previously in use.

Management has rebutted the presumption as the objective of its business model is to consume substantially all of the economic benefits embodied in the investment property over time rather than through sale. As a result the Group will continue to apply the income tax rate of 25.75% for the purpose of recognising deferred tax for its investment properties with the exception of land. The Group will recover the carrying amount of land recognised as investment property through sale and in that respect, the capital gains tax rate is used to determine deferred tax.

2.25.3 Value added tax

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

The net amount of VAT recoverable from, or payable to, the tax authority is included as part of receivables or payables in the statement of financial position.

The policy relates to all companies that are VAT registered, with the exception of FMRE Life & Health (Private) Limited and First Mutual Health Company (Private) Limited that are VAT exempt.

2.26 Employee benefits

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

2.27 Shared-based payments: share options

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments ("options") of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specific period of time).

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the statement of comprehensive income, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

Notes to the Consolidated Financial Statements (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.28 Provisions

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

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

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

2.29 Retrenchment accounting policy

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

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

2.30 Earnings per share

a) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(b) Diluted earnings per share

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

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In preparation of the Group's financial statements, management is required to make judgements, estimates and assumptions that affect reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However uncertainty about these assumptions, judgements and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

3.1 Judgements other than estimates

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

3.1.1 Classification of property

The Group determines whether a property is classified as investment property or as owner occupied property or inventory: Investment property comprises land and buildings (principally office, industrial and retail property) on which the Group occupies insignificant portion for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but is held primarily to earn rental income or capital appreciation or both. The distinction between investment property and inventory is not always clear and management will make judgement on the classification of the property as investment property or inventory.

Notes to the Consolidated Financial Statements (continued)

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

3.1 Judgements other than estimates (continued)

3.1.1 Classification of property (continued)

Owner occupied property comprises property which is owned by the Group and is significantly occupied by group companies, regardless of the leasing of the property being at market related rentals and terms. Significant occupation by group companies is considered as 25% (2016: 25%) of the total lettable space of the property occupied or above. Such owner occupied properties are classified under property, plant and equipment and depreciated in line with the Group's accounting policy for property, plant and equipment.

3.1.2 Insurance contracts and investment contracts

The Group classifies contracts entered into between investment contracts and insurance contracts on the basis of whether the contract is mostly a life assurance contract or a deposit contract and the contract is considered to be insurance contract if it transfers significant insurance risk. In the event of both elements existing in the contract, judgement is applied in determining which of the two elements makes up a more significant portion of the contract, in which case it is classified as such.

3.1.3 Taxes

The Group is subject to income and capital gains taxes in Botswana, Malawi, Mozambique and Zimbabwe. Significant judgement is required to determine the total liability for current income and deferred taxes.

There are many transactions and calculations for which the ultimate tax determination and timing of payment is uncertain. In particular, when calculating deferred tax, the effective tax rate applicable on the temporary differences on investment property depends on the method by which the carrying amount of investment property will be realised.

Management has rebutted the presumption that the carrying amount of investment property measured at fair value will be recovered through sale. Management has rebutted the presumption as the objective of its business model is to consume substantially all of the economic benefits embodied in the investment property over time rather than through sale. As a result the Group applied the income tax rate of 25.75% (2016: 25.75%) for the purpose of recognising deferred tax for its investment property with the exception of land. The Group will recover the carrying amount of land recognised as investment property through sale and in that respect, the capital gains tax rate is used to determine deferred tax.

3.2 Estimates and assumptions

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

3.2.1 Incurred but not reported ("IBNR")

The provision for IBNR represents an estimate of all claims incurred before the reporting date but only reported subsequent to year end. The IBNR is actuarially determined as at the reporting date.

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

The life policyholder funds, under un-matured policies, are computed at the reporting date by the Group's independent actuary, in accordance with prevailing legislation and guidelines issued by the Actuarial Society of South Africa ("SAP104"). Under this method, the insurance contract liabilities are valued using realistic expectations of future experience with margins for prudence. The insurance contract liabilities reflected in the statement of financial position represent the increase or decrease in actuarial liabilities, calculated using the Financial Soundness Valuation method.

The main assumptions used relate to mortality, longevity, investment returns, expenses, lapses, surrender rates and discount rates. Estimates are also made as to future investment income arising from the assets backing the life insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments. Assumptions on future expenses are based on current expense levels adjusted for expected expense inflation adjustments if necessary. Lapse and surrender rates depend on product features, policy duration and external circumstances such as sales trends. Discount rates are based on current expense levels adjusted for expected inflation adjustments if appropriate. Refer to note 18 for the carrying amount of policyholder funds and insurance risk reserve and the assumptions used to determine the carrying amounts.

Notes to the Consolidated Financial Statements (continued)

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

3.2 Estimates and assumptions (continued)

3.2.3 Fair value of investment property

The Group carries its investment property at fair value, with changes in fair value being recognised in statement of comprehensive income. The yield method converts anticipated future cash flow benefits in the form of rental income into present value. This approach requires careful estimation of future benefits and the application of investor yield or return requirements. One approach to value property on this basis is to capitalise net rental income on the basis of an initial yield, generally referred to as the "All Risks Yield" approach or "Net Initial Yield" approach.

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

The property valuations have been undertaken in an environment of poor liquidity conditions and limited transaction evidence. In undertaking the valuations for commercial, industrial and retail properties, reliance has been placed on rental market evidence, void rates and area currently applying to the individual properties in the portfolio. The achieved rentals for the portfolio are generally in line and in some instances higher than the rental rates being achieved in the market. With regards to the residential properties, various properties were identified that were sold or which are on sale and situated in comparable residential suburbs. In analysing the comparable properties, the main space equivalent ("MSE") principle was applied. The total MSE of the comparable property was then used to determine a value per square metre of MSE. The objective is to arrive at a common basis of comparison. After adjustments for quality, location and size, the rates per MSE reflected by the comparable were then applied to the subject residential properties. The yields, have been obtained from the limited concluded transactions and have also been assessed taking into account asking prices and offers that may have been received for properties currently on the market, formally or otherwise, although the transactions may not have been concluded. Refer to note 7 for the carrying amount of investment property and more information on the estimates and assumptions used to determine the fair value of investment property.

3.2.4 Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Where indicators of impairment have been identified the Group determines the recoverable amount based on the fair value of the assets. Impairment losses of continuing operations, including impairment on inventory, are recognised in statement of comprehensive income in expense categories consistent with the function of the impaired asset, except for a property previously revalued when the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

3.2.5 Useful lives and residual values of property plant and equipment

The Group assesses the useful lives and residual values of vehicles and equipment each year taking to consideration past experience, technology changes and the local operating environment. No changes to the useful lives and residual values have been considered necessary during the year. Refer to note 6 for the carrying amount of property, vehicles and computer equipment and accounting policy note 2.6 for the useful lives of property, vehicles and equipment.

3.2.6 Allowances for credit losses

In determining whether an impairment allowance should be recorded in statement of comprehensive income, the Group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset. The impairment for insurance receivables is calculated on a specific basis, based on historical loss ratios, adjusted for national and industry specific economic conditions and other indicators present at the reporting date that correlate with defaults on each debtor.

4 GROUP FINANCIAL RISK MANAGEMENT

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

Notes to the Consolidated Financial Statements (continued)

4 GROUP FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Investment risk

The Group's investment risk management system operates through a hierarchy of investment limit approvals. Individual fund managers have authority to trade within certain limits. Investments in excess of the specified limits require the approval of the Group Investment Committee.

4.2 Equity price risk

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

+/-10% share price movement	2017 Impact on profit before tax US\$	2016 Impact on profit before tax US\$	2017 Impact on equity US\$	2016 Impact on equity US\$	2017 Effect on life policyholder liabilities US\$	2016 Effect on life policyholder liabilities US\$
Commodity +/-10%	528 972	205 130	528 972	205 130	579 048	179 295
Consumer +/-10%	2 089 227	863 989	2 089 227	863 989	1 737 351	736 851
Financial +/-10%	453 743	125 135	453 743	125 135	691 085	211 613
Manufacturing +/-10%	577 583	270 035	577 583	270 035	447 123	219 269
Property +/-10%	775 739	3 315	775 739	3 315	109 739	48 389
Retail +/-10%	-	42 624	-	42 624	2 938	39 185
Tourism +/-10%	-	-	-	-	-	162 628
Telecommunication +/-10%	754 605	261 642	754 605	261 642	1 243	208 270
Other +/-10%	346 850	-	346 850	-	376 321	-
Total +/-10%	5 526 719	1 771 870	5 526 719	1 771 870	3 944 848	1 805 500

At the reporting date, the Group's total exposure to listed equity securities at fair value through profit or loss was US\$55 267 195 (2016: US\$19 863 340), US\$39 448 476 (2016: US\$18 054 997) relating to policyholder.

Notes to the Consolidated Financial Statements (continued)

4 GROUP FINANCIAL RISK MANAGEMENT (CONTINUED)

4.3 Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. The key areas where the Group is exposed to credit risk are:

- amounts due from debt securities;
- amounts due from Insurance receivables including loans and other receivables;
- amounts due from cedants;
- reinsurers' share of insurance liabilities;
- amounts due from agents, brokers and intermediaries;
- amounts due from loans and other receivables; and
- balances with banks.

The Group manages and analyses credit risk for each of their customers and clients that includes insureds, brokers, agents and cedants before standard payment and delivery terms and conditions are offered. Exposure limits are set for each counterparty or group of counterparties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an on-going basis. With respect to credit risk arising from other financial assets of the Group, which comprise cash and balances with banks, and held to maturity investments, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The following policies and procedures (by each financial insurance) are in place to mitigate the Group's exposure to credit risk:

Debt securities held to maturity investments

Debt securities held to maturity investments consist of treasury bills and other bonds such as agro bills and power generation bills, which are considered to be low risk investments as these are government guaranteed and those that have matured to date have all been honoured. These form part of prescribed assets which are bonds issued by the central government, local government, quasi government organisations or any other bonds that may be accorded the prescribed asset status by the Minister of Finance.

Debt securities held to maturity are considered to have low risk and no impairment provision was recognised during the year. Management considers 'low credit risk' when the risk of default is remote and the issuer has a strong capacity to meet contractual cashflow obligation as and when they fall due. All contractual cash flows on the securities have all been honoured on time hence the risk of default is remote.

Insurance receivables including loans and other receivables

Insurance receivables

The Group is exposed to credit risk associated with insurance receivables. Insurance receivables include amounts due from policyholders/customers, cedants, reinsurers' share of insurance liabilities and amounts due from agents, brokers and intermediaries. The risk in respect of amounts due from cedants incurred on non-payment of premiums or contributions will only persist during the grace period specified in the policy document when the policy is either paid up or terminated. The Group manages and analyses credit risk for each of their new clients before standard payment and delivery terms and conditions are offered.

The use of reinsurance exposes the Group to credit and concentration risks. The risks are managed through treaty participation limits that are usually agreed with cedants at the beginning of the year or season, review of performance, and credit ratings. At each reporting date, management perform an assessment of credit worthiness of reinsurers and updates the reinsurance purchase strategy, ascertaining suitable allowances for impairment.

Commission paid to intermediaries is netted off against amounts receivable from them to reduce the risk of doubtful debts.

Maximum exposure to credit risk for the Group is equal to the carrying amount of the financial assets as disclosed in the statement of financial position. Management considers 'low credit risk' when the risk of default is remote and the issuer has a strong capacity to meet contractual cashflow obligation as and when they fall due. All contractual cash flows on the securities have all been honoured on time hence the risk of default is remote.

Loans and other receivables

Loans and other receivables are mainly comprised of tenant receivables from the property business. Tenants are assessed according to Group criteria prior to entering into lease arrangements. Credit risk is managed by requiring tenants to pay rentals in advance. The credit quality of the tenant is assessed based on an extensive credit rating criteria at the time of entering into a lease agreement. At inception of the lease tenants are classified into good, acceptable and watch list categories. Outstanding tenants' receivables are regularly monitored and all tenants that accrue arrears are classified in the watch list category as rental obligations are payable in advance. An impairment analysis is performed at each reporting date on an individual basis for major tenants. The maximum exposure to credit risk at the reporting date is the carrying value of these receivables.

Notes to the Consolidated Financial Statements (continued)

4 GROUP FINANCIAL RISK MANAGEMENT (CONTINUED)

4.3 Credit risk (continued)

Cash and balances with banks

The Group has a policy that establishes counterparty trading limits for each banking institution that it trades with. These counterparty limits are reviewed at least semi-annually and submitted to the Group Investments Committee for approval. In this process the financial results of the banking institutions which are published semi-annually, are reviewed and together with other qualitative factors. The limits worked out are proposed to the Group Investment Committee for approval.

Key considerations in the review of limits and security requirements include:-

- compliance with minimum capital requirements as set by the Reserve Bank of Zimbabwe ("RBZ"),
- RBZ periodic CAMELS ratings,
- credit rating reports issued by institutions such as Global Credit Rating
- total shareholder equity,
- total assets,
- ratios such as loan to deposit ratio, cost to income and non-performing loans ("NPLs") to total loans ratio,
- overall profitability and cash generation,
- historical performance and outlook,
- ability of the bank to provide collateral security.

The approved collateral security instruments are as follows:

- Treasury Bills and Afrades;
- ZSE Top Ten Listed equities;
- Bankers Acceptances; and
- Property Bonds for long term placements

The Group uses the following parameters in determining the trading limits:-

10% of Group's average shareholders' equity,

1.5% of average total deposits, and

Discounts can be further applied to the established limit based on other qualitative factors covered under the CAMELS rating system of the RBZ.

Qualitative factors include additional opinion formed through market intelligence on the financial institution, shareholder profile, management and segment of market being served.

The banks are classified into three internal categories as set out below:

Tier 1 banks - banks that are considered to have well above the regulatory capital, stable and have a proven performance record. No security is required from these counterparties. The counterparty limit for tier 1 Banks is set as 40% (2016: 40%) of the Group total money market investments.

Tier 2 banks - banks that are assessed to be significantly stable but have lower performance and shareholder ratings than Tier 1 Banks. Security is required for investments with these banks. The counterparty limit for tier 2 Banks is set as 20% (2016: 20%) of Group total money market investments.

Tier 3 banks - banks that are evaluated as currently not suitable to be classified as a trading counterparty.

The Group holds cash accounts with financial institutions with sound financial and capital cover. The financial institutions holding the cash and cash equivalents of the Group have the following internal credit ratings.

	2017 US\$	2016 US\$
Tier 1	28 229 219	20 451 303
Tier 2	24 798 934	17 205 992
Total	53 028 153	37 657 295

Notes to the Consolidated Financial Statements (continued)

4 GROUP FINANCIAL RISK MANAGEMENT (CONTINUED)

4.3 Credit risk (continued)

As at 31 December 2017 the analysis of financial assets that were past due but not impaired is set out below:

	Neither past due nor impaired 30 days US\$	Past due but not impaired 60 days US\$	90 days US\$	Past due net of impairment 120 days US\$	Total US\$
31 December 2017					
Insurance receivables	9 767 736	2 033 296	2 674 225	3 185 599	17 660 856
Tenant receivables	171 752	184 463	124 939	1 173 151	1 654 305
Other receivables excluding prepayments	350 075	277 566	174 149	160 234	962 024
Staff debtors	2 973 438	-	-	-	2 973 438
Retrocession recoveries	1 333 360	-	-	-	1 333 360
Held to maturity investments	39 390 616	-	-	-	39 390 616
Total	53 986 977	2 495 325	2 973 313	4 518 984	63 974 599
31 December 2016					
Insurance receivables	4 380 106	975 895	1 264 963	1 466 935	8 087 899
Tenant receivables	426 637	201 859	146 382	55 669	830 547
Other receivables excluding prepayments	582 358	326 180	214 694	388 603	1 511 835
Staff debtors	1 397 532	-	-	-	1 397 532
Retrocession recoveries	628 890	-	-	-	628 890
Held to maturity investments	20 291 754	-	-	-	20 291 754
Total	27 707 277	1 503 934	1 626 039	1 911 207	32 748 457

4.4 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's borrowings which carry fixed interest rates.

The Group manages interest rate risk at both Board (through Group Investments Committee) and Management level through the regular policy and benchmarks which relate to interest rate risk management. The major areas of intervention involves daily monitoring of costs of funds, monthly analysis of interest re-pricing gaps, monthly interest rate simulations to establish the Group and the relevant subsidiary's ability to sustain a stressed interest rate environment and various interest rate risk hedging strategies. The use of stress testing is an integral part of the interest rate risk management framework and considers both the historical market events as well as anticipated future scenarios. The Group and the relevant subsidiary denominate their credit facilities in the base currency, the US\$ in order to minimise cross currency interest rate risk.

At 31 December 2017, if the interest rate on the long-term borrowings at the date had been 1% higher with all other variables held constant, the recalculated post-tax profit for the year would have been US\$12 216 614 (2016: US\$8 568 562) lower, mainly as a result of higher interest expense on floating rate borrowings. If the interest rate on the held to maturity and money market investments at the date had been 1% higher with all other variables held constant, the recalculated post-tax profit for the year would have been US\$12 817 704 (2016: US\$9 794 633) higher, mainly as a result of higher interest income.

4.5 Operating lease commitments with the group as lessor

The Group has entered into commercial property leases on its investment property. The Group has determined, based on an evaluation of the terms and conditions of the lease arrangements, that it retains all the significant risks and rewards of ownership of the property and so accounts for the contracts as operating leases. This involves the analysis of likelihood of exercising extension options, lease term analysis, etc. The lease rental in most of the lease arrears are revised on an annual basis.

4.6 Liquidity risk

It is the Group's policy to ensure that cash resources are available at all times to meet commitments as they arise. Cash outflows arise from payment of insurance claims and benefits, purchase of investments and other operating commitments. Such outflows are adequately matched by inflows from premium income, maturing investments and investment income. The Group manages liquidity risk related to market through maintaining and monitoring comprehensive cash flow forecasts and budgets that are reviewed to take any changes on the market as they arise.

Notes to the Consolidated Financial Statements (continued)

4 GROUP FINANCIAL RISK MANAGEMENT (CONTINUED)

4.6 Liquidity risk (continued)

Where pension funds withdraw and/or transfer assets to other pension administrators the period of transferring the assets is per agreement between the Fund and the insurer as specified in the policy document and that period spans up to three years allowing for restructuring of assets to meet the cash flow requirements as permitted by the Pensions and Provident Funds Act (Chapter 24:09). The table below summarises the maturity profile of the Group's financial assets and financial liabilities based on contractual and undiscounted payments.

Assets	1 month	1 month to	3 months to	1 year to	Total
31 December 2017	US\$	3 months	1 year	5 years	US\$
		US\$	US\$	US\$	US\$
Insurance receivables including loans and other receivables	1 654 306	27 162 178	-	-	28 816 484
Debt securities held to maturity investments	-	-	388 263	41 802 759	42 191 022
Equity securities at fair value through profit or loss	-	-	-	55 267 195	55 267 195
Cash and balances with banks	33 000 728	20 027 425	-	-	53 028 153
Total assets	34 655 034	47 189 603	388 263	97 069 954	179 302 854
Liabilities					
Insurance liabilities-short term	2 780 337	17 175 069	5 853 812	8 645 607	34 454 825
Investment contract liabilities:					
- With PDF	2 529	-	-	85 449 449	85 451 978
- Without PDF	-	-	-	20 461 042	20 461 042
Borrowings	-	298 833	851 812	91 666	1 242 311
Insurance liabilities -life assurance payables	-	2 254 045	-	-	2 254 045
Payroll and statutory payables	3 129 456	647 498	-	-	3 776 954
Provisions	671 817	1 108 548	1 428 196	-	3 208 561
Property business related payables	1 842 101	77 176	47 630	-	1 966 907
Accrued expenses	812 117	749 160	-	-	1 561 277
Unpaid losses	357 881	-	-	-	357 881
Trade payables	479 512	146 148	6 455	-	632 115
Other payables	257 381	334 421	215 416	-	807 218
Total liabilities	10 333 131	22 790 898	8 403 321	114 647 764	156 175 124
Liquidity gap	24 321 903	24 398 705	(8 015 058)	(17 577 810)	23 127 740
Cumulative liquidity gap	24 321 903	48 720 608	40 705 550	23 127 740	-

Assets

31 December 2016

Financial assets:

Insurance receivables including loans and other receivables	830 547	11 626 154	-	-	12 456 701
Debt securities held to maturity investments	198 995	4 687 173	5 147 570	13 168 361	23 202 099
Equity securities at fair value through profit or loss	-	-	-	19 863 340	19 863 340
Non-current assets classified as held for sale	-	-	4 370 013	-	4 370 013
Cash and balances with banks	35 549 686	-	2 107 609	-	37 657 295
Total assets	36 579 228	16 313 327	11 625 192	33 031 701	97 549 448

Liabilities

Insurance liabilities-short term	1 655 881	10 228 930	3 486 346	5 149 051	20 520 208
Investment contract liabilities:					
- With DPF	-	-	2 103	66 805 741	66 807 844
- Without DPF	-	-	-	8 532 451	8 532 451
Borrowings	7 825	292 687	2 817 062	1 191 666	4 309 240
Life assurance payables	-	2 068 560	-	-	2 068 560
Payroll and statutory payables	791 278	130 465	-	-	921 743
Provisions	497 873	1 335 375	101 286	-	1 934 534
Property business related payables	1 435 071	24 773	140 233	-	1 600 077
Other payables	646 916	86 986	247 915	-	981 817
Total liabilities	5 034 844	14 167 776	6 794 945	81 678 909	107 676 475
Liquidity gap	31 544 384	2 145 551	4 830 247	(48 647 208)	(10 127 026)
Cumulative liquidity gap	31 544 384	33 689 935	38 520 182	(10 127 026)	-

Notes to the Consolidated Financial Statements (continued)

4 GROUP FINANCIAL RISK MANAGEMENT (CONTINUED)

4.7 Foreign exchange risk

The risk that the fair value of cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. Foreign Exchange risk arises from recognised monetary financial assets, liabilities, future commercial transactions and net investments in foreign operations that are not denominated in the functional currency of the Group.

The Group operates regionally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Botswana Pula ("BWP") and the South African Rand ("ZAR").

The Group manages foreign exchange risk by matching the principal cash outflow to the currency in which the principal cash inflows are denominated. Other regional currencies whose currencies fluctuate significantly against the United States Dollar are translated into United States Dollars.

The following table details the Group's sensitivity to a 10% increase or decrease in the US\$ against the relevant foreign currencies with all other variables held constant. 10% represents management's assessment of the reasonable possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and is calculated by adjusting the translation of foreign currency amounts at the period end for a 10% change in foreign currency rates.

4.7 Foreign exchange risk

Consolidated foreign exchange gap analysis as at 31 December 2017

Base currency	ZAR US\$ equivalent	EUR US\$ equivalent	BWP US\$ equivalent	MWK US\$ equivalent	TOTAL US\$ equivalent
Assets					
Balances with other banks and cash	452 319	-	1 797 916	140 765	2 391 000
Trade and other receivables	270 019	-	411 355	77 918	759 292
Total assets	722 338	-	2 209 271	218 683	3 150 292
Liabilities					
Trade and other payables	354 110	5 731	78 204	123 701	561 746
Total liabilities	354 110	5 731	78 204	123 701	561 746
Net currency position	368 228	(5 731)	2 131 067	94 982	2 588 546

Consolidated foreign exchange gap analysis as at 31 December 2016

Assets					
Balances with other banks and cash	157 058	-	1 140 405	50 713	1 348 176
Trade and other receivables	93 260	-	572 171	-	665 431
Total assets	250 318	-	1 712 576	50 713	2 013 607
Liabilities					
Trade and other payables	49 788	2 991	355 068	-	407 847
Total liabilities	49 788	2 991	355 068	-	407 847
Net currency position	200 530	(2 991)	1 357 508	50 713	1 605 760

Notes to the Consolidated Financial Statements (continued)

4 GROUP FINANCIAL RISK MANAGEMENT (CONTINUED)

4.7 Foreign exchange risk (continued)

Below are major exchange rates to the US\$ used by the Group

Currency	2017 Exchange rate	2016 Exchange rate
SA Rand ("ZAR")	12.30	14.18
Great Britain Pound ("GBP")	1.35	-
Euro ("EUR")	1.20	1.06
Botswana Pula ("BWP")	9.696	10.57
Malawian Kwacha ("MWK")	725.69	712.530

Impact of 10% increase in exchange rates	ZAR US\$	EUR US\$	BWP US\$	MWK US\$	TOTAL US\$
For the year ended 31 December 2017					
Assets	72 234	-	220 927	21 868	315 029
Liabilities	(35 411)	(573)	(7 820)	(12 370)	(56 175)
Net position	36 823	(573)	213 107	9 498	258 854
For the year ended 31 December 2016					
Assets	25 032	-	171 258	5 071	201 361
Liabilities	(4 979)	(299)	(35 507)	-	(40 785)
Net position	20 053	(299)	135 751	5 071	160 576

Currency	31 December 2017 Impact			31 December 2016 Impact		
	Change in variables US\$	on profit before tax US\$	Impact on equity US\$	Change in variables US\$	on profit before tax US\$	Impact on equity US\$
South African Rand ("ZAR")	+10%	36 506	27 105	+10%	49 517	39 648
Malawi Kwacha ("MWK")	+10%	127 490	94 661	+10%	23 987	19 564
Botswana Pula ("BWP")	+10%	14 237	10 571	+10%	69 603	51 680
South African Rand ("ZAR")	-10%	(36 506)	(27 105)	-10%	(49 517)	(39 648)
Malawi Kwacha ("MWK")	-10%	(127 490)	(94 661)	-10%	(23 987)	(19 564)
Botswana Pula ("BWP")	-10%	(14 237)	(10 571)	-10%	(69 603)	(51 680)

The method used for deriving sensitivity information and significant variables did not change from the previous period.

4.8 Insurance risk

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

The Group is exposed to insurance risk arising from its insurance contracts with policyholders and other beneficiaries. The main risk that the Group faces is that the actual claims and benefits payments or the timing thereof differ from expectations. The above risk exposure is mitigated by the use of careful selection procedures and implementation of underwriting procedures, use of actuarial models which calculate premiums and monitor claims patterns, as well as the use of reinsurance arrangements.

Notes to the Consolidated Financial Statements (continued)

4 GROUP FINANCIAL RISK MANAGEMENT (CONTINUED)

4.8 Insurance risk (continued)

The insurance risks that the Group is exposed to that have the greatest impact on the financial position and comprehensive income are covered below.

General management of insurance risk

The insurance subsidiaries are responsible for the day to day identification, monitoring and assessment of insurance risk. In addition to the management of risk by the subsidiary companies, the Group has the following insurance risk management controls.

Group Risk Committee

The committee reviews Group's overall risk strategy, current risk exposures, and risk governance. The Committee considers and approves the remit of the risk management function and reviews reports on material breaches of risk limits, as well as the adequacy of remedial action. The Committee also advises the Board on the risks aspects of proposed strategic transactions.

Group Audit and Actuarial Committee

The committee serves to satisfy the Group and operational boards of directors that adequate internal and financial controls are in place and that material risks are managed appropriately. More specifically, this committee is responsible for reviewing the financial statements and accounting policies, the effectiveness of the management information and systems of internal control, compliance with statutory and regulatory requirements, interim and final reports, the effectiveness of the internal audit function, external audit plans and findings on their respective reports. This committee reports directly to the Group board of directors. The committee meetings are attended by the independent and internal auditors and are held at least quarterly.

Statutory actuaries

The statutory actuaries of the insurance subsidiaries report on the capital adequacy and the financial soundness at the year-end date and for the foreseeable future. All new premium rates or premium rates where changes are required are reviewed by the statutory actuaries. Dividend declaration proposals are approved by the statutory actuaries prior to declaration by the Board to ensure that the insurance subsidiaries remain financially sound thereafter.

Capital adequacy requirements

A minimum level of solvency is required to be held within each insurance subsidiary to meet the regulatory capital adequacy requirements ("CAR"). For the long-term insurance subsidiaries the CAR is calculated to determine whether the excess of assets over liabilities is sufficient to provide for the possibility of actual future experience departing from the assumptions made in calculating the policyholder liabilities and against fluctuations in the value of assets.

Pricing

Pricing risk is managed by carefully establishing criteria by which each potential customer is allocated to the appropriate risk category, applying the underwriting rules, and by establishing prices appropriate to each risk category. Underwriting performance is measured by monitoring the claims loss ratio which is the ratio of claims to premiums.

Reserving

For claims that have been reported by the financial position date, expert assessors estimate the expected cost of final settlement. For expected claims that have not been reported by the financial position date an incurred but not reported ("IBNR") provision is calculated using appropriate techniques. Consideration is also given to any stipulated minimum IBNR prescribed by regulations. These provisions for claims are not discounted for the time value of money due to the expected short duration of settlement. Using the experience of a range of specialist claims assessors, provisions are reviewed regularly to ensure they are sufficient.

Catastrophic

Catastrophic risk has the potential to cause significant loss or impact on current year earnings and capital through a single event or a number of correlated events. Reinsurance and the diversification of types of short-term insurance offered are used to reduce risks from single catastrophic events or accumulations of risk. Various reinsurance arrangements are in place, with retention levels and catastrophe cover levels varying by line of business.

Notes to the Consolidated Financial Statements (continued)

4 GROUP FINANCIAL RISK MANAGEMENT (CONTINUED)

4.8 Insurance risk (continued)

4.8.1 Life insurance risks

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- (a) valuation of insurance contract liabilities; and
- (b) life insurance contract liabilities.

The main assumptions used relate to mortality, longevity, investment returns, expenses, lapse and surrender rates and discount rates. The Group bases mortality on historical experiences, adjusted when appropriate to reflect the Group's unique risk exposure, product characteristics, target markets and own claims severity and frequency experiences. For those contracts that insure risk related to longevity, prudent allowance is made for expected future mortality improvements as well as wide ranging changes to life style that could result in significant changes to the expected future mortality exposure.

Lapse and surrender rates are based on the Group's historical experience of lapses and surrenders.

The main risks that the Group is exposed to are as follows:

- mortality risk – risk of loss arising due to policyholder death experience being different than expected
- longevity risk – risk of loss arising due to the annuitant living longer than expected
- investment return risk – risk of loss arising from actual returns being different than expected
- expense risk – risk of loss arising from expense experience being different than expected
- policyholder decision risk – risk of loss arising due to policyholder experiences (lapses and surrenders) being different than expected.

4.8.1.1 Mortality and morbidity risk

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

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

Pricing

Premium rates are differentiated by factors which historical experience has shown are significant determinants of mortality and morbidity claim experience. Prior to taking on individual risk policies, appropriate underwriting processes are conducted, which influence pricing on the policy prior to acceptance.

The actual claims experience is monitored on a monthly basis so that deteriorating experience can be timeously identified. At the point of issuing new policies, consideration is given to update product pricing if the change in the experience, as evidenced by the commissioned periodic investigations, has become sustained and cannot be mitigated. Further, the valuation of liabilities is periodically updated with the new parameters arising from the periodic investigations. Detailed mortality and morbidity investigations are conducted on a bi-annual basis for key products. Allowance for special effects of specified medical conditions is made in product pricing as well as in the measurement of policyholder liabilities and assets.

Terms and conditions

The policy terms and conditions contain exclusions for nonstandard and unpredictable risks that may result in severe financial loss. Terms are built into the policy contracts that permit risk premiums to be reviewed on expiry of a guarantee period. In particular:

- for individual risk business, most in-force risk premiums are subject to review; and
- for institutional risk business, the risk premiums can be reviewed annually.

Notes to the Consolidated Financial Statements (continued)

4 GROUP FINANCIAL RISK MANAGEMENT (CONTINUED)

4.8 Insurance risk (continued)

4.8.1.1 Mortality and morbidity risk (continued)

Underwriting

Underwriting guidelines concerning authority limits and procedures to be followed in accepting new business are in place. For individual and institutional business, larger sums assured in excess of specified limits are subjected to underwriting and evaluated against established guidelines for accepting new business. The annually reviewable terms on institutional business enable premiums to keep pace with emerging claim experience. Part of the underwriting process involves assessing the health condition and family medical history of applicants. Terms and conditions are varied accordingly. Non-standard risks such as hazardous pursuits and medical conditions are assessed at underwriting stage. The expertise of reinsurers is used in the rating of non-standard risks. Financial underwriting is used where necessary to determine insurable interest.

Claims management

For mortality, claims are validated against policy terms and conditions. For morbidity, experienced claims assessors determine the merits of the claim in relation to the policy terms and conditions. In the case of disability annuitants, claim management ensures the continued eligibility for monthly income and includes interventions that may result in the full or partial medical recovery of the claimant. The actual disability experience is highly dependent on the quality of the claim assessment.

Reinsurance

Reinsurance is used by the Group to reduce exposure to a particular line of business, a particular individual, a single event, and to benefit from the risk management support services and technical expertise offered by reinsurers. The Group has a centralised reinsurance function that works closely with business units and subsidiaries to optimise and monitor reinsurance at a group level and to ensure consistent governance and execution of the Group's reinsurance strategy. Regular reviews, which consider risk appetite, are conducted on reinsurance arrangements for new business. The levels of reinsurance purchased for new business written in 2017 were broadly similar to those in recent previous years. Given that large proportions of the Group's business is long term individual risk business, where the proportion of the risk that is reinsured is fixed for life at the inception of the policy, the Group's overall reinsurance result is heavily influenced by historical reinsurance arrangements. In some instances where underlying policyholder benefits are annually renewable, for example institutional business, reinsurance is annually renewable. Existing reinsurance arrangements include proportional reinsurance (quota share and surplus type arrangements) on both a treaty and facultative basis and catastrophe reinsurance which is renewed annually. Catastrophe reinsurance is consolidated across business units and is in place to reduce the risk of many claims arising from the same event. Various events are excluded from the catastrophe reinsurance (e.g. epidemics and radioactive contamination).

4.8.1.2 Longevity risks

Longevity risk is the risk of adverse financial impact due to actual annuitant mortality being lower than anticipated, that is annuitants living longer than expected. For life annuities, the loss arises as a result of the Group having undertaken to make regular payments to policyholders for their remaining lives, and possibly to the policyholders' spouses for their remaining lives. The most significant risks on these liabilities are continued medical advances and improvements in social conditions that lead to longevity improvements being better than expected. The Group manages the longevity risk by:

- annually monitoring the actual longevity experience and identifying trends over time;
- making allowance for future mortality rates falling in the pricing of new business and the measurement of policyholder liabilities. This allowance will be based on the trends identified in experience investigations and external data; and
- regularly verifying annuitants are still alive.

Notes to the Consolidated Financial Statements (continued)

4 GROUP FINANCIAL RISK MANAGEMENT (CONTINUED)

4.8 Insurance risk (continued)

4.8.1 Life insurance risks (continued)

These risks do not vary significantly in relation to the location of the risk insured by the Group, type of risk insured or by industry.

Life insurance contract sensitivity analysis

At 31 December 2017	Change in assumptions	Impact on liabilities	Impact on net liabilities	Impact on profit before income tax	Impact on equity
Base					
Mortality	+10%	1 842 255	1 842 255	(1 842 255)	(1 367 874)
Mortality	-10%	(1 852 540)	(1 852 540)	1 852 540	1 375 511
Investment return	+1%	4 436 260	4 436 260	(4 436 260)	(3 293 923)
Expenses	+10%	1 228 949	1 228 949	(1 228 949)	(912 495)
Lapse and surrenders rate	+10%	(558 805)	(558 805)	558 805	414 913
At 31 December 2016					
Base					
Mortality	+10%	2 385 454	2 385 454	(2 385 454)	(1 771 200)
Mortality	-10%	(2 385 454)	(2 385 454)	2 385 454	1 771 200
Investment return	+10%	5 144 767	5 144 767	(5 144 767)	(3 819 989)
Expense	+10%	1 988 165	1 988 165	(1 988 165)	(1 476 213)
Lapse and surrenders rate	+10%	(942 091)	(942 091)	942 091	699 503

Concentration risk

The Group's underwriting strategy is designed to ensure that risks are well diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and number of contracts written per product type. The following tables show the concentration of life insurance liabilities and investment contract liabilities by type of contract.

	Investment contract liabilities with DPF US\$	Investment contract liabilities without DPF US\$	Insurance contract liabilities with DPF US\$	Insurance contract liabilities without DPF US\$	Total Insurance and investment contract liabilities US\$
At 31 December 2017					
Pensions	74 664 959	20 461 042	13 111 798	11 465 457	119 703 256
Individual life	10 787 019	-	149 971	12 279 313*	23 216 303
Group life	-	-	-	169 301	169 301
Total	85 451 978	20 461 042	13 261 769	23 914 071	143 088 860
At 31 December 2016					
Pensions	63 007 587	8 532 451	12 556 884	8 453 552	92 550 474
Individual life	5 624 828	-	635 888	11 320 260	17 580 976
Group life	-	-	-	84 941	84 941
Total	68 632 415	8 532 451	13 192 772	19 858 753	110 216 391

A total of US\$517 019 (2016: US\$712 868) included in the policyholder liabilities for 2017 is reported as outstanding claims ("IBNR") on the statement of financial position.

* Balance includes shareholder risk reserve.

Notes to the Consolidated Financial Statements (continued)

4 GROUP FINANCIAL RISK MANAGEMENT (CONTINUED)

4.8 Health insurance risk

4.8.2 Health insurance claims development table

Treatment year	Before First half 2015 US\$	First half 2015 US\$	Second half 2015 US\$	First half 2016 US\$	Second half 2016 US\$	First half 2017 US\$	Second half 2017 US\$
At end of treatment half	28 102 546	28 763 334	48 828 450	25 271 814	45 631 939	28 550 908	49 250 534
One half later	28 102 546	28 763 334	48 828 450	25 271 814	45 631 939	28 550 908	-
Two halves later	28 102 546	28 763 334	48 828 450	25 271 814	45 631 939	-	-
Three halves later	28 102 546	28 763 334	48 828 450	25 271 814	-	-	-
Four halves later	28 102 546	28 763 334	48 828 450	-	-	-	-
Five halves later	28 102 546	28 763 334	-	-	-	-	-
Six halves later	28 102 546	-	-	-	-	-	-

Current estimate of

cumulative claims incurred **28 102 546** **28 763 334** **48 828 450** **25 271 814** **45 631 939** **28 550 908** **49 250 534**

Treatment year	Before First half 2015 US\$	First half 2015 US\$	Second half 2015 US\$	First half 2016 US\$	Second half 2016 US\$	First half 2017 US\$	Second half 2017 US\$
At end of treatment half	25 592 676	26 253 464	46 235 077	22 745 038	41 281 488	22 991 101	45 001 738
One half later	29 498 814	29 594 929	49 093 280	26 720 139	45 458 424	27 699 292	-
Two halves later	29 714 421	29 695 805	49 412 525	26 868 400	45 497 057	-	-
Three halves later	29 714 421	29 714 356	49 472 011	26 884 813	-	-	-
Four halves later	29 714 421	29 730 347	49 483 645	-	-	-	-
Five halves later	29 714 421	29 732 762	-	-	-	-	-
Six halves later	29 714 421	-	-	-	-	-	-

Cumulative payments to date

29 714 421 **29 732 762** **49 483 645** **26 884 813** **45 497 057** **27 699 292** **45 001 738**

Outstanding claims as at 31 December 2017

(1 611 875) **(969 428)** **(655 195)** **(1 612 999)** **134 882** **851 616** **4 248 796**

Less IBNR 31 December 2017

(2 514 031)

Outstanding claims 31 December 2017

1 734 765

4.8.3 Short term insurance risk

The principal risk the Group faces under insurance contracts is that the actual claims and payments or the timing thereof, differ from expectations. This is influenced by the frequency and severity of claims and actual payments made. Therefore, the objective of the Group is to ensure that sufficient reserves are available to cover these liabilities. The risk exposure is mitigated by diversification across a large portfolio of insurance contracts. The variability of risks is also improved by careful selection and implementation of underwriting guidelines, as well as the use of reinsurance arrangements. The Group purchases reinsurance as part of its risks transfer programme. Reinsurance ceded is placed on both proportional and non-proportional basis. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. The Group's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Group substantially dependent upon any single reinsurance contract.

Notes to the Consolidated Financial Statements (continued)

4 GROUP FINANCIAL RISK MANAGEMENT (CONTINUED)

4.8.3 Short term insurance risk (continued)

The Group principally issues the following types of general insurance contracts: fire, accident, motor, engineering, marine, agriculture and aviation. Risks usually cover twelve months duration. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors. Risk management is very vital, starting from pre-risk acceptance where some large risks or business perceived risky is surveyed and improvement recommendations passed before cover commences. Selected running risks are also surveyed for risk improvement and mitigating chances and severity of losses. Risk management is thus filtered into the whole underwriting process to manage the portfolio. Furthermore, firm claim management policies to assess all new and on-going claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are all policies and procedures put in place to reduce the risk exposure of the Group. The Group further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the business. The Group has also limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events. The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes based on the Group's risk appetite as decided by management.

Underwriting strategy

The variability of risks is also improved by careful selection and implementation of underwriting strategies, as well as the use of reinsurance arrangements. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Commissions are payable on retroceded business in a manner consistent with retrocession costs as per the retrocession agreements.

Concentration of insurance risk and policies mitigating the concentrations

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

Types of contracts

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

Key assumptions

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

Sensitivities

It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.

Notes to the Consolidated Financial Statements (continued)

4 GROUP FINANCIAL RISK MANAGEMENT (CONTINUED)

4.8.3 Short term insurance risk (continued)

Sensitivities (continued)

The analysis below is performed for reasonably possible movements in the key assumptions with all other assumptions held constant, showing the impact on net liabilities, profit before income tax and equity of the movement in incurred but not reported ("IBNR") claims. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear.

Assumption	Change in assumption %	Reported value US\$	Change in profit before income tax US\$	Change in equity US\$
December 2017				
Increase in IBNR	15%	1 645 202	(246 780)	(183 234)
Decrease in IBNR	15%	1 645 202	246 780	183 234
December 2016				
Increase in IBNR	15%	1 816 479	(272 472)	(202 310)
Decrease in IBNR	15%	1 816 479	272 472	202 310

Exposure relating to catastrophe events

The Group sets out the total aggregate exposure that it is prepared to accept in Botswana, Malawi, Mozambique and Zimbabwe to a range of events such as natural catastrophes. The aggregate position is reviewed annually. The Group's policy for mitigating catastrophe risk exposure include the use of both proportional and excess of loss reinsurance. In the event of major catastrophe the net retained loss is US\$300,000 (2016: US\$300,000). This is based on the Group's risk appetite as determined by the level of capital. The Group has a retrocession programme in place with various reinsurers to cushion it in the event of a catastrophe.

Claims development

The Group is liable for all insured events that occur during the term of the contract, even if the loss is discovered after the end of the contract term, subject to predetermined time scales dependent on the nature of the insurance contract. The Group is therefore exposed to the risk that claims reserves will not be adequate to fund the historical claims ("run off risk"). To manage run off risk the Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures and adopts sound reserving practices. The reserves created over time proved to be sufficient to fund the actual claims paid. Further the Group does not participate on any policies with unlimited liability. The Group is liable for all insured events in terms of the contract. All underlying policies have reporting conditions that restrict the timeline within which a claim should reasonably be made. Delays however sometimes occur between the time insurers process claims and recover from reinsurers. Reserves are maintained for this contingency.

In terms of IFRS 4, 'Insurance contracts', an insurer need only disclose claims run off information where uncertainty exists about the amount and timing of claim payments not resolved within one year.

Notes to the Consolidated Financial Statements (continued)

4 GROUP FINANCIAL RISK MANAGEMENT (CONTINUED)

4.8.3 Short term insurance risk (continued)

Claims development (continued)

The table below indicates the claims development of the Group for a period of 5 years.

IBNR development								
Accident year	2011	2012	2013	2014	2015	2016	2017	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
At end of accident year	2 411 392	2 390 569	2 583 571	3 637 957	4 103 607	4 414 492	2 327 045	-
One year later	1 759 390	1 686 460	1 747 012	2 527 159	4 010 284	4 414 492	-	-
Two years later	2 137 378	1 718 978	1 885 685	2 911 207	4 010 284	-	-	-
Three years later	2 245 727	1 746 612	1 902 026	2 911 207	-	-	-	-
Four years later	2 274 836	1 757 501	1 902 026	-	-	-	-	-
Five years later	2 281 823	1 757 501	-	-	-	-	-	-
Six years later	2 281 823	-	-	-	-	-	-	-
Current estimate of cumulative claims incurred								
	2 411 392	2 390 569	2 583 571	3 637 957	4 103 607	4 414 492	2 327 045	21 868 633
At end of accident year	(1 172 203)	(879 921)	(837 771)	(1 632 833)	(2 125 619)	(2 434 415)	-	-
One year later	(1 759 390)	(1 686 460)	(1 747 012)	(2 527 159)	(2 628 512)	(2 438 971)	-	-
Two years later	(2 137 378)	(1 718 978)	(1 885 685)	(2 911 207)	(2 628 512)	-	-	-
Three years later	(2 245 727)	(1 746 612)	(1 902 026)	(2 911 207)	-	-	-	-
Four years later	(2 274 836)	(1 757 501)	(1 902 026)	-	-	-	-	-
Five years later	(2 281 823)	(1 757 501)	-	-	-	-	-	-
Six years later	(2 281 823)	-	-	-	-	-	-	-
Cumulative payments to date								
	(2 281 823)	(1 757 501)	(1 902 026)	(2 911 207)	(2 628 512)	(2 438 971)	-	(13 920 040)
Cumulative claims incurred less payments to date								
	129 569	633 068	681 545	726 750	1 475 095	1 975 521	2 327 045	7 948 593
Claims development								
	2011	2012	2013	2014	2015	2016	2017	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
At end of accident year	1 304 060	1 455 865	1 539 459	2 606 710	3 027 514	3 743 468	1 656 454	-
One year later	1 361 409	1 161 664	1 312 525	2 211 747	3 476 975	3 743 468	-	-
Two years later	1 608 097	1 189 890	1 447 664	2 549 922	3 476 975	-	-	-
Three years later	1 715 580	1 215 287	1 460 925	2 549 922	-	-	-	-
Four years later	1 744 689	1 226 176	1 460 925	-	-	-	-	-
Five years later	1 750 421	1 226 176	-	-	-	-	-	-
Six years later	1 750 421	-	-	-	-	-	-	-
Cumulative claims incurred to date								
	1 750 421	1 226 176	1 460 925	2 549 922	3 476 975	3 743 468	1 656 454	15 864 341
Total claims paid								
At end of accident year	(788 214)	(720 405)	(660 531)	(1 342 678)	(1 644 375)	(2 361 696)	(366 592)	-
One year later	(1 361 409)	(1 161 664)	(1 312 525)	(2 211 747)	(2 095 203)	(2 366 252)	-	-
Two years later	(1 608 097)	(1 189 890)	(1 447 664)	(2 549 922)	(2 095 203)	-	-	-
Three years later	(1 715 580)	(1 215 287)	(1 460 925)	(2 549 922)	-	-	-	-
Four years later	(1 744 689)	(1 226 176)	(1 460 925)	-	-	-	-	-
Five years later	(1 750 421)	(1 226 176)	-	-	-	-	-	-
Six years later	(1 750 421)	-	-	-	-	-	-	-
Current estimate of cumulative claims paid								
	(1 744 689)	(1 215 287)	(1 447 664)	(2 211 747)	(1 644 375)	(2 361 696)	(366 592)	(10 992 051)
Cumulative claims incurred less payments to date								
	5 732	10 889	13 261	338 175	1 832 600	1 381 772	1 289 862	4 872 290

Notes to the Consolidated Financial Statements (continued)

4 GROUP FINANCIAL RISK MANAGEMENT (CONTINUED)

4.9 Capital management policies

The Group's capital comprises share capital, share premium, non distributable reserves and retained profits. It is the Group's objective to retain a capital position that supports the development of the business.

The Group manages its capital structure and makes adjustments to it, in light of changes in the economic conditions. Where necessary, capital is redeployed to subsidiaries from the holding company through dividends received or its own capital resident at the holding company.

There were no changes made to the objectives, processes, or policies during the year ended 31 December 2017 (2016: none).

The subsidiaries were capitalised as follows:

	Capital employed US\$	Minimum Regulatory Capital US\$
At 31 December 2017		
Company		
First Mutual Reinsurance Company Limited	10 468 619	5 000 000
FMRE Property and Casualty (Proprietary) Limited - Botswana	3 569 537	3 000 000
First Mutual Insurance Company Limited	3 149 936	2 500 000
First Mutual Life Assurance Company (Private) Limited	16 449 953	5 000 000
NicozDiamond Insurance Company Limited	14 746 174	2 500 000
At 31 December 2016		
Company		
First Mutual Reinsurance Company Limited	9 446 684	3 000 000
FMRE Property and Casualty (Proprietary) Limited	2 891 735	1 500 000
First Mutual Insurance Company Limited	2 213 132	1 500 000
First Mutual Life Assurance Company (Private) Limited	11 258 795	3 000 000

5 SEGMENT INFORMATION

Segment information is presented in respect of the Group's operating segments. The Group's businesses are organised and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The business segments are based on the Group management and internal reporting structures. The individual businesses are aggregated into segments with similar economic characteristics.

It is not practical and cost effective to disclose information for revenues for each product because the Group has eight subsidiaries each with more than six products that are not related. Measurement of segment assets and liabilities and segment income, expenses and results is based on the accounting policies set out in the accounting policy notes. Intersegment transactions, which occurred during the year, are conducted at an arm's length basis.

The Group comprises four reportable operating segments:

Health insurance

This relates to the medical insurance business.

Life and pensions business (life assurance)

The insurance segment comprises life assurance and reinsurance.

Property and casualty insurance (short term insurance)

The segment comprises direct insurance and reinsurance.

Property

This relates to the property management and development.

Other segment

Other segment comprises the holding company and wealth management.

Notes to the Consolidated Financial Statements (continued)

5 SEGMENT INFORMATION (CONTINUED)

Segmental analysis	Life assurance US\$	Property and casualty US\$	Health US\$	Property US\$	Other US\$	Gross figures US\$	Consolidation entries US\$	Total consolidated US\$
As at 31 December 2017								
Net premium earned	34 850 560	23 540 571	56 866 745	-	-	115 257 876	(134 862)	115 123 014
Rental income	-	-	-	7 416 742	-	7 416 742	(946 668)	6 470 074
Investment income and fair value adjustment on investment property	30 397 793	1 917 785	5 929 519	(562 857)	16 683 817	54 366 057	(21 735 521)	32 630 536
Fee income and other income	6 082 535	449 724	234 232	559 580	4 370 022	11 696 093	(6 176 534)	5 519 559
Total income	71 330 888	25 908 080	63 030 496	7 413 465	21 053 839	188 736 768	(28 993 585)	159 743 183
Total expenditure	(64 008 868)	(24 100 498)	(51 501 271)	(4 083 000)	1 370 586	(142 323 045)	(2 633 486)	(144 956 537)
Deferred acquisition costs	-	1 595 139	-	-	-	1 595 139	-	1 595 139
Total assets	164 536 511	64 848 502	28 157 145	143 485 657	71 743 124	472 770 939	(142 824 779)	329 946 160
Movement in insurance contract liabilities	(3 246 899)	-	-	-	-	(3 246 899)	-	(3 246 899)
Movement in investment contract liabilities	(30 605 435)	-	-	-	-	(30 605 435)	-	(30 605 435)
Total liabilities	147 905 829	31 343 033	12 052 352	15 741 522	946 882	207 989 618	(1 717 126)	206 272 492
Cash generated from/(used in) operations	6 800 476	(930 390)	6 138 031	773 789	(1 650 900)	11 131 006	7 120 078	18 251 084
Cash generated from/(used in) investing activities	(9 098 320)	6 040 909	(2 810 462)	627 204	(17 653 767)	(22 894 436)	6 508 356	(16 386 080)
Cash generated from/(used in) financing activities	5 096 975	470 339	-	(793 036)	24 044 152	28 818 430	(14 975 523)	13 842 907
Profit before income tax	7 322 019	100 215	11 529 225	3 149 550	15 842 037	37 943 046	(23 142 920)	14 800 126
Income tax (expense)/credit	(1 120 063)	85 673	-	(1 454 944)	(110 816)	(2 600 150)	23 548	(2 576 602)
Segmental analysis								
As at 31 December 2016								
Net premium earned	38 115 608	17 388 715	52 208 779	-	-	107 713 102	(156 656)	107 556 446
Rental income	-	-	-	7 728 179	-	7 728 179	(996 292)	6 731 887
Investment income and fair value adjustment on investment property	6 869 534	815 645	1 498 820	(1 352 636)	12 675 060	20 506 423	(12 899 764)	7 606 659
Fee income and other income	5 842 733	382 981	465 244	578 804	3 458 072	10 727 834	(5 231 080)	5 496 754
Total income	50 827 875	18 587 341	54 172 843	6 954 347	16 133 132	146 675 538	(19 283 792)	127 391 746
Total expenditure	(44 666 673)	(17 652 055)	(47 394 146)	(4 626 349)	(3 661 137)	(118 000 360)	1 465 517	(116 534 843)
Deferred acquisition costs	-	1 085 801	-	-	-	1 085 801	-	1 085 801
Total assets	125 035 253	23 379 359	17 604 459	142 643 933	32 131 968	340 794 972	(111 087 741)	229 707 231
Movement in insurance contract liabilities	160 206	-	-	-	-	160 206	-	160 206
Movement in investment contract liabilities	(13 982 486)	-	-	-	-	(13 982 486)	-	(13 982 486)
Total liabilities	113 782 149	10 738 054	12 404 153	15 864 404	9 095 642	161 884 402	(8 053 077)	153 831 325
Cash generated from operating activities	11 280 908	578 060	5 743 480	2 656 030	6 071	20 264 549	1 028 845	21 293 394
Cash generated from/(used in) investing activities	(5 923 628)	(235 885)	(2 707 688)	(144 479)	406 800	(8 604 880)	9 706 550	1 101 670
Cash generated from/(used in) financing activities	(259 740)	(100 006)	-	(1 100 000)	(409 462)	(1 869 208)	313 058	(1 556 150)
(Loss)/profit before income tax	3 585 972	748 952	6 778 697	1 139 251	9 584 562	21 837 434	(10 980 531)	10 856 903
Income tax expense	(405 388)	(184 945)	-	(892 945)	(33 151)	(1 516 105)	(37 248)	(1 553 353)

Notes to the Consolidated Financial Statements (continued)

5 SEGMENT INFORMATION (CONTINUED)

Analysis of additions during the year

Additions to non-current assets	Office equipment US\$	Motor vehicles US\$	Office furniture US\$	Investment property US\$	Land and buildings US\$	Total US\$
31 December 2017	783 218	93 845	167 994	748 552	-	1 793 609
31 December 2016	466 340	153 470	63 987	427 088	-	1 110 885

Geographical concentration of gross premium written

	Life Insurance US\$	Property and Casualty US\$	Health US\$	Property US\$	Other US\$	31 December 2017 US\$	31 December 2016 US\$
Zimbabwe	36 770 961	22 838 960	56 866 745	-	-	116 476 666	106 680 683
Other countries	239 893	8 210 312	-	-	-	8 450 205	9 799 100
Total	37 010 854	31 049 272	56 866 745	-	-	124 926 871	116 479 783

6 GROUP - PROPERTY, PLANT AND EQUIPMENT

Year ended 31 December 2016	Land and buildings US\$	Office equipment US\$	Motor vehicles US\$	Office furniture US\$	Total US\$
Cost					
At 1 January 2016	9 372 647	2 478 797	3 969 350	765 855	16 586 649
Additions	-	466 340	153 470	63 987	683 797
Disposals	-	(63 274)	(1 592 028)	(20 143)	(1 675 445)
At 31 December 2016	9 372 647	2 881 863	2 530 792	809 699	15 595 001
Accumulated depreciation					
At 1 January 2016	1 296 038	1 923 434	3 197 322	420 374	6 837 168
Charge for the year	187 470	251 573	157 642	57 544	654 229
Depreciation on disposals	-	(42 473)	(1 090 650)	(14 257)	(1 147 380)
At 31 December 2016	1 483 508	2 132 534	2 264 314	463 661	6 344 017
Net book amount					
At 31 December 2016	7 889 139	749 329	266 478	346 038	9 250 984
Current	-	-	-	-	-
Non current	7 889 139	749 329	266 478	346 038	9 250 984
Total	7 889 139	749 329	266 478	346 038	9 250 984

Notes to the Consolidated Financial Statements (continued)

6 GROUP - PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Year ended 31 December 2017	Land and buildings US\$	Office equipment US\$	Motor vehicles US\$	Office furniture US\$	Total US\$
Cost					
At 1 January 2017	9 372 647	2 881 863	2 530 792	809 699	15 595 001
Acquisition of NDIL	80 000	555 155	1 310 855	365 157	2 311 167
Additions	-	783 218	93 845	167 994	1 045 057
Disposals	-	(27 009)	(269 768)	(102)	(296 879)
At 31 December 2017	9 452 647	4 193 227	3 665 724	1 342 748	18 654 346
Accumulated depreciation					
At 1 January 2017	1 483 508	2 132 534	2 264 314	463 661	6 344 017
Acquisition of NDIL	-	394 402	791 486	218 960	1 404 848
Charge for the year	187 453	370 542	282 429	106 477	946 901
Depreciation on disposals	-	(8 969)	(290 910)	-	(299 879)
At 31 December 2017	1 670 961	2 888 509	3 047 319	789 098	8 395 887
Net book amount					
At 31 December 2017	7 781 686	1 304 718	618 405	553 650	10 258 459
Current	-	-	-	-	-
Non current	7 781 686	1 304 718	618 405	553 650	10 258 459
Total	7 781 686	1 304 718	618 405	553 650	10 258 459

A loan of US\$5.5 million was sourced from Barclays Bank of Zimbabwe Limited in 2013 to partially fund the acquisition of the land in Mount Pleasant, Harare. Stand 14908 of Salisbury Township called First Mutual Park with a net book amount of US\$7.8 million was pledged as security. This building is owner occupied, thus classified as property, plant and equipment.

Notes to the Consolidated Financial Statements (continued)

6 COMPANY - PROPERTY, PLANT AND EQUIPMENT

Year ended 31 December 2016	Office equipment US\$	Motor vehicles US\$	Office furniture US\$	Total US\$
Cost				
At 1 January 2016	346 471	757 969	59 647	1 164 087
Additions	9 704	61 301	185	71 190
Disposals	(35 427)	(650 596)	(13 125)	(699 148)
At 31 December 2016	320 748	168 674	46 707	536 129
Accumulated depreciation				
At 1 January 2016	274 806	539 078	33 779	847 663
Charge for the year	39 533	27 628	4 838	71 999
Depreciation on disposals	(24 554)	(458 903)	(9 079)	(492 536)
At 31 December 2016	289 785	107 803	29 538	427 126
Net book amount				
	30 963	60 871	17 169	109 003
Current	-	-	-	-
Non current	30 963	60 871	17 169	109 003
Total	30 963	60 871	17 169	109 003
Year ended 31 December 2017				
Cost				
At 1 January 2017	320 749	168 674	46 707	536 130
Additions	39 768	-	1 536	41 304
Disposals	(17 994)	(61 301)	(102)	(79 397)
At 31 December 2017	342 523	107 373	48 141	498 037
Accumulated depreciation				
At 1 January 2017	289 785	107 803	29 538	427 126
Charge for the year	26 659	23 039	4 740	54 438
Depreciation on disposals	-	(40 213)	-	(40 213)
At 31 December 2017	316 444	90 629	34 278	441 351
Net book amount				
	26 079	16 744	13 863	56 686
Current	-	-	-	-
Non current	26 079	16 744	13 863	56 686
Total	26 079	16 744	13 863	56 686

Notes to the Consolidated Financial Statements (continued)

7 INVESTMENT PROPERTY	Group 2017 US\$	Group 2016 US\$	Company 2017 US\$	Company 2016 US\$
At 1 January	124 302 000	122 027 001	-	-
Acquisition of NDIL	11 675 500	-	-	-
Total additions	748 552	427 088	-	-
Additions to properties under development	170 000	-	-	-
Improvements to existing properties	578 552	427 088	-	-
Transfer from inventory	-	3 378 486	-	-
Fair value adjustments	(293 552)	(1 530 575)	-	-
At 31 December 2017	136 432 500	124 302 000	-	-
Current	-	-	-	-
Non current	136 432 500	124 302 000	-	-
Total	136 432 500	124 302 000	-	-

First Mutual Park, 100 Borrowdale Road, Harare, Zimbabwe was reclassified from investment property to property, plant and equipment because the Group occupies more than an insignificant portion of the property. Investment property with a total carrying amount of US\$12.7 million (2016: US\$12.7 million) was encumbered at 31 December 2017. The transfer from investment property to inventory in 2016 was effective from 31 December 2016.

7.1 Fair value hierarchy

The following table shows an analysis of the fair values of investment property recognised in the statement of financial position by level of the fair value hierarchy:

31 December 2017	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$	Total gain/ (loss) in the period in the statement of comprehensive income US\$
CBD retail	-	-	19 700 000	19 700 000	(28 235)
CBD offices	-	-	28 501 500	28 501 500	380 906
Office parks	-	-	33 244 162	33 244 162	(200 000)
Suburban retail	-	-	10 930 000	10 930 000	42 907
Industrial	-	-	11 630 000	11 630 000	(401 542)
Commercial lodge	-	-	230 000	230 000	-
Residential	-	-	11 255 838	11 255 838	31 821
Land*	-	-	20 941 000	20 941 000	(119 409)
Total	-	-	136 432 500	136 432 500	(293 552)
31 December 2016					
CBD retail	-	-	13 215 000	13 215 000	37 007
CBD offices	-	-	30 500 000	30 500 000	(1 732 097)
Office parks	-	-	32 960 000	32 960 000	(710 000)
Suburban retail	-	-	10 880 000	10 880 000	1 391 017
Industrial	-	-	12 030 000	12 030 000	(462 078)
Residential	-	-	4 345 000	4 345 000	171 668
Land*	-	-	20 372 000	20 372 000	(226 092)
Total	-	-	124 302 000	124 302 000	(1 530 575)

* This consists of land earmarked for future developments.

Losses recorded in statement of comprehensive income for recurring fair value measurements categorised within level 3 of the fair value hierarchy amount to US\$0.294 million (2016: US\$1.531 million) and are presented in the consolidated statement of comprehensive income in line item: 'fair value adjustments - investment property'.

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

Notes to the Consolidated Financial Statements (continued)

7 INVESTMENT PROPERTIES (CONTINUED)

7.1 Fair value hierarchy (continued)

Valuation techniques used to derive level 3 fair values

The table below presents the following for each class of the investment property:

- The fair value measurements at the end of the reporting period;
- The level of the fair value hierarchy (in this case level 3) within which the fair value measurements are categorised in their entirety;
- A description of the valuation techniques applied;
- The inputs used in the fair value measurement, including the ranges of rent charged to different units within the same building; and
- Level 3 fair value measurements, quantitative information about the significant observable inputs used in the fair value measurement

Class of Property	Fair value	Fair value	Valuation technique	Key unobservable inputs	2017 Range	2016 Range
	31 December 2017 US\$	31 December 2016 US\$				
CBD retail	19 700 000	13 215 000	Income capitalisation	Rental per square metre Prime yield Void rate	US\$10.00-US\$25.00 (US\$18.00) 7.00%-8.00% (7.50%) 0.00%-40.00% (20.00%)	US\$10.00-US\$25.00 (US\$18.00) 7.00%-8.00% (7.50%) 0.00%-40.00% (20.00%)
CBD offices	28 501 500	30 500 000	Income capitalisation	Rental per square metre Prime yield Void rate	US\$7.00-US\$12.00 (US\$10.00) 8.00%-11.00% (10.00%) 0.00%-100.00%(50.00%)	US\$7.00-US\$12.00 (US\$10.00) 8.00%-9.00% (9.00%) 0.00%-100.00%(50.00%)
Office parks	33 244 162	32 960 000	Income capitalisation	Rental per square metre Prime yield Void rate	US\$7.00-US\$12.00 (US\$10.00) 6.00%-10.00% (8.00%) 0.00%-100.00%(50.00%)	US\$7.00-US\$12.00 (US\$10.00) 5.00%-15.00% (10.00%) 0.00%-100.00%(50.00%)
Suburban retail	10 930 000	10 880 000	Income capitalisation	Rental per square metre Prime yield Void rate	US\$10.00-US\$25.00 (US\$17.50) 7.00%-10.00% (9.00%) 0.00%-3.00% (1.50%)	US\$10.00-US\$25.00 (US\$17.50) 7.00%-13.00% (10.00%) 0.00%-3.00% (1.50%)
Industrial	11 630 000	12 030 000	Income capitalisation	Rental per square metre Prime yield Void rate	US\$1.50-US\$4.00 (US\$3.00) 10.00%-14.00%(12.50%) 40.00%-60.00%(50.00%)	US\$1.50-US\$4.00 (US\$3.00) 11.00%-13.00%(12.00%) 40.00%-60.00%(50.00%)
Residential	11 255 838	4 345 000	Market comparable	Comparable transacted properties prices	(2 bed flats: US\$45,000 to US\$55,000) (3 bed flats: US\$80,000 - US\$110,000) (3 bed houses US\$100,000-US\$120,000)**	(2 bed flats: US\$45,000 to US\$55,000) (3 bed flats: US\$80,000 - US\$110,000) (3 bed houses US\$100,000-US\$110,000)**
Commercial lodge	230 000	-	Market comparable	Comparable transacted properties prices	US\$30.00-US\$120.00 (US\$45.00)	-
Land: - Commercial	20 941 000	20 372 000	Market comparable	Rate per square metre	US\$30.00-US\$120.00 (US\$45.00)	-
Total	136 432 500	124 302 000				

**Other relates to residential property valued at US\$0.33 million which has been valued based on market comparable method (main space equivalent).

Notes to the Consolidated Financial Statements (continued)

7 INVESTMENT PROPERTIES (CONTINUED)

7.1 Fair value hierarchy (continued)

Descriptions and definitions

The table below includes the following descriptions and definitions relating to valuation techniques and key unobservable inputs made in determining the fair values:

- i. **Income capitalisation method**
Under the income capitalisation method, a property's fair value is estimated based on the normalised net operating income generated by the property, which is divided by the capitalisation rate (discounted by the investor's rate of return). Under the income capitalisation method, over (above market rent) and under-rent situations are separately capitalised (discounted on yield rate).
- ii. **Market comparable method**
Under the market comparable method (or market comparable approach), a property's fair value is estimated based on comparable transactions. The unit of comparison applied by the Group is the price per square metre (sqm).
- iii. **Rent per square metre**
The rent at which space could be let in the market conditions prevailing at the date of valuation. The unit of comparison is the rental rate per square metre.
- iv. **Void rate**
The Group determines the void rate which can be based on the percentage of estimated vacant space divided by the total lettable area.
- v. **Prime yield**
The prime yield is defined as the internal rate of return of the cash flow from the property, assuming a rise to estimated rental value ("ERV") at the next review, but with no further rental growth.

Analysis of property portfolio

Sector	Lettable space m2		% of portfolio	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
	US\$	US\$	US\$	US\$
Industrial	19 253	36 616	16%	30%
CBD offices	32 839	39 431	27%	33%
Office parks	25 852	25 231	21%	21%
Suburban retail	7 723	7 661	6%	6%
CBD retail	36 616	12 047	30%	10%
Total	122 283	120 986	100%	100%

Valuation process

Investment property is stated at fair value, which is determined based on valuations performed by Knight Frank Zimbabwe, an accredited independent property valuer, as at 31 December 2017. Knight Frank Zimbabwe is an industry specialist in valuing these types of investment properties. The fair values of some properties have determined with using comparable transactions. Valuation models in accordance with those recommended by the International Valuation Standards Committee have been applied.

The Group's valuation policies and procedures for property are determined by a Management Committee. Each year, the Committee decides, after advising the Audit Committee of the property subsidiary management, which external valuer to appoint to be responsible for the external valuation of the Group's property portfolio. The selection criteria includes market knowledge, reputation, independence and whether professional standards are maintained. Consideration is normally given to rotate external valuers every five years.

The Management Committee decides, after discussions with the Group's external valuers and the Group's Internal Valuation Department:

- whether a property's fair value can be reliably determined;

Notes to the Consolidated Financial Statements (continued)

7 INVESTMENT PROPERTIES (CONTINUED)

7.1 Fair value hierarchy (continued)

Valuation process (continued)

- which valuation method should be applied for each property (the methods that are applied for fair value measurements categorized within level 3 of the fair value hierarchy are market comparables and the income capitalization method) and;
- the assumptions made for the unobservable inputs that are used in the valuation methods (the major observable inputs are rental per square metre, rate per square metre, vacancy rate and prime yield).

As at each year-end, all properties are valued by external valuers. At each reporting date, the Group's Internal Valuation Department analyses the movements in each property value. For this analysis, the Valuation Department verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts (for example rent amounts in lease agreements), market reports (for example market rent, capitalisation rates in property market reports) and other relevant documents. In addition, the accuracy of the computation is tested on a sample basis. For each property, the latest valuation is compared with the valuations of the preceding annual periods. If fair value changes (positive or negative) are abnormal, the changes are further analysed for example by having discussions with external valuers.

The Internal Valuation Department also compares each property's change in fair value with relevant external sources (e.g. the investment property database or other relevant benchmark) to determine whether the change is reasonable.

On an annual basis, after the Management Committee has discussed the valuations with the Group's external valuers and the Valuation Department, they present the valuation results to the Audit Committee and the Group's independent auditor. This includes a discussion of the major assumptions used in the valuations, with an emphasis on:

- properties with fair value changes that are abnormal; and
- investment property under construction.

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

The significant unobservable inputs used in the fair value measurement categorised within level 3 of the value hierarchy of the Group's portfolio of investment property are :

- prime yield;
- void rate;
- rental per square metre; and
- comparable transacted properties

Significant increases/(decreases) in the comparable transacted properties and rental per square metre in isolation would result in a higher/(lower) fair value measurement.

Significant increases/(decreases) in the long-term void rate and prime yield in isolation would result in a lower/(higher) fair value measurement.

Yield rate risk and sensitivity

The rental rate yield represents the net income expected in year zero divided by the current property values (historical or trailing income yield). The risk arises when void levels in the portfolio increase. This increase will consequently result in a reduction in net incomes. Where net incomes remain constant, a reduction in the yield rates will result in the increased property values. The table below highlights the sensitivity to a reasonable possible change in the yield rate applied to values of the investment properties. With all other variables held constant, the Group's profit before income tax, investments property, and deferred tax are affected through the impact on the fluctuating yield rate as follows:

Sensitivity analysis.	Increase in yield 10% US\$	Decrease in yield 10% US\$
Investment property	(12 550 001)	15 172 511
Deferred tax effect	3 231 625	(3 906 922)
Profit for the year	(9 318 376)	11 265 589
Equity	(9 318 376)	11 265 589

At 31 December 2017, if the average yield was 10% higher holding other variables constant, investment property value will decrease to US\$12 550 000 and deferred tax liabilities will decrease by US\$3 231 625. At 31 December 2017, if the average yield rate was 10% lower holding other variables constant, investment property value will increase by US\$15 172 511 and the deferred tax liabilities will increase by US\$3 906 922.

Notes to the Consolidated Financial Statements (continued)

8	INTANGIBLE ASSETS - SOFTWARE	Group 2017 US\$	Group 2016 US\$	Company 2017 US\$	Company 2016 US\$
	Cost				
	Year ended 31 December 2017				
	At 1 January 2017	1 058 087	993 087	-	-
	Acquisition of NDIL	738 357	-	-	-
	Additions	463 164	65 000	-	-
	At 31 December 2017	2 259 608	1 058 087	-	-
	Accumulated amortisation and impairment losses				
	Year ended 31 December 2017				
	At 1 January 2017	998 935	908 394	-	-
	Charge for the year	156 323	90 541	-	-
	At 31 December 2017	1 155 258	998 935	-	-
	Carrying amount				
	At 31 December 2017	1 104 350	59 152	-	-
	Current	-	-	-	-
	Non current	1 104 350	59 152	-	-
	Total	1 104 350	59 152	-	-

Intangible assets refer to the short-term insurance business, Premia system and the HIPP system in the Health insurance business. The remaining amortisation period for the Premia System is five years and per HIPP system is two years. Exergy and Nexus reached the end of their useful lives whilst Premia was added during the year. The intangible assets are amortised over their useful economic lives, determined by management to be five years, which results in 20% per annum amortisation, using the straight-line method and recognised in statement of comprehensive income as part of administration expenses. As at 31 December 2017, these assets were tested for impairment, and management determined that no impairment is required in respect of these intangibles (2016: US\$nil).

9	INVESTMENT IN SUBSIDIARIES	Shareholding percentage		Group 2017 US\$	Group 2016 US\$	Company 2017 US\$	Company 2016 US\$
		2017	2016				
	First Mutual Life Assurance Company (Private) Limited	100%	100%	-	-	15 383 583	11 253 105
	First Mutual Health Company (Private) Limited	80%	80%	-	-	12 899 940	4 165 445
	First Mutual Reinsurance Company Limited	100%	100%	-	-	10 806 843	9 118 632
	FMRE Property and Casualty (Proprietary) Limited	100%	100%	-	-	3 569 537	2 891 735
	First Mutual Wealth Management (Private) Limited	100%	100%	-	-	1 051 540	715 302
	First Mutual Insurance Company Limited	98%	98%	-	-	3 092 605	2 156 476
	NicozDiamond Insurance Company Limited	100%	-	-	-	14 669 240	-
	Total			-	-	61 473 288	30 300 695

First Mutual Properties Limited is a subsidiary of the Group, which is owned through First Mutual Life Assurance Company (Private) Limited.

Notes to the Consolidated Financial Statements (continued)

9 INVESTMENT IN SUBSIDIARIES (CONTINUED)

9.1 Acquisition of NicozDiamond Insurance Company Limited (“NDIL”)

On 8 December 2017 the Company acquired 50.89% of the issued share capital of NDIL from National Social Security Authority (“NSSA”), a company with interest in short term insurance in Zimbabwe, Malawi, Mozambique and Zambia. A further 30.03% shareholding in NDIL was acquired on 29 December 2017 from NSSA. The acquisition has significantly increased Group’s market share in the short-term insurance industry.

9.1.1 Purchase consideration

The acquisition of both the 50.89% and 30.03% shareholding was financed through the issue of 59 813 383 and 35 291 087 First Mutual Holdings Limited shares respectively in exchange of 477 424 440 NDIL shares. Further to the acquisition, the Company is required to make a mandatory offer to the remaining 19.08% NDIL shareholders in terms of the Zimbabwe Stock Exchange (“ZSE”) Listing Requirements.

9.1.2 Business combinations under common control

At the time of acquisition, NSSA controlled both First Mutual Holdings Limited and NDIL as determined by IFRS 10, “Consolidated Financial Statements. IFRS 3, “Business Combinations” scopes out business combinations under common control. There is no guidance in IFRS on how combinations under common control are accounted for. For the purposes of accounting for the acquisition of NDIL in the financial statements guidance was obtained from the United States of America, Generally Accepted Accounting Practice (“US GAAP”).

9.1.3 Mandatory offer to NDIL non-controlling stake

The International Financial Reporting Interpretations Committee, (“IFRS IC”) received a request to address the accounting for mandatory purchases of non-controlling interests that arise as a result of business combinations. The submission noted that IFRS 3-Business Combinations does not specifically address the accounting for a sequence of transactions that begins with an acquirer gaining control of an entity and is followed shortly thereafter by the acquisition of additional ownership interests as a result of a regulatory requirement that obliges the acquirer to offer to purchase the ownership interests of non-controlling-interest shareholders.

The Interpretations Committee tentatively agreed that the initial acquisition of the controlling stake and the subsequent mandatory tender offer (“MTO”) should be treated as a single acquisition.

The Interpretations Committee discussed whether a liability should be recognized for the MTO at the date the acquirer obtains control of the acquiree. The Interpretations Committee noted that IAS 37 Provisions, Contingent Liabilities and Contingent Assets excludes from its scope contracts that are executory in nature and concluded that no liability needed to be recognized for the MTO. The Interpretations Committee tentatively decided to recommend to the IASB that it should not amend IFRS 3.

The IFRS IC tentatively decided to propose to the International Accounting Standards Board (“IASB”) that it should amend IFRS 3 through annual improvements.

Pursuant to the resolutions of the IFRS IC, the Group accounted for the acquisition of NDIL, comprising the following:

- Acquisition of 50.82% of the ordinary shares of NDIL from NSSA, delivered on 8 December 2017;
- Acquisition of 30.09% of the ordinary shares of NDIL from NSSA, delivered on 29 December 2017, and

The additional shares to be acquired through the MTO, required in terms of the Zimbabwe Stock Exchange Listing Requirements and approved by the shareholders of the Company, as a single transaction. The MTO will be concluded in the first half of 2018.

The Group has therefore accounted for NDIL as a 100% percent owned subsidiary. Appropriate adjustments to the Group’s interest in NDIL will be made at the conclusion of the MTO, at which a residual shareholding by minority shareholders’ interests will be recognized as non-controlling interest in the financial statements of the Group.

The transaction to recognize the residual minority interests will be treated as a transaction between shareholders in their capacity as shareholders, therefore will be recognized in the statement of equity.

Notes to the Consolidated Financial Statements (continued)

9 INVESTMENT IN SUBSIDIARIES (CONTINUED)

9.1 Acquisition of NicozDiamond Insurance Company Limited (continued)

9.1.4 Common control transaction

The NDIL results and balances are incorporated prospectively from the date of 1 December 2017 on which the business combination between entities under common control occurred. Predecessor accounting was used for common control transaction. Below are the carrying values of assets and liabilities recognised as a result of the acquisition as at 1 December 2017:

Assets	1-Dec-17
Property plant and equipment	788 322
Intangible assets	838 355
Investment property	11 519 912
Financial assets	
Equity @ fair value through profit and loss	3 859 387
Unquoted equity securities	17 493
Debt securities held to maturity	2 782 301
Deffered acquisition costs	1 015 241
Investment in associate	2 211 591
Inventory	39 502
Loan and receivables including insurance receivables	4 803 572
Tax asset	80 445
Cash and balances with banks	5 978 078
	33 934 199
Liabilities	
Insurance contract liabilities-short-term	14 413 199
Other payables	296 316
Deferred tax	424 354
Taxation payable	186 485
	15 320 354
Net assets	18 613 845
Reconciliation of gain recognised in statement of changes in equity	
Net assets as at 1 December 2017	18,613,845
Total purchase consideration	14,575,160
Acquisition of 50.82% shareholding in NDIL	6,570,988
Acquisition of 30.09% shareholding in NDIL	3,890,614
Mandatory tender offer	4,113,558
	4,038,685
Reconciliation of net assets as at 31 December 2017	
Net assets as at 1 December 2017	18 613 845
Profit from date of acquisition to 31 December 2017	94 080
Net assets as at 31 December 2017	18 707 925

Notes to the Consolidated Financial Statements (continued)

10 INVESTMENT IN ASSOCIATES

10.1 Investment in Associate - Rainbow Tourism Group Limited ("RTG")

The Group had a 19.96% (2016: 19.96%) interest in its associate, Rainbow Tourism Group Limited ("RTG"), which is involved in the tourism and leisure industry. RTG is listed on the Zimbabwe Stock Exchange and there are published price quotations for the fair value of this investment. The principal place of business is Rainbow Towers Hotel and Conference Centre, 1 Pennefather Avenue, Harare.

The reporting for RTG is the same as the Group and no differences in accounting policies between First Mutual and the associate have been identified which warrant adjustments in the Group financial statements.

The Group reclassified its 19.96% interest in RTG from an investment in associate to a non-current asset, held-for-sale. The reclassification is an acknowledgement that this asset is no longer a strategic investment.

The Group sold its entire 19.96% of the issued shares of Rainbow Tourism Group Limited on 1 October 2017 to the National Social Security Authority.

	Group 30-Sep-17 US\$	Group 31-Dec-16 US\$	Company 31-Dec-17 US\$	Company 31-Dec-16 US\$
Associate's statement of financial position				
Assets				
Non-current assets	37 662 465	37 971 509	-	-
Current assets	9 864 758	8 681 885	-	-
Total assets	47 527 223	46 653 394	-	-
Equity and liabilities				
Shareholders' equity	12 596 294	12 371 247	-	-
Non-current liabilities	-	-	-	-
Current liabilities	34 930 929	34 282 147	-	-
Total equity and liabilities	47 527 223	46 653 394	-	-
Share of net assets	2 514 220	2 469 301	-	-
Associate's statement of comprehensive income				
Revenue	19 426 598	24 136 744	-	-
Cost of sales	(6 480 351)	(7 626 506)	-	-
Gross profit	12 946 247	16 510 238	-	-
Other operating income	379 278	645 936	-	-
Operating expenses	(10 860 171)	(16 755 325)	-	-
Earnings before interest tax depreciation and amortisation	2 465 354	400 849	-	-
Depreciation and amortisation	(1 761 921)	(2 326 180)	-	-
Profit/(loss) from operations	703 433	(1 925 331)	-	-
Finance expense	(845 340)	(1 868 121)	-	-
Loss before tax	(141 907)	(3 793 452)	-	-
Income tax credit	393 201	679 722	-	-
Profit/(loss) after tax from continuing operations	251 294	(3 113 730)	-	-
Loss from discontinued operations	-	(1 572 640)	-	-
Profit/(loss) for the year	251 294	(4 686 370)	-	-
Items that will be reclassified subsequent to statement of comprehensive income				
Exchange gain/(loss) arising from translation of foreign operations	-	411 340	-	-
Total comprehensive income/(loss) for the year	251 294	(4 275 030)	-	-
Share of profit/(losses)	50 158	(935 399)	-	-
Share of comprehensive income	-	82 103	-	-
Share of total comprehensive income/(loss) for the year	50 158	(853 296)	-	-

Notes to the Consolidated Financial Statements (continued)

10 INVESTMENT IN ASSOCIATE (CONTINUED)

10.2 Investment in associates

As part of the acquisition of NDIL, the Group acquired three associates; United General Insurance Limited ("UGI") involved in short term insurance, Diamond Seguros ("DS") involved in short term insurance and Clover Leaf Panel Beaters involved in panel beating. Set out below are the associates as at 31 December 2017 which, in the opinion of the directors, are material to the Group. The entities listed below have share capital consisting solely of ordinary shares, which are held indirectly through NDIL. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

	Group 2017 US\$	Group 2016 US\$	Company 2017 US\$	Company 2016 US\$
Reconciliation of the carrying amount on:				
Recognised on acquisition NDIL on 1 December	2 211 591	-	-	-
Disposal of DGI and FF	(77 114)	-	-	-
Impairment allowance	(155 943)	-	-	-
Share of associates profit	13 480	-	-	-
At 31 December	1 992 014	-	-	-

Name of entity	Country of incorporation	% of ownership through NDIL	Method of measurement	"Closing Carrying amount 31-Dec-17"
United General Insurance Limited ("UGI")	Malawi	46%	Equity method	2 041 854
Diamond Seguros ("DS")	Mozambique	24%	Equity method	(119 988)
Clover Leaf Panel Beaters (Private) Limited ("CLPB")	Zimbabwe	45%	Equity method	864 382

The tables below provide summarised financial information for the associates.

Summarised statement of financial position as at 31 December 2017

	UGI	DS	CLPB
Total assets	9 557 309	3 014 143	929 317
Total liabilities	7 515 454	3 134 131	174 032
Total equity	2 041 854	(119 988)	864 382

Summarised statement comprehensive income for the year ended 31 December 2017

	UGI	DS	CLPB
Total revenue	7 348 897	2 530 025	2 226 407
Total expenses	(6 852 197)	(1 353 159)	(2 183 061)
Profit before income tax	834 854	38 875	115 354

Reconciliation of carrying amount as at 31 December 2017

	UGI	DS	CLPB
Net assets as at 1 January 2017	1 440 101	(158 863)	778 732
Exchange differences	88 607	-	-
Profit for the year	500 603	38 875	85 650
Other comprehensive income	12 543	-	-
Dividends paid	-	-	-
Net assets as at 31 December	2 041 854	(119 988)	864 382

Notes to the Consolidated Financial Statements (continued)

	Group 2017 US\$	Group 2016 US\$	Company 2017 US\$	Company 2016 US\$
11 CLASSIFICATION OF FINANCIAL ASSETS				
The Group's financial instruments are summarised by category as follows:				
Financial assets				
Financial assets at fair value through profit or loss (note 11.1)	55 267 195	19 863 340	2 289 740	138 607
Held to maturity (note 11.2)	39 390 615	20 291 754	-	-
Total financial assets	94 657 810	40 155 094	2 289 740	138 607
Loans and receivables				
Insurance receivables (note 14.1)	17 660 856	8 087 898	-	-
Rental receivables (note 14.2)	1 654 306	830 547	-	-
Other receivables excluding prepayments (note 14.4)	9 449 528	3 538 257	849 350	516 054
Total loans and receivables	28 764 690	12 456 702	849 350	516 054
Cash and balances with banks (note 16)	53 028 153	37 657 295	4 898 332	116 905
Total financial instruments	176 450 653	90 269 091	8 037 422	771 566

11.1 Financial assets at fair value through profit or loss				
Fair value				
At 1 January	19 863 340	11 483 355	138 607	92 596
Acquisition of NDIL	4 182 142	-	-	-
Purchases	15 287 786	3 496 902	3 487 899	-
Disposals	(9 178 016)	(906 130)	(476 089)	-
Fair value gain on unquoted investments	10 319	-	-	-
Fair value gain/(loss) on quoted equities	25 101 624	5 789 213	(860 677)	46 011
Total financial assets at fair value through profit or loss	55 267 195	19 863 340	2 289 740	138 607
Current	55 267 195	19 863 340	2 289 740	138 607
Non current	-	-	-	-
Total	55 267 195	19 863 340	2 289 740	138 607
11.2 Held to maturity investments				
At 1 January	20 291 754	14 729 561	-	-
Acquisition of NDIL	1 711 014	-	-	-
Purchases	60 913 944	19 019 045	-	-
Maturities of investments	(43 526 097)	(13 456 852)	-	-
At 31 December 2017	39 390 615	20 291 754	-	-
Current	6 632 551	6 632 551	-	-
Non current	32 758 064	13 659 203	-	-
Total	39 390 615	20 291 754	-	-

Notes to the Consolidated Financial Statements (continued)

11 CLASSIFICATION OF FINANCIAL ASSETS (CONTINUED)

11.3 Determination of fair value and fair values hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- level 1: quoted (unadjusted) prices in active markets for identical assets and liabilities.
- level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, directly or indirectly.
- level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

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

	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total fair value US\$
At 31 December 2017				
Financial assets designated at fair value through profit or loss	55 267 195	-	-	55 267 195
Total financial assets recorded at fair value	55 267 195	-	-	55 267 194
At 31 December 2016				
Financial assets designated at fair value through profit or loss	19 863 340	-	-	19 863 340
Total financial assets recorded at fair value	19 863 340	-	-	19 863 340

During the year there were no transfers of financial assets between levels 1, 2 and 3 (2016: US\$nil).

Valuation techniques for financial assets measured at fair value

Quoted equity investments valuation

Level 1 is made up of the Group's investments in equities securities quoted on the Zimbabwe Stock Exchange.

The carrying values of the financial instruments approximate their fair values because of their short-term nature.

11.4 Comparison of carrying amounts of liabilities not held at fair value

	2017 US\$ Carrying value	2017 US\$ Fair value	2016 US\$ Carrying value	2016 US\$ Fair value
Financial assets				
Held to maturity investments	39 390 615	39 390 615	20 291 754	20 291 754
Loans and receivables	-	-	-	-
Trade and other receivables (excluding prepayments and statutory receivables)	23 993 899	23 993 899	12 456 702	12 456 702
	63 384 514	63 384 514	32 748 456	32 748 456

The carrying amount of debt securities held to maturity and trade and other receivables closely approximates its fair value.

Financial liabilities

Trade and other payables (excluding statutory liabilities)	8 445 625	8 445 625	1 013 255	1 013 255
Borrowings	1 191 665	1 191 665	4 309 240	4 309 240
	9 637 290	9 637 290	5 322 495	5 322 495

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

Notes to the Consolidated Financial Statements (continued)

12	DEFERRED ACQUISITION COSTS	Group 2017 US\$	Group 2016 US\$	Company 2017 US\$	Company 2016 US\$
	At 1 January	1 085 801	1 134 059	-	-
	Net movement	1 595 139	(48 258)	-	-
	Acquisition of NDIL	989 894	-	-	-
	Expenses deferred during the year	1 307 249	1 085 801	-	-
	Amortisation	(702 004)	(1 134 059)	-	-
	At 31 December 2017	2 680 940	1 085 801	-	-
	Current	2 680 940	1 085 801	-	-
	Non current	-	-	-	-
	Total	2 680 940	1 085 801	-	-
13	INVENTORY				
	Work-in-progress cluster home development	-	-	-	-
	Consumables	497 061	283 208	37 676	30 288
	Total	497 061	283 208	37 676	30 288
	Current	497 061	283 208	37 676	30 288
	Non current	-	-	-	-
	Total	497 061	283 208	37 676	30 288
	There was no write off of inventories during the year ended 31 December 2017 (2016: US\$nil). The cost of inventory recognised as an expense included in the income statement was nil (2016: US\$174 483).				
14	INSURANCE RECEIVABLES INCLUDING LOANS AND OTHER RECEIVABLES				
	Insurance receivables (note 14.1)	17 660 856	8 087 898	-	-
	Tenant receivables (note 14.2)	1 654 306	830 547	-	-
	Amounts due from group companies (note 14.3)	-	-	549 013	150 892
	Other receivables (note 14.4)	9 449 529	3 538 257	300 337	365 162
	Total	28 764 691	12 456 702	849 350	516 054
	Current	25 747 714	11 015 631	632 473	299 177
	Non current	3 016 977	1 441 071	216 877	216 877
	Total	28 764 691	12 456 702	849 350	516 054
14.1	Insurance receivables				
	Due from cedants	8 942 788	6 617 619	-	-
	Due from policyholders under the direct and health business	3 897 609	1 781 322	-	-
	Due from agents, brokers and intermediaries	5 972 659	152 183	-	-
	Gross insurance receivables	18 813 056	8 551 124	-	-
	Allowance for credit losses	(1 152 200)	(463 226)	-	-
	Net insurance receivables	17 660 856	8 087 898	-	-
	Current	17 660 856	8 087 898	-	-
	Non current	-	-	-	-
	Total	17 660 856	8 087 898	-	-

Notes to the Consolidated Financial Statements (continued)

14 INSURANCE RECEIVABLES INCLUDING LOANS AND OTHER RECEIVABLES (CONTINUED)

14.1 Insurance receivables (continued)

Insurance receivables for the pensions business relate to pension contributions and Group Life Assurance ("GLA") premiums that are paid a month in arrears. Pension receivables are not accumulated for more than 3 months in accordance with pension regulations, after three months the receivables are reversed if not yet received. In the event that three months pass with the contributions still outstanding, premium receivables are impaired. The same applies for GLA premiums.

The premiums for the individual life business are accounted for on a cash basis due to the lapsable nature of the life insurance contracts. In the event of default, the contract will lapse and the premium will no longer be due to the Group hence the criteria to recognise revenue only when received. Refer to note 4.3 for the ageing of insurance receivables that are past due but not impaired.

For the property and casualty insurance business premiums are booked at the inception of the policy, any premium due but not settled after 120 days is provided for in full.

Allowance for credit losses on insurance receivables

Insurance receivables with a value of US\$1.2 million (2016: US\$0.5 million) were impaired and fully provided for due to policyholder defaults. Movements in the allowance for credit losses of insurance receivables were as follows:

	Group 2017 US\$	Group 2016 US\$	Company 2017 US\$	Company 2016 US\$
Allowance for credit losses on insurance receivables				
At 1 January	463 226	379 181	-	-
Charge for the year	725 139	202 843	-	-
Utilised during the year	(36 165)	(118 798)	-	-
At 31 December 2017	1 152 200	463 226	-	-
14.2 Tenant receivables				
Tenant cost recoveries	859 925	535 342	-	-
Rental receivables	2 571 118	2 466 004	-	-
Gross tenant receivables	3 431 043	3 001 346	-	-
Allowance for credit losses	(1 776 737)	(2 170 799)	-	-
Net tenant receivables	1 654 306	830 547	-	-
Current	1 654 306	830 547	-	-
Non current	-	-	-	-
Total	1 654 306	830 547	-	-

The Group holds no collateral in respect of tenant receivables. An allowance for impairment is raised to tenant receivables that are past due, without credit payment plans and where chances of recovery are rated remote are considered for specific write-off. An assessment of amounts that are neither past due nor impaired has been done based on the history of the tenant account and management is satisfied with the chances of recovery.

Tenant receivables are normally on 30 day credit terms. Tenants are charged 10% per annum (2016: 10%), as interest on overdue amounts that remain outstanding after 30 days.

Refer to note 4.3 for further information relating to credit risk management.

14.2.1 Allowance for credit losses on tenant receivables

At 1 January	2 170 799	2 209 996	-	-
Charge for the year	308 172	703 871	-	-
Recovery due to payments	(643 696)	(409 348)	-	-
Utilised during the year through write-offs	(58 538)	(333 720)	-	-
At 31 December 2017	1 776 737	2 170 799	-	-
Allowance relating to existing tenants	1 278 141	1 179 492	-	-
Allowance relating to previous tenants	498 596	991 307	-	-
Total	1 776 737	2 170 799	-	-

Notes to the Consolidated Financial Statements (continued)

14 INSURANCE RECEIVABLES INCLUDING LOANS AND OTHER RECEIVABLES (CONTINUED)	Group 2017 US\$	Group 2016 US\$	Company 2017 US\$	Company 2016 US\$
14.3 Amounts due from Group companies				
First Mutual Health Company (Private) Limited	-	-	7 846	-
First Mutual Life Assurance (Private) Limited	-	-	383 163	-
First Mutual Reinsurance Company (Private) Limited	-	-	116 077	4 070
FMRE Property and Casualty (Proprietary) Limited	-	-	2 359	2 359
First Mutual Insurance Company Limited	-	-	14 990	30 664
First Mutual Wealth Management (Private) Limited	-	-	24 578	113 799
Total	-	-	549 013	150 892
Current	-	-	549 013	150 892
Non current	-	-	-	-
Total	-	-	549 013	150 892

Terms and conditions of transactions with related parties

Outstanding balances at the year-end are unsecured, have agreed payment terms and settlement occurs in cash.

The sale and purchase transactions between related parties are made at terms equivalent to those that prevail in arm's length transactions. The amounts outstanding are unsecured and will be settled on normal terms. No expense has been recognised in the current or prior periods for impairment in respect of the amounts owed by related parties.

14.4 Other receivables				
Sundry debtors	590 087	645 411	23 000	-
Cash balances with closed banking institutions	164 000	299 404	-	-
Tax credits - withholding tax	305 559	305 559	-	-
Outstanding balance from the disposal of subsidiary	160 000	240 000	160 000	240 000
African Actuarial Consultants motor vehicle and other receivables	-	36 456	-	27 623
Retrocession recoveries	1 333 360	628 890	-	-
Staff debtors	2 973 438	1 397 532	57 794	77 117
At 31 December 2017	5 526 444	3 553 252	240 794	344 740
Allowance for credit losses	(257 621)	(257 621)	-	-
Other receivables excluding prepayments	5 268 823	3 295 631	240 794	344 740
Prepayments	4 180 706	242 626	59 543	20 422
Total other receivables	9 449 529	3 538 257	300 337	365 162
Current	6 432 552	2 097 186	83 460	148 285
Non current	3 016 977	1 441 071	216 877	216 877
Total	9 449 529	3 538 257	300 337	365 162

Sundry debtors comprise of amounts owing to the Group from various counter parties which are receivable within a period of less than three months.

Allowance for credit losses

At 1 January	257 621	553 455	-	-
Charge for the year	-	-	-	-
Utilised during the year	-	(295 834)	-	-
At 31 December 2017	257 621	257 621	-	-

Notes to the Consolidated Financial Statements (continued)

	Group 2017 US\$	Group 2016 US\$	Company 2017 US\$	Company 2016 US\$
15 NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE				
The Group's non-current assets held for sale comprise the following: 19.96% investment in RTG (note 10)	-	4 370 013	-	-
Total assets of investments held for sale	-	4 370 013	-	-
Current	-	4 370 013	-	-
Non current	-	-	-	-
Total	-	4 370 013	-	-

The details of the non-current assets held for sale are disclosed in 15.1 and 15.2 below;

15.1 Non-current assets classified as held for sale - Rainbow Tourism Group Limited

On 29 September 2017, the Group sold its entire 19.96% (2016: 19.96%) shareholding in RTG for US 0.975 cents in return for treasury bills with a face value of the same amount with a coupon of 5%. RTG is involved in the tourism and leisure industry and is listed on the ZSE. RTG had been classified as a non current asset available for sale in the 2016 financial statements. The investment was disposed to NSSA who are shareholders of RTG and ultimate parent of the Group in October 2017.

15.2 Non-current assets classified as held for sale - African Actuarial Consultancy (Private) Limited

In December 2015 the Group announced its intention to exit the actuarial services business, African Actuarial Consultancy (Private) Limited a 100% owned subsidiary. The associated assets and liabilities were consequently presented as held for sale in the 2015 financial statements. The subsidiary was sold on 1 January 2016.

Details of subsidiary disposed

Consideration received or receivable:

Cash	-	340 000	-	340 000
Carrying amount of net assets sold	-	(5 594)	-	(5 594)

Gain on sale	-	334 406	-	334 406
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16 CASH AND BALANCES WITH BANKS

Money market investments with original maturities less than 90 days

	20 027 425	26 708 952	-	-
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Cash at bank and on hand	33 000 728	8 840 734	4 898 332	116 905
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Cash and cash equivalents	53 028 153	35 549 686	4 898 332	116 905
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Money market investments with original maturities more than 90 days

	-	2 107 609	-	-
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Cash and balances with banks	53 028 153	37 657 295	4 898 332	116 905
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Current	53 028 153	37 657 295	4 898 332	116 905
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Non current	-	-	-	-
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Cash and balances with banks	53 028 153	37 657 295	4 898 332	116 905
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Cash at bank earns interest at floating rates based on daily bank deposit rates. Money market investments are made of varying periods as between one day and six months depending on the immediate cash requirements of the Group and earn interest at the short-term deposit rates.

Included in cash and cash equivalents are balances with banks. These balances are used for transacting on a daily basis. During 2016, the Reserve Bank of Zimbabwe ("RBZ") through Exchange Control Operational Guide 8 (ECOGAD8) introduced a foreign payments priority list that has to be followed when making foreign payments. Any foreign payments that we make from the bank balances above are ranked based on the RBZ prioritisation criteria and paid subject to banks having adequate funds with its foreign correspondent banks.

Cash and cash equivalents include bond notes. Bond notes are a debt instrument which has been disclosed under cash and cash equivalents since it meets the definition of cash and cash equivalents and is pegged at 1:1 with the United States of America Dollar.

Notes to the Consolidated Financial Statements (continued)

	Group 2017 US\$	Group 2016 US\$	Company 2017 US\$	Company 2016 US\$
17 SHARE CAPITAL				
17.1 Authorised				
1 000 000 000 ordinary shares with a nominal value of US\$0.001 each	1 000 000	1 000 000	1 000 000	1 000 000
17.2 Issued and fully paid				
696 137 739 ordinary shares with a nominal value of US\$0,001 each	696 138	380 201	696 138	380 201
17.2.1 Reconciliation of the issued capital				
At 1 January	380 201	380 201	380 201	380 201
Acquisition of NDIL through share swap	95 105	-	95 105	-
Rights offer	210 371	-	210 371	-
Share options exercised during the year	10 461	-	10 461	-
Subtotal	696 138	380 201	696 138	380 201
NDIL mandatory offer	22 425	-	22 425	-
At 31 December	718 563	380 201	718 563	380 201
17.3 Unissued shares				
303 862 261 unissued shares, under the control of directors, of which 22 424 770 have been set aside for offer to NDIL minorities	303 862	619 799	303 862	619 799
17.3.1 Shares to be issued to NDIL non controlling shareholders				
22 424 770 ordinary shares with a nominal value of US\$0,001 each	22 425	-	22 425	-

The shares to be issued relate to mandatory offer to acquire the shareholding of NicozDiamond Insurance Company Limited's non controlling shareholders that would be made pursuant to the Company Shareholders resolution to acquire up to 100% of the Ordinary Shares of NDIL and is required by the Zimbabwe Stock Exchange Listing requirements. The initial acquisition of the controlling stake and the subsequent mandatory offer to the non-controlling stake have been treated as a single transaction and as such the subsidiary has been accounted for 100% in the separate books of the Company. The price used to determine the shares to be issued including the associated share premium is not the actual price that will be offered to NicozDiamond Insurance Company Limited non-controlling stake. The offer to minorities in pursuit of the Zimbabwe Stock Exchange Listing Requirements will be concluded during the first half of 2018.

17.4 Rights offer

First Mutual made a renounceable Rights offer of 210,371,395 (two hundred and ten million three hundred and seventy-one thousand three hundred and ninety five) new FMHL shares to registered FMHL Shareholders as of the FMHL Rights offer record date at a price of US 8.20 cents to raise US\$17.25 million in October 2017. Below is the reconciliation of the Rights Offer and allocation to equity.

Total proceeds	17 250 454	-	17 250 454	-
Share capital @ nominal value US\$0.001	210 371	-	210 371	-
Share premium	17 040 083	-	17 040 083	-

17.5 Employee share option scheme.

The Group has a Share Option Scheme that was approved by shareholders, whose objective is to attract, retain and motivate key employees and agents of the Group. 19 010 038 (nineteen million ten thousand and thirty eight) shares, representing 5% of the issued ordinary share capital of the Company at the commencement of the scheme, were set aside by the Board for purposes of the Share Option Scheme. With effect from 10 August 2017, a further 8,426,271 (eight million four hundred and twenty six thousand two hundred and seventy one) shares were set aside in terms of section 11 of the Scheme Rules. All options having been granted, the Share Option Scheme is now exhausted.

Notes to the Consolidated Financial Statements (continued)

17 SHARE CAPITAL (CONTINUED)

17.5 Employee share option scheme. (continued)

Participants to whom an option has been granted under the scheme shall only be entitled to exercise the options as follows:

- on the first anniversary of the date of grant, the participant shall be entitled to exercise up to one third (1/3) of the shares offered to him/her under that particular option;
- on the second anniversary of the date of grant, the participant shall be entitled to exercise an additional one third (1/3) of the shares offered to him/her under that option;
- on the third anniversary of the date of grant, the participant shall be entitled to exercise an additional one third (1/3) of the shares offered to the participant under that option.
- options not exercised within five (5) years from the date of grant shall lapse.

Details of the share options outstanding as at 31 December 2017 are as follows:-

Date of grant	Exercise price US\$	Number of shares
30 April 2014	0.065	7 073 114
30 April 2015	0.030	7 500 000
30 April 2016	0.022	4 436 924
10 August 2017	0.110	8 426 271

The options granted mature in batches at every anniversary date and hence will be amortised over the exercisable periods. The estimated fair value of the shares granted during the year on 10 August 2017 was US 11.7 cents.

The fair value of the options was calculated using the Black-Scholes Merton Optional Valuation Method under the following assumptions:

Grant date	30 April 2017	30 April 2016
Grant date share price (US\$)	0.022	0.022
Exercise price of option (US\$)	0.022	0.022
Risk-free interest rate	9.00%	9.00%
Annualised standard deviation	82.09%	82.09%
Dividend yield	0.00%	0.00%
Weighted average remaining contractual life	3.25 years	3.25 years
Expected volatility	82.09%	82.09%

The standard deviation was calculated over a 3 year period, that from January 2013 to December 2015 but it should be noted that the share is generally not very liquid on the Zimbabwe Stock Exchange. The risk free rate was determined on the power-related bonds issued by Infrastructure Development Bank of Zimbabwe ("IDBZ") on behalf of Zimbabwe Electricity Transmission and Distribution Company (Private) Limited ("ZETDC") and Zimbabwe Power Company (Private) Limited ("ZPC").

Movement for the year	2017 Number of shares	2016 Number of shares
At 1 January	19 010 038	14 573 114
Options granted during the year	8 426 271	5 085 742
Lapsed options	-	(648 818)
Options exercised during the year	(10 461 116)	-
At 31 December 2017	16 975 193	19 010 038
Exercisable at 31 December	2 658 427	6 782 864

Notes to the Consolidated Financial Statements (continued)

17 SHARE CAPITAL (CONTINUED)

17.6 Group - Non distributable reserves

	Change in functional currency US\$	Foreign currency translation reserve US\$	Revaluation reserve US\$	Solvency reserve US\$	Share based payment reserve US\$	Re- denomination of share capital US\$	Total US\$
At 1 January 2016	196 730	(325 450)	2 281 350	109 758	48 988	(216 775)	2 094 601
Transfer to solvency reserve	-	-	-	-	-	-	-
Other comprehensive income	-	(33 330)	-	-	-	(33 330)	-
Share based payments	-	-	-	-	13 222	-	13 222
At 31 December 2016	196 730	(358 780)	2 281 350	109 758	62 210	(216 775)	2 074 493
At 1 January 2017	196 730	(358 780)	2 281 350	109 758	62 210	(216 775)	2 074 493
Acquisition of a subsidiary	-	-	-	-	-	4 038 686	4 038 686
Other comprehensive income	-	294 426	-	-	-	-	294 426
Share based payments	-	-	-	-	63 151	-	63 151
At 31 December 2017	196 730	(64 354)	2 281 350	109 758	125 361	3 821 911	6 470 756
Company - Non distributable reserves							
At 1 January 2016	-	-	291 047	-	-	-	291 047
Other comprehensive income	-	-	-	-	-	-	-
At 31 December 2016	-	-	291 047	-	-	-	291 047
At 1 January 2017	-	-	291 047	-	-	-	291 047
Share based payments	-	-	-	-	63 180	-	63 180
At 31 December 2017	-	-	291 047	-	63 180	-	354 227

Foreign currency translation reserve

The change in functional currency reserve relates to the gains/(losses) that arise in translating the statement of financial position of a foreign subsidiary to the reporting currency.

Revaluation reserve

The revaluation surplus arose in the prior years in respect of properties that were reclassified from owner occupied to investment property.

Solvency reserve

The solvency reserve is as a result of regulatory requirements for the foreign subsidiary.

Re-denomination of share capital and change in functional currency reserve

The reserves in respect of the redenomination of share capital and change in functional currency relate to reserves created on dollarisation when balances were converted to United States of America dollars, and the related redenomination of share capital.

17.7 Treasury shares

The shareholders, at the annual general meeting held on 14 June 2017 passed an ordinary resolution for the company to purchase its shares in terms of section 79 of the Zimbabwe Companies Act (Chapter 24:03) and the Zimbabwe Stock Exchange Listing Requirements. Purchased shares will be used for treasury purposes. Acquisitions shall be of ordinary shares which in aggregate in any one financial year shall not exceed 10% (2016: 10%) of the Company's issued Ordinary share capital.

Notes to the Consolidated Financial Statements (continued)

17.8 Acquisition of additional interest in First Mutual Properties Limited

The Group acquired an additional interest in the voting shares of First Mutual Properties Limited, increasing its ownership interest to 62.70% (2016: 59.93%).

	2017 US\$	2 016 US\$
Cash consideration paid to non-controlling shareholders	606 047	449 693
Carrying value of the additional interest in First Mutual Properties Limited	(2 215 093)	(1 898 146)
Difference recognised in retained profits	(1 609 046)	(1 448 453)

18	INSURANCE AND INVESTMENT CONTRACT LIABILITIES	Group 2017 US\$	Group 2016 US\$	Company 2017 US\$	Company 2016 US\$
18.1	Insurance contract				
	Insurance contract with DPF	13 261 769	15 521 731	-	-
	Insurance contract without DPF	11 982 477	6 475 616	-	-
	Shareholder risk reserve	11 931 594	12 922 437	-	-
	Total insurance contract liabilities	37 175 840	34 919 784	-	-
	Current	-	-	-	-
	Non current	37 175 840	34 919 784	-	-
	Total	37 175 840	34 919 784	-	-
18.2	Investment contract				
	Investment contract with DPF	85 451 978	66 775 134	-	-
	Investment contract without DPF	20 461 042	8 532 451	-	-
	Total investment contract liabilities	105 913 020	75 307 585	-	-
	Current	-	-	-	-
	Non current	105 913 020	75 307 585	-	-
	Total	105 913 020	75 307 585	-	-
18.3	Life insurance contract and investment contract with and without DPF liabilities				
	Life insurance contract with DPF				
	Balance at 1 January	15 521 731	15 518 581	-	-
	Movement	(2 259 962)	3 150	-	-
	Balance at 31 December	13 261 769	15 521 731	-	-
	Life insurance contract without DPF				
	Balance at 1 January	6 475 616	8 264 763	-	-
	Movement	5 506 861	(1 789 147)	-	-
	Balance at 31 December	11 982 477	6 475 616	-	-
	Shareholder risk reserve				
	Balance at 1 January	12 922 437	11 505 135	-	-
	Movement	(990 843)	1 417 302	-	-
	Balance at 31 December	11 931 594	12 922 437	-	-
	Investment contract with DPF				
	Balance at 1 January	66 775 134	55 698 995	-	-
	Movement	18 676 844	11 076 139	-	-
	Balance at 31 December	85 451 978	66 775 134	-	-
18.4	Total life insurance contract with and without DPF (including shareholder risk reserve) and investment contract with DPF liabilities				
	Balance at 1 January	101 694 918	90 743 125	-	-
	Policyholder gain on acquisition of FMP shares	-	74 898	-	-
	Transfer from statement of comprehensive income	20 932 900	10 876 895	-	-
	Balance at 31 December	122 627 818	101 694 918	-	-

Notes to the Consolidated Financial Statements (continued)

18	INSURANCE AND INVESTMENT CONTRACT LIABILITIES (continued)	Group 2017 US\$	Group 2016 US\$	Company 2017 US\$	Company 2016 US\$
18.5	Reconciliation of life insurance contract with and without DPF and investment contract with DPF liabilities				
	Balance at 1 January	88 772 481	79 280 760		
	Movement in insurance contracts and investment contracts with DPF liabilities	25 294 452	13 791 977	-	-
	Premiums	20 542 346	22 429 712	-	-
	Claims	(10 028 647)	(11 459 904)	-	-
	Commissions	(542 179)	(491 939)	-	-
	Branch expenses	(268 353)	(228 016)	-	-
	Actuarial and other fees	(476 770)	(701 758)	-	-
	Investment income	16 728 042	4 339 078	-	-
	Tax	(659 987)	(95 196)	-	-
	Fees charged by the shareholder	(3 370 709)	(4 300 256)	-	-
	Balance at 31 December	110 696 224	88 772 481	-	-
18.6	Reconciliation of shareholder risk reserve				
	Balance at 1 January	12 922 437	11 505 135	-	-
	Movement in shareholder risk reserve	(990 843)	1 417 302	-	-
	Funeral cash plan	(835 214)	1 263 708	-	-
	Annuities expense reserve	(153 253)	153 253	-	-
	Mortgage protection plan	(2 376)	341	-	-
	Balance at 31 December	11 931 594	12 922 437	-	-
	Breakdown				
	Funeral cash plan (note 18.6.1)	11 831 909	12 667 123	-	-
	Annuities expenses reserve	-	153 253	-	-
	Mortgage protection plan	-	2 376	-	-
	Data reserve	99 685	99 685	-	-
	Total	11 931 594	12 922 437	-	-
18.6.1	Reconciliation of funeral cash plan liability				
	Balance at 1 January	12 667 123	11 403 415	-	-
	Reinstatement reserve	911 344	(1 354 749)	-	-
	Alterations and data impact	110 056	(34 730)	-	-
	Exists	(2 828 815)	(2 043 485)	-	-
	Impact of time	3 047 129	2 592 725	-	-
	New entrants	(131 047)	214 943	-	-
	Reinstatement	1 493 461	452 489	-	-
	Premium paying lapses within 13 months	-	619 132	-	-
	Change in assumptions:				
	Expense	-	1 134 246	-	-
	Mortality	-	(5 156 206)	-	-
	Lapse	(2 387 871)	2 936 365	-	-
	Correction of paid up policy expenses	(760)	-	-	-
	Miscellaneous	(284 318)	25 985	-	-
	Balance at 31 December before discretionary margins	12 596 302	10 790 130	-	-
	Discretionary margins	(764 394)	1 876 993	-	-
	Balance at 31 December	11 831 908	12 667 123	-	-

Notes to the Consolidated Financial Statements (continued)

18 INSURANCE AND INVESTMENT CONTRACT LIABILITIES	Group 2017 US\$	Group 2016 US\$	Company 2017 US\$	Company 2016 US\$
18.7 Investment contract liabilities without DPF				
Balance at 1 January	8 532 451	5 661 964	-	-
Net cash flows	(5 042)	338 952	-	-
Transfer from statement of comprehensive income	11 933 633	2 531 535	-	-
Balance at 31 December	20 461 042	8 532 451	-	-
18.7.1 Investment contract liabilities without DPF				
Balance at 1 January	8 532 451	5 661 964	-	-
Investments performance	11 933 633	2 531 535	-	-
Net cash flows	(5 042)	338 952	-	-
Premium	2 059 306	1 418 561	-	-
Claims and policy benefits	(1 653 355)	(979 273)	-	-
Fees to shareholder	(153 392)	(42 779)	-	-
Investment expenses	(181 441)	(51 013)	-	-
Other charges and transfers	(76 160)	(6 544)	-	-
Balance at 31 December	20 461 042	8 532 451	-	-

All insurance contract liabilities and investment contracts with DPF liabilities as at 31 December 2017 and 2016 were actuarially determined using the Financial Soundness Valuation method.

Notes to the Consolidated Financial Statements (continued)

18 INSURANCE CONTRACT LIABILITIES (CONTINUED)

18.7 Investment contract liabilities without discretionary participation features (continued)

18.7.1 Change in assumptions from the prior year (continued)

In calculating gross premium liabilities above, best estimate assumptions were used plus compulsory margins as defined in SAP 104. The best estimate assumptions were derived from experience investigations carried out during the year. The primary assumptions used in the gross premium valuation (excluding compulsory margins) are as follows:

- a mortality investigation was carried out for the five years 2013 to 2017. The mortality experience for 2017 was less than the valuation assumption. The mortality investigation revealed that adult dependants had a significantly higher mortality compared to the other policies;
- a lapse investigation was carried out in 2016, which suggested reducing the lapse assumptions. However the lapse assumption was maintained in view of the current macro- economic environment which has distorted the lapse behaviour of policyholders;
- expense assumptions of US\$26.5 (2016: US\$26.5) per policy was estimated from the 2017 and 2016 expense investigation;
- expense inflation assumption of 4% (2016: 4%). The inflation rate in Zimbabwe has been mostly negative or nearly zero. However, this could also be as a result of price corrections following the dollarisation of the economy. Long term inflation is forecast to be above 3% consistent with imported inflation. Therefore the inflation assumption has been maintained at 4% in 2016;
- withdrawal rates are based on the current experience;
- the real investment return assumption was maintained at 3% (2016: 3%).

	% p.a. 2017	% p.a. 2016
Investment - untaxed	7.0%	7.0%
Expense inflation	4.0%	4.0%

- A contingency reserve to cover for possible data problems of US\$99 684 (2016: US\$99 684) was held as a discretionary reserve. In addition to the above compulsory margins were allowed for as outlined in SAP104.

A bonus smoothing account is used to reduce policyholders' exposure to positive or negative market movements. During periods of relatively strong investment performance of the fund's investments, a portion of investment growth is not declared as a bonus. It is held back, so that in times of poor investment performance, there are funds available to declare a higher bonus than would otherwise have been.

Lapse assumptions

A lapse investigation was carried out which suggested reducing the lapse assumptions. Lapse assumptions were reduced but to maintain stability of the basis, the lapses were not reduced to the levels in the investigation but rather gradually.

Below are the lapse assumptions used for 2017 and 2016.

2017 Product	1st year	2nd year	3rd year	4th year	Subsequent
Funeral cash plan	25%	20%	10%	10%	10%
Wealth life plan	15%	7%	5%	5%	5%
Platinum plan	10%	7%	5%	0%	0%
Early harvest plan	10%	7%	5%	0%	0%
2016 Product	1st year	2nd year	3rd year	4th year	Subsequent
Funeral cash plan	25%	20%	10%	10%	10%
Wealth life plan	15%	7%	5%	5%	5%
Platinum plan	10%	7%	5%	0%	0%
Early harvest plan	10%	7%	5%	0%	0%

Notes to the Consolidated Financial Statements (continued)

18 INSURANCE CONTRACT LIABILITIES (CONTINUED)

18.7 Investment contract liabilities without discretionary participation features (continued)

18.7.1 Change in assumptions from the prior year (continued)

Mortality assumptions

Mortality for individual business was reduced from SA56-62 + 30% AIDS HA1 to SA56-62 +4% AIDS HA1 except for funeral cash plan adults who had the AIDS assumption reduced from 60% to 12% .

The detailed mortality assumptions used are as follows:

Individual assurance (exc AIDS)	SA56-62
Annuities	PA(90)-5

Table showing AIDS assumption

	2017	2016
Product	% HA1	% HA1
FCP main member	4%	4%
FCP spouse	4%	4%
FCP adult	12%	12%
Other individual products	4%	4%

For children the following assumptions were used

Age group (years)	0-5	5-10	10-15	15-20	20-25
Male mortality rates	0.002308	0.001054	0.001143	0.000997	0.001077
Female mortality rates	0.002126	0.000946	0.001142	0.001052	0.001763

Expense inflation

The expense inflation assumption was maintained at 4% (2016: 4%).

19	BORROWINGS	Group 2017 US\$	Group 2016 US\$	Company 2017 US\$	Company 2016 US\$
	At 1 January	4 309 240	5 548 232	2 017 573	2 156 565
	Loan received	-	-	-	-
	Interest charged	326 882	566 595	326 882	566 595
	Interest paid	(326 882)	(566 595)	(326 882)	(566 595)
	Loan repayment	(3 117 575)	(1 238 992)	(2 017 573)	(1 138 992)
	At 31 December	1 191 665	4 309 240	-	2 017 573
	Current	1 100 000	3 115 239	-	2 015 239
	Non current	91 665	1 194 001	-	2 334
	Total	1 191 665	4 309 240	-	2 017 573

A loan of US\$5.5 million (2016: US\$5.5 million) was sourced from Barclays Bank of Zimbabwe Limited on 19 December 2013 to partially fund the acquisition of the land in Mount Pleasant of Harare at a rate of 6.5% (2016: 10%) per annum. The tenure of the facility is 5 years from 26 December 2013 and stand 14908 of Salisbury Township called First Mutual Park has been pledged as security. The last repayment is due on 27 December 2018

The Group settled its motor vehicle loan of US\$265,000 (2016: US\$265,000) from the People's Own Savings Bank ("POSB"), with the security for the loan being a Notarial General Covering Bond on the vehicles financed. Interest was initially charged at 11% and later reduced to 7% in the current year. The repayments for the loan were made monthly over three years.

A loan facility amounting to US\$2 000 000, was sourced from National Social Security Authority ("NSSA") the ultimate parent company of the Group to capitalise First Mutual Insurance Company Limited t/a Tristar Insurance Company Limited . The loan was granted on 31 December 2015 and has a tenure of 365 days. The loan was rolled over and extended by another year to 31 December 2017 at an interest rate of 5%. Investment property known as 99 Jason Moyo Avenue with a carrying amount of US\$7 800 000 at 31 December 2015 was pledged as security. The loan was settled in full from the Rights Issue Proceeds in October 2017.

Notes to the Consolidated Financial Statements (continued)

20	FINANCIAL LIABILITIES	Group 2017 US\$	Group 2016 US\$	Company 2017 US\$	Company 2016 US\$
20.1	INSURANCE LIABILITIES-SHORT TERM				
	Outstanding claims	8 578 952	2 631 517	-	-
	Reinsurance	4 997 724	1 657 790	-	-
	Losses incurred but not reported	6 367 042	5 473 553	-	-
	Member savings liabilities (note 20.1.1)	5 263 845	5 149 051	-	-
	Premium received in advance	1 965 138	1 927 970	-	-
	Unearned premium reserve	7 348 652	4 074 377	-	-
	Commissions	15 611	6 340	-	-
	Total	34 536 964	20 920 598	-	-
	Current	29 273 119	18 614 797	-	-
	Non current	5 263 845	2 305 801	-	-
	Total	34 536 964	20 920 598	-	-

The insurance payables are of a short term nature (less than 12 months).

20.1	Member savings liabilities				
	At 1 January	5 149 051	4 559 031	-	-
	Movement	114 794	590 020	-	-
	Arising during the year	8 342 454	5 149 051	-	-
	Utilised during the year	(8 227 660)	(4 559 031)	-	-
	As at 31 December	5 263 845	5 149 051	-	-
	Current	2 865 198	2 843 250	-	-
	Non current	2 398 647	2 305 801	-	-
	Total	5 263 845	5 149 051	-	-

Member savings liabilities balance refers to amounts held on behalf of health care clients as an accumulation from their contributions. The amounts accumulated are meant to cover selected future medical claims as well as to qualifying members for a cash back arrangement if they meet certain claims thresholds.

20.2	INSURANCE LIABILITIES-LIFE ASSURANCE PAYABLES				
	Outstanding claims	1 409 292	1 077 013	-	-
	Losses incurred but not reported	517 020	712 869	-	-
	Commissions	327 733	278 678	-	-
	Total	2 254 045	2 068 560	-	-

Notes to the Consolidated Financial Statements (continued)

	Group 2017 US\$	Group 2016 US\$	Company 2017 US\$	Company 2016 US\$
21 OTHER PAYABLES	10 255 644	3 914 678	680 115	540 444
Other payables	818 038	530 974	-	-
Provisions	3 109 370	1 934 534	230 402	389 662
Payroll and statutory payables	3 776 954	921 743	1 962	24 238
Accrued expenses	1 561 277	151 305	242 699	88 095
Unpaid losses	357 881	160 409	-	-
Trade payables	632 124	215 713	205 052	38 449
Loans to group companies (note 21.2)	-	-	-	5 978 396
Property business related liabilities	1 966 934	1 600 077	-	-
Amounts due to group companies (21.3)	-	-	89 132	424 116
Total	12 222 578	5 514 755	769 247	6 942 956
Current	12 222 578	5 514 755	769 247	1 534 445
Non current	-	-	-	5 408 511
Total	12 222 578	5 514 755	769 247	6 942 956

Trade and other payables are non-interest bearing and are normally on 30 day credit terms. Provision is made for leave pay when staff members accrue leave days. In the event the staff members leave the employ of the Group they are entitled the cash equivalent of their leave days. In the event that it is impractical for staff members to exhaust their leave days according to their leave plan, part of the accumulated days can be cashed and the rest utilised by the staff member. There is uncertainty on when a staff member may decide to leave the Group and the liability is calculated based on the normal pay rates.

21.1 Leave pay provision reconciliation

At 1 January	599 159	325 940	66 907	85 846
Acquisition of NDIL	151 305	-	-	-
Additional provision	791 492	638 485	19 056	12 447
Amounts paid	(251 963)	(365 266)	(26 350)	(31 386)

At 31 December **1 289 993** **599 159** **59 613** **66 907**

21.2 Loans due to group companies

First Mutual Life Assurance Company (Private) Limited	-	-	-	5 028 396
First Mutual Properties Limited	-	-	-	950 000

Total **-** **-** **-** **5 978 396**

Current	-	-	-	916 175
Non current	-	-	-	5 062 221

Total **-** **-** **-** **5 978 396**

i) Loan of US\$nil (2016: US\$5,028,396) from First Mutual Life Assurance (Private) Limited to First Mutual Holdings Limited, the parent company. During the year, the parent company repaid the loan in full out of the Rights Offer proceeds. In May 2016, the loan terms were revised as follows:

- | | | |
|----|----------------------|---|
| 1. | Facility amount | Principal plus accumulated interest at 30 April 2016 - US\$4,833,962 |
| 2. | Type of facility: | Term loan facility being roll over of existing money market placement facility |
| 3. | Principal repayment | Eight (8) half yearly capital repayments: |
| 4. | Interest payments | Ten (10) half yearly interest repayment at dates stated below: |
| 5. | Rollover date: | 1 May 2016 |
| 6. | Final maturity date: | 30 April 2021 |
| 7. | Interest rate | 7% per annum |
| 8. | Security | Pledge of listed marketable securities in the form of 12,749 First Mutual Life Assurance Company shares. The subject share certificate has been lodged in safe custody. |
| 9. | Governing law: | Zimbabwe law |

Notes to the Consolidated Financial Statements (continued)

21 OTHER PAYABLES (CONTINUED)

21.2 Loans due to group companies (continued)

Related party loans are measured at amortised cost using the effective interest rate method. The carrying amount approximates fair value and management has assessed that the receivables are not impaired. The parent company provided security for the loan from FML Policyholders by pledging shares in First Mutual Life Assurance Company (Private) Limited at a market value which shall at all times be at least 1.5 times the amount still owing by the parent company to FML Policyholders. No security was pledged for the loan from First Mutual Properties Limited to the parent company. See note 4.3 on credit risk related party loans to understand the Group's exposure to the loan.

ii) An amount of US\$nil (2016: US\$0.950) relates to the loan placed with First Mutual Properties Limited, a subsidiary of the Company. During the year 2017, the parent company repaid the loan in full. The loan was restructured effective 31 December 2016 and was administered under the following revised terms:

1.	Final maturity date	31 October 2019
2.	Interest rate	8% per annum, accrued and paid monthly
3.	Security	No security pledged
4.	Repayment	6 bi-annual instalments beginning 30 April 2017

	Group 2017 US\$	Group 2016 US\$	Company 2017 US\$	Company 2016 US\$
21.3 Amounts due to group companies				
First Mutual Insurance Company Limited	-	-	-	133 443
First Mutual Life Assurance Company (Private) Limited	-	-	-	71 134
First Mutual Health Company (Private) Limited	-	-	-	41 234
FMRE Property & Casualty Zimbabwe	-	-	-	-
First Mutual Properties Limited	-	-	89 132	178 305
Total	-	-	89 132	424 116

21.3.1 Terms and conditions of transactions with related parties

Outstanding balances at the year end are unsecured with agreed payment terms and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.

The sale and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions. The amounts outstanding are unsecured and will be settled on normal terms. No expense has been recognised in the current or prior periods for bad or doubtful debts in respect of the amounts owed by related parties

22 INCOME TAX

22.1 Deferred tax

At 1 January	10 786 966	10 597 031	-	-
Recognised through statement of comprehensive income	1 579 313	189 935	-	-
At 31 December 2017	12 366 279	10 786 966	-	-
Current	641 153	578 186	-	-
Non current	11 725 126	10 208 780	-	-
Total	12 366 279	10 786 966	-	-
Analysis of deferred tax				
Arising on vehicles and equipment	6 192	(104 999)	-	-
Arising on investment properties	13 191 350	12 604 837	-	-
Arising on financial assets at fair value through profit or loss	-	1 575	-	-
Arising from life business (schedule 8 Income Tax Act (Chapter 23:06))	1 139 742	205 629	-	-
Arising from assessable losses	(257 422)	(443 264)	-	-
Payables and provisions	(1 713 583)	(1 476 812)	-	-
At 31 December 2017	12 366 279	10 786 966	-	-

Notes to the Consolidated Financial Statements (continued)

	Group 2017 US\$	Group 2016 US\$	Company 2017 US\$	Company 2016 US\$
22 INCOME TAX (CONTINUED)				
22.2 Income tax asset				
At 1 January	23 744	(541 619)	-	-
Tax asset	(86 982)	(558 462)	-	-
Tax liability	110 726	16 843	-	-
Charge for the year	997 289	1 363 418	-	-
Paid during the year	(939 114)	(904 944)	-	-
As at 31 December	81 919	(83 145)	-	-
Disclosed as:				
Income tax asset	(530 182)	(86 982)	-	-
Income tax liability	612 101	3 837	-	-
Total	81 919	(83 145)	-	-
22.3 Income tax expense				
Deferred tax expense	1 579 313	189 935	-	-
Current income tax expense	997 289	1 363 418	-	-
Total	2 576 602	1 553 353	-	-
22.4 Reconciliation of income tax expense				
Profit before income tax	14 800 126	10 856 903		
Standard tax rate 25.75% (2016: 25.75%)	3 811 032	2 795 653	-	-
Financial assets at fair value through profit or loss fair value gains taxed at different rate	(366 862)	(366 862)	-	-
Investment property fair value gains taxed at different rates	(1 982 485)	(1 981 715)	-	-
Effect of expenses not deductible for tax purposes	1 114 917	1 106 277	-	-
Arising from Schedule 8 of Income Tax Act (Chapter 23:06)	-	-	-	-
Tax on impairment of money market investments	-	-	-	-
Impact of write off of tax asset on subsidiary now exempt from tax	-	-	-	-
Income tax charge for the year	2 576 602	1 553 353	-	-
23 NET PREMIUM WRITTEN				
Pension and savings business	20 619 294	22 524 855	-	-
Life assurance	14 650 007	14 119 753	-	-
Health insurance	56 866 745	52 208 779	-	-
Property and casualty	32 790 825	27 626 396	-	-
Gross premium written	124 926 871	116 479 783	-	-
Less: reinsurance	(8 872 946)	(9 319 761)	-	-
Net premium written	116 053 925	107 160 022	-	-
24 RENTAL INCOME				
Office	4 848 109	3 481 608	-	-
Retail	483 520	1 759 923	-	-
Industry	561 901	1 168 330	-	-
Other	576 544	322 026	-	-
Total rental income	6 470 074	6 731 887	-	-

Notes to the Consolidated Financial Statements (continued)

	2017	2016
	US\$	US\$
25 INVESTMENT INCOME		
Interest income from money market investments	2 729 309	2 655 987
Dividend received	824 473	554 457
Fair value gain on unquoted equities at fair value through profit or loss	10 319	-
Gain/(Loss) from disposal of investments at fair value through profit or loss	4 258 363	(196 832)
Fair value gain on quoted equities at fair value through profit or loss	25 101 624	5 789 216
Total	32 924 088	8 802 828
26 OTHER INCOME		
26.1 Fee income		
Insurance contracts	1 425 918	1 207 441
Investment contracts	3 082 573	3 092 825
Investment contracts with DPF	2 929 181	3 050 046
Investment contracts without DPF	153 392	42 779
Total fee income	4 508 491	4 300 266
26.2 Other income		
Tenant interest	257 173	180 955
(Loss)/profit from disposal of vehicles and equipment	(2 315)	36 444
Motor pool dividend income	51 546	209 894
Net clinic fee income	152 506	87 321
Bad debts recovered	9 862	375 887
Net property trading income	-	66 387
Other fee income	542 296	239 600
Total	1 011 068	1 196 488
27 NET INSURANCE CLAIMS AND BENEFITS		
Insurance claims and loss adjustment expenses		
Health insurance	45 001 738	41 257 547
Life assurance	4 831 111	4 648 898
Property and casualty	12 084 170	8 352 529
Total insurance claims	61 917 019	54 258 974
Less: insurance claims and loss adjustment expenses recovered from reinsurers	(826 670)	(635 825)
Net total insurance claims expense	61 090 349	53 623 149
Pensions benefits	10 028 647	11 460 131
Net insurance claims and benefits	71 118 996	65 083 280
28 ACQUISITION OF INSURANCE AND INVESTMENT CONTRACTS EXPENSES		
28.1 Net commission		
Commissions paid	9 284 242	8 920 126
- Insurance contracts	8 742 063	8 428 187
- investment contracts with DPF	542 179	491 939
Commissions received	(2 181 783)	(2 841 908)
Net commissions paid	7 102 459	6 078 218

Fee income is in respect of investment contracts and insurance contracts. The fees include management charges, policy fees and capital guarantee charges.

Notes to the Consolidated Financial Statements (continued)

28 ACQUISITION OF INSURANCE AND INVESTMENT CONTRACTS EXPENSES (CONTINUED)

	2017 US\$	2016 US\$
28.2 Branch network costs		
Staff costs	363 011	368 400
Office costs	360 834	363 566
Communications	46 502	44 628
Business travel	47 212	46 358
Actuarial fees	450 476	381 038
Other fees	225 814	149 420
Total other acquisition expenses	1 493 849	1 353 410
Total acquisition of insurance and investment contracts expenses	8 596 308	7 431 628

The Group has an agents force which is made up of tied and independent agents who write new business of the Life Assurance segment. The agents are located in major cities and towns across the country. Area offices were established to house and facilitate operations of the agency force. All costs of maintaining the agency force are classified as acquisition expenses which include staff costs, rentals, travel related expenses paid for agency and communication expenses.

Other fees include registration fees for agents with the Insurance and Pensions Commission, medical fees paid when taking new policyholders on board, as well as bank charges.

Acquisition expenses are charged to statement of comprehensive income in the period in which they are accrued.

29 ADMINISTRATION EXPENSES

The profit before income tax is shown after charging:

Staff costs (note 29.1)	14 352 565	14 693 849
Directors' fees - FMHL	120 935	108 611
- Group companies	269 049	259 819
Property expenses (note 29.4)	1 603 169	1 316 878
Depreciation of property, vehicles and equipment (note 6)	946 901	654 229
Amortisation of intangible assets (note 8)	156 323	90 541
*Audit fees:	397 832	474 072
- Current year	185 034	240 052
- Prior year	212 798	234 020
Tax recovery/Tax amnesty covered by prior years	358 406	(123 475)
Other costs (note 29.5)	10 092 314	7 800 637
Total administration expenses	28 297 494	25 275 161

* The agreed external audit fees for 31 December 2017 year end audit was US\$391 305 (2016: US\$411 995).

29.1 Staff costs

Wages and salaries	7 220 042	7 367 310
Non-pensionable allowances	1 823 280	1 774 124
Allowances	618 011	557 199
Social security and health insurance costs	433 223	411 412
Defined contribution pension costs	740 168	749 294
Long-term incentives	63 151	13 222
Short-term incentives	826 549	1 335 375
Motoring benefit	1 135 599	1 132 357
Movement in leave pay provision	217 402	208 252
Staff training	587 400	473 855
Other staff costs	687 740	671 449
Total staff costs	14 352 565	14 693 849

Staff Pension and Life Assurance scheme

All employees are members of the First Mutual Staff Pension and Life Assurance Scheme, which is a defined contribution pension plan. The Group's contributions to the defined contribution pension plan are charged to the statement of comprehensive income in the year in which they relate.

Notes to the Consolidated Financial Statements (continued)

29 ADMINISTRATION EXPENSES (CONTINUED)

29.1 Staff costs (CONTINUED)

National Social Security Authority Scheme

The Group and its employees contribute to the National Social Security Authority Pension Scheme. This is a social security scheme, which was promulgated under the National Social Security Act (Chapter 17:04). The Group obligations under the scheme are limited to specific contributions legislated from time to time.

29.2 Rationalisation expenses

The Group did not incur any rationalisation costs in 2017 (2016: US\$324 020). The rationalisation costs in 2016 represented pay-outs to employees retrenched as mutually agreed between the Group and the affected employee.

29.3 Impairment allowances

Allowance for credit losses (note 29.3.1)

Total

29.3.1 Allowance for credit losses

Insurance receivables (note 14.1)

Tenant receivables (note 14.2)

Other receivables (note 14.3)

Total

29.4 Property expenses

Operating costs recoveries

Maintenance costs

Valuation fees

Property security and utilities

Total

Property expenses arising from investment properties that generated rental income

Property expenses arising from investment properties that did not generate rental income

Total

Operating costs under recoveries relate to the operating costs attributable to the vacant spaces on buildings within the portfolio.

29.5 Other costs

Marketing and corporate relationship management

Information technology expenses

Office costs

Fees and other charges

Actuarial fees

IPEC fees

Expensed VAT

Bank charges

Communication expenses

Staff rationalisation (note 29.2)

Subscriptions

Investor relations

Administration travel

Rent & rates

Project costs

NDIL administration expenses

Other expenses

Total

	Group 2017 US\$	Group 2016 US\$
	389 615	497 365
Total	389 615	497 365
	725 139	202 843
	(335 524)	294 522
	-	-
Total	389 615	497 365
	796 953	766 316
	736 019	515 663
	23 975	9 396
	46 222	25 503
Total	1 603 169	1 316 878
	1 556 947	1 291 375
	46 222	25 503
Total	1 603 169	1 316 878
	1 753 026	1 268 943
	1 910 897	1 523 848
	661 687	540 497
	280 412	265 753
	597 891	559 538
	431 454	306 879
	424 570	468 879
	239 807	299 802
	293 603	301 250
	-	324 020
	176 415	195 434
	195 365	181 771
	567 824	563 814
	329 801	393 869
	987 769	163 614
	752 076	-
	489 717	442 726
Total	10 092 314	7 800 637

Notes to the Consolidated Financial Statements (continued)

30 EARNINGS PER SHARE ("EPS")

Basic EPS amounts are calculated by dividing the profit/(loss) for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS amounts are calculated by dividing the profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	2017	Restated
	US\$	2016
		US\$
30.1 Basic earnings per share		
Profit attributable to ordinary equity holders of the company	11 591 605	8 848 541
Weighted average number of shares in issue	545 021 722	509 449 430
	2.13	1.74
30.2 Diluted earnings per share		
Profit attributable to ordinary equity holders of the company	11 591 605	8 848 541
Weighted average number of shares in issue	594 342 872	509 449 430
Weighted number of shares adjusted for the effects of dilution	594 342 872	509 449 430
	1.95	1.74

During the year, First Mutual made a renounceable Rights offer of 210,371,395 (two hundred and ten million three hundred and seventy-one thousand three hundred and ninety five) new FMHL shares to registered FMHL Shareholders as of the FMHL Rights offer record date at a price of US 8.20 cents to raise US\$17.25 million in October 2017. The comparative period has been restated to take into account the effect of the Rights offer.

31 COMMITMENT AND CONTINGENT LIABILITIES

31.1 Commitments

31.1.1 Operating lease commitments

As lessor

The Group holds operating leases with terms that expire after 3 to 5 year lease periods. Future lease payments could not be determined as rental rates are reviewed on an annual basis.

The Group anticipates to generate rental income of US\$7 520 834 (2016: US\$7 728 179) out of its existing operating leases in the next 12 months.

31.1.2 Capital commitments

The Group has capital expenditures contracted for at the end of the year but not yet incurred is as follows:

	Group	Group
	2017	2016
	US\$	US\$
Investment property	18 443	38 767
Vehicles and equipment	-	-
Total	18 443	38 767

31.2 Contingencies

The Group and the Company do not have significant contingent liabilities that require disclosure as at 31 December 2017 (2016: US\$nil).

Notes to the Consolidated Financial Statements (continued)

32 RELATED PARTY DISCLOSURES

Related companies

Related party transactions exist between First Mutual Holdings Limited and its fellow subsidiaries.

The National Social Security Authority ("NSSA") is the ultimate parent company of First Mutual Holdings Limited. NSSA holds 69% (2016: 51%) directly in First Mutual Holdings and 11% (2016: 20%) indirectly through Capital Bank as at 31 December 2017.

NSSA owns 84% (2016: 84%) of Capital Bank Limited, under liquidation.

32.1 Subsidiaries and associates

The financial statements comprise the financial statements of First Mutual and its subsidiaries and associate companies listed in the following table (indicating the extent of ownership):

Subsidiaries and associates	2017	2016
First Mutual Life Assurance Company (Private) Limited	100%	100%
First Mutual Health Company (Private) Limited	100%	100%
First Mutual Reinsurance Company Limited	100%	100%
FMRE Property and Casualty (Proprietary) Limited*	100%	100%
First Mutual Insurance Company Limited	100%	100%
First Mutual Properties Limited	62.70%	59.53%
Rainbow Tourism Group Limited	0.00%	19.96%
First Mutual Wealth Management (Private) Limited	100%	100%
NicozDiamond Insurance Company Limited	80.92%	-
United General Insurance Limited**	46%	-
Diamond Seguros***	24%	-
Clover Leaf Panel Beaters (Private) Limited	45%	-
First Mutual Properties Limited is owned 62.70% by First Mutual Group as follows:		
First Mutual Holdings Limited - the company	1.46%	0.24%
First Mutual Life Assurance Company (Private) Limited - shareholders	13.73%	12.96%
First Mutual Life Assurance Company (Private) Limited - policyholders	40.24%	40.13%
First Mutual Reinsurance Company Limited	2.21%	2.64%
First Mutual Insurance Company Limited - shareholders	0.35%	0.00%
First Mutual Wealth Management (Private) Limited	0.18%	0.18%
First Mutual Health Company (Private) Limited - shareholders	4.43%	3.68%
First Mutual Properties Limited (treasury shares)	0.10%	0.10%
Total	62.70%	59.93%

* This company is incorporated, registered and operates in Botswana.

** This company is incorporated, registered and operates in Malawi.

*** This company is incorporated, registered and operates in Mozambique.

Notes to the Consolidated Financial Statements (continued)

32 RELATED PARTY DISCLOSURES (CONTINUED)

32.2 Transactions and balances with related companies:

32.2.1 Summary of related party transactions

The following table provide the total amount of transactions that have been entered into with related parties during the year ended 31 December 2017:

	Relationship to First Mutual Holdings Limited	Purchases from related parties US\$	Amount owed to related parties US\$	Amount owed by related parties US\$	Loans owed to related parties US\$	Carrying amounts of investments in subsidiaries US
NicozDiamond Insurance Company Limited	subsidiary	-	-	-	-	14 669 240
First Mutual Life Assurance Company (Private) Limited	subsidiary	-	-	383 163	-	15 383 583
First Mutual Insurance Company Limited	subsidiary	12 446	-	14 990	-	3 092 605
First Mutual Reinsurance Company Limited	subsidiary	-	-	116 077	-	10 806 843
FMRE Property and Casualty (Proprietary) Limited	subsidiary	-	-	2 359	-	3 569 537
First Mutual Health Company (Private) Limited	subsidiary	-	-	7 846	-	12 899 940
First Mutual Properties Limited	subsidiary	-	89 132	-	-	-
First Mutual Wealth Management (Private) Limited	subsidiary	-	-	24 578	-	1 051 540
		12 446	89 132	549 013	-	61 473 288

32.2.2 Transactions and balances with related companies:

The following table provide the total amount of transactions that have been entered into with related parties during the year ended 31 December 2016

	Relationship to First Mutual Holdings Limited	Purchases from related parties US\$	Amount owed to related parties US\$	Amount owed by related parties US\$	Loans owed to related parties US\$	Carrying amounts of investments in subsidiaries US
National Social Security Authority	Parent	-	-	-	2 000 000	-
First Mutual Life Assurance Company (Private) Limited	subsidiary	-	71 134	-	5 028 396	11 253 104
First Insurance Company Limited	subsidiary	19 990	102 779	-	-	2 156 476
First Mutual Reinsurance Company Limited	subsidiary	-	-	-	-	9 118 632
FMRE Property and Casualty (Proprietary) Limited	subsidiary	-	-	-	-	2 891 736
First Mutual Health Company (Private) Limited	subsidiary	-	-	-	-	4 165 445
First Mutual Properties Limited	subsidiary	-	178 305	-	950 000	-
First Mutual Wealth Management (Private) Limited	subsidiary	-	-	-	-	715 302
Total		19 990	352 218	-	7 978 396	30 300 695

Notes to the Consolidated Financial Statements (continued)

	Group 2017 US\$	Group 2016 US\$
32.3 Compensation of key management:		
Key management personnel includes executive directors and senior management of the Group		
Short term employment benefits	3 553 446	3 143 976
Post-employment pension and medical benefits	298 860	578 071
Share based payments	63 151	13 222
Total compensation paid to key management personnel	3 915 457	3 735 269
32.4 Loans to directors and officers		
Executive directors	-	-

32.5 Directors and other key management's interest in the employee share option scheme:

In terms of the share option scheme 19 010 038 options were granted to key management on 30 April 2014. A further 8 426 271 were granted on 10 August 2017. Share options granted but not exercised by executive members of the Board of Directors to purchase ordinary shares of the Group were as follows:

	2017 Number of shares	2016 Number of shares
Douglas Hoto	3 417 264	3 267 689
William Marere	1 830 863	2 241 882
Other key management	10 707 579	13 165 705
Total	15 955 706	18 675 276

Notes to the Consolidated Financial Statements (continued)

32 RELATED PARTY DISCLOSURES (CONTINUED)

32.6 Material partly-owned subsidiary

Financial information of subsidiary that have material non-controlling interests are provided below;

Portion of equity interest held by non-controlling interest

Name	Country of incorporation and operation	2017	2016
First Mutual Properties Limited	Zimbabwe	37%	40%
Accumulated balances of material non-controlling interest			
First Mutual Properties Limited		49 777 592	51 650 738
Profit allocated to non-controlling interest:			
First Mutual Properties Limited		631 919	455 009

The summarised financial information of the subsidiary is provided below. This information is based on amounts before intercompany eliminations

	2017 US\$	2016 US\$
Revenue	7 414 502	7 983 436
Allowance for credit losses	335 524	(294 523)
Property expenses	(1 590 996)	(1 479 641)
Net property income	6 159 030	6 209 272
Employee related expenses	(1 415 597)	(1 515 068)
Other expenses	(1 399 672)	(1 518 029)
Net property income after other expenses	3 343 761	3 176 175
Fair value adjustments	(593 552)	(1 529 852)
Other income	237 953	304 156
Finance income	287 868	377 517
Finance costs	(126 479)	(296 125)
Profit before income tax	3 149 551	2 031 872
Income tax expense	(1 454 945)	(892 621)
Profit for the year	1 694 606	1 139 251
Summarised statement of financial position as at 31 December		
Investment property	137 457 000	137 302 000
Property, plant and equipment and other non-current financial assets	697 253	888 799
Inventories, cash and bank, current financial assets and other receivables (current)	5 331 404	4 453 135
Non-current liabilities (deferred tax only)	(12 762 112)	(12 059 643)
Long term liabilities	(1 191 666)	(2 291 667)
Trade and other payable (current)	(1 787 745)	(1 513 095)
Total equity	127 744 134	126 779 529
Summarised cash flow information for the year ending 31 December		
Operating	773 789	2 656 030
Investing	627 204	(144 479)
Financing	(793 036)	(1 100 000)
Net increase in cash and cash equivalents	607 957	1 411 551

Notes to the Consolidated Financial Statements (continued)

33 SUBSEQUENT EVENTS

There were no material subsequent events requiring adjustments to be effected on the financial statements or disclosure in the financial statements, except the one noted in 33.1 below.

33.1 COMMISSION OF INQUIRY

A Commission of inquiry established by the President of Zimbabwe concluded its inquiry into the loss in value for certain policyholders and beneficiaries upon the conversion of pension and insurance benefits after the dollarization of the economy in 2009. On 9 March 2018 the results of the Zimbabwean Government's inquiry were made public. The findings are subject to review by the President, Cabinet and legislature

The Commission is of the opinion that the policyholders may have been prejudiced and that the prejudice involved the regulator, government and the insurance industry. The commission did not however, determine a methodology for quantifying or allocating responsibility for this potential prejudice, and recommended that this be the subject of a further independent process to determine a criteria for assessing prejudice as well as a basis for compensation (if applicable), which will also take into account the need to maintain stability and confidence in the industry. As such we are not currently able to establish what impact the commission's findings will have on the Group.

This is however a non-adjusting event.

34 PROPOSED DIVIDEND ON ORDINARY SHARES

At a meeting held on 16 March 2018, the Board resolved that a final dividend of US\$1,050,000 being US0.015 cents per share be declared from the profits for the year ended 31 December 2017. The dividend will be payable on or about 27 April 2018 to all shareholders of the Company registered at close of business on 6 April 2018. The shares of the Company will be traded cum-dividend on the Zimbabwe Stock Exchange up to 10 April 2018 and ex-dividend as from 11 April 2018. In accordance with IAS 10, Events after the reporting period, the final dividend was declared after the reporting period, therefore has not been recognised as a liability as at 31 December 2017 but has been disclosed in the notes and will be accounted for in the financial statements for the year ended 31 December 2018.

Top 20 Shareholders

as at 31 December 2017

Rank	Account name	Shares	%
1	NATIONAL SOCIAL SECURITY AUTHORITY	479,027,495	68.81
2	CAPITAL BANK CORPORATION LIMITED,	76,343,373	10.97
3	LHG MALTA HOLDINGS LIMITED	36,333,225	5.22
4	STANBIC NOMINEES (PVT)LTD.	15,138,967	2.17
5	ZISCO	4,220,237	0.61
6	COLOSSUS INVESTMENTS (PVT) LTD	3,383,466	0.49
7	ZIMBABWE ASSOCIATION OF CHURCH RELATED HOSPITALS (ZACH) PENSION SCHEME	3,329,940	0.48
8	RENAISSANCE SECURITIES NOMINEES (TWO) (PRIVATE) LIMITED	3,092,406	0.44
9	KABELO FAMILY TRUST	2,679,540	0.38
10	FIRST MUTUAL LIFE STAFF PENSION SCHEME	2,629,900	0.38
11	RUFARO	2,172,199	0.31
12	COLNEST ZIMBABWE PENSION PLAN	1,281,135	0.18
13	AUTUMN GOLD GROUP PENSION PLAN	1,133,878	0.16
14	TFS NOMINEES (PVT)LTD	804,474	0.12
15	MIMOSA MINING COMP P/F-INVESCI	797,342	0.11
16	OLD MUTUAL LIFE ASS CO ZIM LTD	760,282	0.11
17	PRESERVATION FUND	709,189	0.10
18	COMMUNICATION ZIMBABWE GROUP PENSION PLAN (COMMAF)	679,410	0.10
19	MAKARI MONICA	642,240	0.09
20	STANBIC NOMINEES (PVT)LTD.	610,000	0.09
Total Top 20 shareholders		635 768 698	91.33
Other shareholders		60 369 041	8.67
		<u>696 137 739</u>	<u>100.00</u>

Notice to Shareholders

Notice is hereby given that the fifteenth Annual General Meeting of the shareholders of FIRST MUTUAL HOLDINGS LIMITED will be held at Royal Harare Golf Club, Harare, on Monday, 11 June 2018 at 14.30 hours for the purpose of transacting the following business.

ORDINARY BUSINESS

- 1 To receive, consider and adopt the Audited Financial Statements and Reports of the Directors and Auditors for the financial year ended 31 December 2017.
- 2 To elect directors:
- 2.1 Mrs M Mukondomi, Mr S V Rushwaya and Mr J Sekeso retire as directors of the Company in terms of Article 106 of the Articles of Association and, being eligible, offer themselves for re-election.
- 2.2 Mr C Nziradzemhuka and Mr A R T Manzai, who were appointed during the year, also retire and, being eligible, offer themselves for re-election in terms of Article 113.
- 3 To fix the remuneration of the Directors.
- 4 To confirm the remuneration of the Auditors, PricewaterhouseCoopers Chartered Accountants, Zimbabwe, for the past year.
- 5 To appoint PwC Chartered Accountants (Zimbabwe) as Auditors of the Company until the conclusion of the next Annual General Meeting.

SPECIAL BUSINESS

To consider and, if deemed fit, pass with or without modification, the following additional resolutions:

- 6 Loans to Executive Directors

AS AN ORDINARY RESOLUTION

THAT the Company be and is hereby authorised to make any loan to any Executive Director or to enter into any guarantee or provide any security in connection with a loan to such Executive Director for the purpose of enabling him to properly perform his duty as an officer of the Company as may be determined by the Group Human Resources and Governance Committee, provided that the amount of the loan or the extent of the guarantee or security shall not exceed the annual remuneration of that Director. Any such loans, securities or guarantees made or provided during the six months preceding this Annual General Meeting are hereby ratified.

- 7 General Authority to Buy Back Shares

AS AN ORDINARY RESOLUTION

THAT the Company authorises in advance, in terms of section 79 of the Companies Act [Chapter 24:03] and the Zimbabwe Stock Exchange Listing Requirements the purchase by the Company of its own shares subject to the following terms and conditions:

- a. The authority in terms of this resolution shall expire on the date of the Company's next Annual General Meeting; and
- b. Acquisitions shall be of ordinary shares which, in the aggregate in any one financial year shall not exceed 10% of the Company's issued ordinary share capital; and
- c. The maximum and minimum prices, respectively, at which such ordinary shares may be acquired will be the weighted average of the market price at which such ordinary shares are traded on the Zimbabwe Stock Exchange, as determined over the five business days immediately preceding the day of purchase of such ordinary share of the Company and shall not be less than the nominal value of the company's shares; and
- d. All shares purchased pursuant to this resolution shall be utilised for treasury purposes or cancelled at the discretion of the Board of Directors from time to time.
- e. If the maximum number of shares that can be purchased pursuant to the authority is purchased, the Directors believe that:
 - i) The Company will be able, in the ordinary course of business, to pay its debts for a period of twelve months after the date of this notice;
 - ii) The assets of the Company will be in excess of the liabilities of the Company and the Group;
 - iii) There will be adequate ordinary capital and reserves in the Company for a period of 12 months after the date of this notice; and
 - iv) There will be adequate working capital in the Company for a period of 12 months after the date of this notice.
- f. A press announcement will be published as soon as the Company has acquired ordinary shares constituting, on a cumulative basis in the period between annual general meetings, 3% of the number of ordinary shares in issue prior to the acquisition.

Notice to Shareholders (continued)

8 Any Other Business

To transact any other business competent to be dealt with at a general meeting.

Notes:

- i) In terms of the Companies Act (Chapter 24:03) a member entitled to attend and vote at a meeting is entitled to appoint a proxy to attend and vote on a poll and speak in his stead. A proxy need not be a member of the Company.
- ii) Proxy forms must be lodged at the registered office of the Company not less than forty-eight hours before the time for holding the meeting.
- iii) The registration of members attending the meeting will commence at 1400 hours on 11 June 2018, at the meeting venue.

BY ORDER OF THE BOARD



S F Lorimer (Mrs)
Company Secretary
HARARE

Registered Office
First Mutual Park
100 Borrowdale Road,
P O Box BW 178, Borrowdale
HARARE

Proxy Form

I/We, _____
 (full names)
 of _____
 (full address)
 being the registered holder/s of _____ Ordinary shares in

FIRST MUTUAL HOLDINGS LIMITED, do hereby appoint:

 (full names)
 of _____
 (full address)

or failing him/her the Chairman of the meeting as my/our proxy to vote for me/us on my/our behalf at the ANNUAL GENERAL MEETING of the Company to be held on 11 June 2018 and at any adjournment thereof.

I/We instruct my/our proxy or proxies to vote in the following way:
 (Please mark the appropriate box with an "X" next to each resolution)

		FOR	AGAINST	ABSTAIN
ORDINARY BUSINESS				
1	THAT the Audited Financial Statements and Reports of the Directors and Auditors for the financial year ended 31 December 2017 be adopted.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	THAT Mrs M Mukondomi be re-elected as a director of the Company in terms of Article 106 of the Articles of Association.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	THAT Mr S V Rushwaya be re-elected as a director of the Company in terms of Article 106 of the Articles of Association.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	THAT Mr J Sekeso be re-elected as a director of the Company in terms of Article 106 of the Articles of Association.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5	THAT the election of Mr C Nziradzemhuka and Mr A Manzai as directors of the Company be confirmed in terms of Article 113.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6	THAT the remuneration of the Directors be confirmed.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7	THAT the remuneration of the Auditors for the past year be confirmed.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8	THAT PricewaterhouseCoopers Chartered Accountants (Zimbabwe) be appointed as Auditors of the Company until the conclusion of the next Annual General Meeting.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
SPECIAL BUSINESS				
9	THAT the Company be authorised to make loans to Executive Directors in terms of Section 177 of the Companies Act subject to certain conditions.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10	THAT the Company be authorised in terms of section 79 of the Companies Act [Chapter 24:03] to purchase its own shares, subject to certain conditions.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Details of the above resolutions are set out in the Notice of the Annual General Meeting.

Signed this _____ day of _____ 2018

 SIGNATURE OF SHAREHOLDER

Proxy Form

NOTES:

1. In terms of section 129 of the Companies Act (Chapter 24:03), a member of the Company is entitled to appoint one or more persons to act in the alternative as his proxy, to attend and vote and speak in his stead. A proxy need not be a shareholder of the Company.
2. Unless otherwise instructed, the proxy will vote as he/she thinks fit.
3. This proxy form must be deposited at the Registered Office of the Company which is situated at Second Floor, First Mutual Park, Borrowdale Road, Harare so as to be received by the Secretary not less than 48 hours before the meeting.
4. The proxy form must be signed and dated for it to be valid. Any alterations or corrections to this form must be initialled.
5. Anyone signing this proxy form in a representative capacity must be authorised to do so. Please stamp this form with your company or organisation's stamp and enclose proof of authorisation.
6. The return of this proxy form will not prevent you from attending the meeting and voting in person. However, should this happen, the proxy will be revoked.

FIRST MUTUAL

H O L D I N G S L I M I T E D

Go Beyond

FIRST MUTUAL HOLDINGS LIMITED,
First Mutual Park, 100 Borrowdale Road, Borrowdale, Harare, Zimbabwe
P O Box BW 178, Borrowdale, Harare.
Tel: +263 (4) 886 000 - 17
E-mail: info@firstmutualholdings.com | Website: www.firstmutualholdings.com