FIRST MUTUAL

HOLDINGS LIMITED

Go Beyond

LIFE | HEALTH | INSURANCE | REINSURANCE | SAVINGS | PROPERTY

Audited Abridged Financial Results

FOR THE YEAR ENDED 31 DECEMBER 2019

CHAIRMAN'S STATEMENT

ECONOMIC OVERVIEW

The Zimbabwe economy is estimated to have contracted by 7% in 2019 (2018: +4% growth) due to subdued performance in the key sectors of agriculture, mining and manufacturing. Agricultural output shrank due to the drought in the 2018-2019 season and Cyclone Idai in March 2019. Despite recovery in global mineral prices, mining was negatively affected by power shortages and a drop in production volumes compared to 2018. The drought was a key factor in diminished national power output at the Kariba hydro-electric power station. The economy was also negatively affected by continuing shortages of foreign currency and fuel.

Subsequent to the floating of the Real Time Gross Settlement dollar ("RTGS$") against international currencies in February 2019, the Zimbabwe Dollar ("ZWL or $") was introduced as a mono-currency in June 2019. The migration from a multiple currency environment to the mono-currency environment, which commenced with the introduction of the RTGS dollar in October 2018, coincided with a spike in year-on-year inflation to 42% in December 2018. The inflation rate continued to rise and closed the year at 521% in December 2019.

The mainstream equities market on the Zimbabwe Stock Exchange ("ZSE") all share index increased by 57% (2018: 51%) for the year. The sub-inflationary performance was mainly due to diminished foreign investor interest as well as declining production volume performance by some major listed entities.

Notwithstanding the difficult operating environment, the Group invested in future growth across the business units and also expanded into new areas such as microfinance and funeral services which are closely aligned to its current operations.

MONETARY AND FISCAL DEVELOPMENTS

At the beginning of the year Zimbabwe was using a multi-currency system with RTGS bank balances and bond notes at an exchange rate of 1:1 with the United States of America Dollar ("USD"). On 22 February 2019, the Reserve Bank of Zimbabwe ("RBZ") floated the local currency at an introductory rate of USD1:RTGS$2.5 through Statutory Instrument ("SI") 33 of 2019. On 24 June 2019 the multi-currency system was abolished in favour of the ZWL as a mono-currency, through SI 142 of 2019.

These developments had various impacts on the Group with insurance subsidiaries precluded from writing local USD denominated policies with effect from 24 June 2019.

The Group was also exposed to foreign obligations relating to periods prior to 22 February 2019 ("legacy debts") when the USD and RTGS$ were segregated. The legacy debts amounting to USD1.9 million which arose from retrocession premiums, regional claims and information technology costs were submitted to the RBZ for approval. These liabilities have been recorded in the financial statements at the interbank rate.

HYPERINFLATIONARY REPORTING

On 11 October 2019 the Public Accountants and Auditors Board ("PAAB") issued pronouncement 01/2019 which advised that there was broad market consensus within the accounting and auditing professions that the factors and characteristics to apply International Accounting Standard ("IAS") 29 - Financial Reporting in Hyperinflationary Economies in Zimbabwe had been met effective 1 July 2019. As a result, the financial statements show both inflation adjusted and historical cost information.

FINANCIAL HIGHLIGHTS

As inflation rises, it becomes increasingly difficult to make comparisons between periods. Comments are made on both inflation adjusted and historical financial information:

Comprehensive income highlights

	Inflation adjusted		Historical	
	31 Dec 2019 ZWL000	31 Dec 2018 ZWL000	31 Dec 2019 ZWL000	31 Dec 2018 ZWL000
Gross Premium Written (GPW)	1,295,799	1,454,442	565,162	180 628
Net Premium Earned	949,479	1,245,986	393,391	153 849
Rental income	52,485	51,160	23,288	7 685
Investment income	(392,848)	207,402	215,025	31,263
Profit/ (loss) before income tax	416,408	(167,095)	933,313	24 815
Profit for the period	27,637	(213,295)	658,180	17 644

Financial position highlights

	Inflation adjusted		Historical	
	31 Dec 2019 ZWL000	31 Dec 2018 ZWL000	31 Dec 2019 ZWL000	31 Dec 2018 ZWL000
Total assets	2,404,902	2,447,055	2,307,909	392 278
Cash (utilised in)/ generated from operations	8,887	(21,196)	192,859	28 783

Share performance

	31 Dec 2019	31 Dec 2018
Basic earnings per share (cents)	(10.72)	(31.13)
Market price per share (cents)	31	12

Sustainability performance

Environmental highlights	31 Dec 2019	31 Dec 2018
Electricity usage (MWh)	2 041	3 559
Water consumption (m3)	131 000	25 268

Social performance highlights

	31 Dec 2019	31 Dec 2018
Total number of new employees	129	85
Average training hours per employee	24	80

FINANCIAL PERFORMANCE

During the period under review, the Group achieved significant revenue growth but also faced increased operating expenses due to inflationary pressures.

Statement of comprehensive income

Gross Premium Written ("GPW") decreased by 11% from prior year and increased in historical terms by 213% due to revision of sums insured in sympathy with the movement in the USD: ZWL exchange rate and the prevailing high inflation.

Rental income for the year amounted to $52.5 million and was ahead of prior year by 3% and by 203% in historical terms. The growth, relative to prior year, is due to quarterly rental reviews and increases in occupancy rates in retail and residential properties.

The Group had an investment loss of $392.8 million for the period under review compared to investment income of $207 million in 2018. The loss was driven by decline in value on ZSE listed equities as the market index grew at a slower rate than inflation.

Statement of financial position

The Group's total assets declined by 2% as at 31 December 2019 compared to 31 December 2018. The decline is mainly attributable to the loss of value on listed equities, the Zimbabwe dollar denominated bank balances and accounts receivables.

SUSTAINABILITY

Sustainability is a core value of First Mutual Group. Sustainability provides considerable integrated thinking on how to manage economic, environmental and social impact through shared values with stakeholders. The Group produced its first report containing sustainability information using the Global Reporting Initiatives ("GRI") standards in 2018, which has since been made mandatory for listed companies through the new listing requirements by the ZSE. The Group will continue to take constructive steps of aligning business values with sustainability while building shared values with stakeholders for long term business success.

FIRST MUTUAL IN THE COMMUNITY

First Mutual Holdings Limited continues to contribute to the community in which it operates in various ways including offering educational assistance to selected children in need from primary school to tertiary level through the First Mutual Foundation and First Mutual Reformed Church University Scholarship based on humanitarian need and academic merit. In addition, the Group is playing a key role in equipping university students with financial literacy education through its Future First programme. First Mutual Holdings Limited is also contributing to the health sector through its support for cancer awareness programmes, and in the year under review contributed to Cyclone Idai relief efforts financially as well as donating non-perishable goods and clothing through the Employee Corporate Social Responsibility initiative.

NEW LEGISLATIVE AND REGULATORY DEVELOPMENTS

A number of significant new pieces of legislation have been enacted recently, not least of which are the Companies and Other Business Entities Act [Chapter 24:31] and the new ZSE Listing Rules [SI 134 of 2019]. In addition, various directives have been issued by the regulators, particularly the Insurance and Pensions Commission ("IPEC"). The Group is rigorously assessing the implications of these enactments and taking steps to comply.

OUTLOOK

According to the Ministry of Finance and Economic Development, the economy is expected to recover with GDP growth of 3.0% in 2020 and 6.4% in 2021 on the back of improved performance in agriculture and mining. In spite of the challenging economic environment, the Group will continue to leverage off its strong financial position to enhance its position in the market. The stated focus by the monetary authorities on stabilising the Zimbabwe dollar and reducing inflation will enhance growth prospects for the country.

DIRECTORATE

Mr J Sekeso resigned from the Board on 7 February 2019. On behalf of the Board, I would like to thank him for his valuable contribution to the Group.

DIVIDEND

The Board resolved that a final dividend of ZWL0.35 cents per share be declared in respect of all ordinary shares of the Company, bringing the total dividend for the year ended 31 December 2019 to ZWL0.55 cents per share. The dividend will be payable on or about 12 June 2020 to all shareholders of the Company registered at close of business on 29 May 2020. The shares of the Company will be traded cum-dividend on the ZSE up to the market day of 26 May 2020 and ex-dividend as from 27 May 2020.

APPRECIATION

On behalf of the Board, I would like to extend my gratitude to all employees for a commendable performance in the current difficult economic environment. In addition, my appreciation goes to fellow board members, customers, regulators and other stakeholders for their contribution to Group efforts.

Oliver Mtasa
Chairman
9 April 2020

GROUP CHIEF EXECUTIVE OFFICER'S REVIEW OF OPERATIONS

Despite the turbulent economic environment, the Group remained focused on delivering its promise on the core pillars of risk management, wealth creation and wealth management during the year ended 31 December 2019. Economic developments and policy pronouncements during the year, as highlighted in the Chairman's statement, had a significant impact on the operations of the Group. Through initiatives such as product innovation, service excellence and strategic partnerships, we were able to mitigate the loss of value for our customers. The Group increased its investment in Diamond Seguros, a short-term insurer in Mozambique.

OPERATIONS REVIEW

The commentary below relates to the unconsolidated performance of each subsidiary, unless stated otherwise.

HEALTH INSURANCE

First Mutual Health Company (Private) Limited

On an inflation adjusted basis, the GPW decreased by 30% to $361.7 million in 2019 due to sub-inflationary increases in premium rates as most clients were not in a position to absorb full increases. The claims ratio declined from 77.7% to 72.7%, reflecting lower usage by members due to higher shortfalls as reimbursement levels fell behind the frequent price increases by service providers. The business continues to improve service provider reimbursement levels. Membership increased from 135 999 in December 2018 to 144 215 in December 2019.

LIFE AND PENSIONS BUSINESS

First Mutual Life Assurance Company (Private) Limited

GPW decreased by 47% to $188.2 million in 2019 reflecting the below inflation adjustments to basic salaries that drive the Employee Benefits (pensions and group life assurance) division. There was a market-wide trend whereby employers preferred paying allowances rather than increasing basic salaries as the economy migrated to a mono-currency environment. Revenue growth was also negatively affected by the slow pace in increasing life cover amounts in the individual life division.

INSURANCE

NicozDiamond Insurance Company Limited

GPW grew by 17% to $448 million in 2019. The growth was attributed to USD business written in the period to June 2019, new business and the general revision of sums insured to median rates between interbank and alternative market rates. The claims ratio was 43% (2018: 51%) due to a lower claims growth rate relative to premiums.

REINSURANCE

First Mutual Reinsurance Company Limited - Zimbabwe

GPW decreased by 3% to $156.1 million in 31 December 2019. The decrease was due to clients' limited capacity to match the growth in the USD: ZWL exchange rate in revision of sums insured and hence premiums. The claims' ratio improved to 56% in 2019 from 59% in 2018.

FMRE Property and Casualty (Proprietary) Limited Botswana

GPW grew by 186% to $242.6 million in 2019. The growth was 53% in Botswana Pula ("BWP") terms driven by improved local and international treaty participation, USD business retroceded by the Zimbabwe business and growth of specialist lines of business under the casualty segment. The claims ratio increased to 38% in 2019 from 29% in 2018, aligning with industry trends.

PROPERTY AND WEALTH MANAGEMENT

First Mutual Properties Limited

Revenue declined by 12% to $58.1 million in 2019. The decrease was due to lower than inflation rental review rates. However, there was an improvement in occupancy rates from 76.1% in 2018 to 85.6% at the end of 2019. Independent investment property valuations as at 31 December 2019 resulted in significant increases in the portfolio value.

First Mutual Wealth Management (Private) Limited

Investment fees decreased by 22% to $7.8 million in inflation adjusted terms mainly due to the below inflation performance of some components of funds under management such as quoted equities. The ZSE Industrial Index rose by 57% during 2019. During the year, the business made significant strides in attracting third-party funds and this trend is expected to continue.

SUSTAINABILITY

The Group took constructive steps of implementing sustainability reporting using GRI standards as a strategy for identifying, managing and being transparent on our impact on society, the economy and the environment.

In 2018, the Group produced the first sustainability report prepared in accordance with GRI Standards as a demonstration of our commitment to our sustainability values. The integration of sustainability in our operations is expected to continue with setting measurable targets, improving systems and developing capacity across the Group. In 2020, the Group will be rolling out sustainable renewable energy to power our offices at First Mutual Park and other offices across the country.

HUMAN CAPITAL

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

CORONAVIRUS PANDEMIC

In the short term the coronavirus ("COVID19") pandemic has diminished the growth of the global and Zimbabwean economy. This has negative impact on the growth prospects of the Group. The pandemic is still unfolding and therefore requires continuous monitoring and assessment. In that regard the Group has established a COVID19 Committee and mandated it to formulate and implement strategies to minimise the impact of the pandemic on the Group business. The initial focus of the Committee is to minimise the impact of the pandemic on the continuous service delivery to our customers as well enhancing their safety and that of our staff members in our premises as they offer service in this environment.

As the pandemic unfolds, the Committee will be putting strategies in place to respond as necessary. However, it is our view that the global and the Zimbabwe economy will eventually recover from the impact of the COVID19 pandemic. This should be followed by the recovery of businesses of the Group. Our initial assessment is that our Group has no significant COVID19-related exposures such as travel insurance and business interruption.

LOOKING AHEAD

In the short term, the economy is expected to continue to be adversely impacted by high inflation, shortages of foreign currency, foreign currency and fuel as well as the global impact of the COVID-19 pandemic. The Group is confident in the country's medium-term economic prospects and will thus continue to invest in its core businesses and complementary areas. We will retain our focus on balance sheet preservation and ensuring that our businesses achieve operating profits in a volatile environment. Efforts will also be made to enhance our regional footprint with a view to increasing our foreign currency earning potential.

The Insurance and Pensions Commission ("IPEC") issued various directives which will have a significant impact on the insurance and reinsurance businesses in 2020. The Group is seized with assessing extent of compliance and implications with corrective measures implemented.

APPRECIATION

I would like to thank all our stakeholders for the continued trust you have placed in our Group. Your support is critical, and we will continue to work to exceed your expectations.

Douglas Hoto
Group Chief Executive Officer
9 April 2020

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Audited Abridged Financial Results

FOR THE YEAR ENDED 31 DECEMBER 2019

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	INFLATION ADJUSTED		HISTORICAL		INFLATION ADJUSTED		HISTORICAL	
		AUDITED GROUP	AUDITED GROUP	AUDITED GROUP	AUDITED GROUP	AUDITED COMPANY	AUDITED COMPANY	AUDITED COMPANY	AUDITED COMPANY
ASSETS		31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18
		ZWL000	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000
Property, plant and equipment	5	51,036	29,248	18,499	10,541	750	635	131	74
Investment property	6	1,413,176	901,506	1,413,176	145,170	-	-	-	-
Right of use assets	7	18,956	-	3,068	-	3,630	-	1,030	-
Intangible assets		8,484	7,728	2,693	897	-	-	-	-
Investment in subsidiaries	8	-	-	-	-	566,412	525,218	505,609	77,144
Investment in associates		29,754	12,420	10,352	1,491	-	-	-	-
Financial assets:									
- equity securities at fair value through profit or loss	9	348,767	650,249	348,767	104,710	15,238	30,950	15,238	4,983
- debt securities at amortised cost	10	9,416	311,953	9,416	29,799	-	-	-	-
Deferred acquisition costs		24,337	23,998	7,648	2,934	-	-	-	-
Income tax asset		117	4,298	117	622	-	-	-	-
Inventory		12,995	5,499	6,309	804	131	246	131	40
Insurance, tenant and other receivables	11	208,348	226,140	208,348	34,226	5,396	8,275	5,396	1,332
Cash and balances with banks	12	279,516	274,016	279,516	61,084	4,821	23,885	4,821	3,845
TOTAL ASSETS		**2,404,902**	**2,447,055**	**2,307,909**	**392,278**	**596,378**	**589,209**	**532,356**	**87,418**
EQUITY AND LIABILITIES									
Equity attributable to equity holders of the parent									
Share capital		6,194	6,188	723	721	6,194	6,188	723	721
Share premium		334,293	333,870	39,045	38,844	334,293	333,870	39,045	38,844
Non-distributable reserves		121,782	57,767	68,229	6,673	5,295	5,092	806	683
Retained earnings		(76,239)	9,601	389,819	44,191	244,385	241,447	485,572	46,749
Total equity attributable to equity holders of the parent		386,030	407,426	497,816	90,429	590,167	586,597	526,146	86,997
Non-controlling interests		482,267	380,909	350,636	42,225	-	-	-	-
Total equity		**868,297**	**788,335**	**848,452**	**132,654**	**590,167**	**586,597**	**526,146**	**86,997**
Liabilities									
Life insurance contracts with and without DPF and investment contracts with DPF liabilities	13	703,858	877,907	703,858	141,335	-	-	-	-
Investment contract liabilities without DPF	14	45,639	173,980	45,639	28,010	-	-	-	-
Shareholder risk reserves	15	26,647	72,486	26,647	11,670	-	-	-	-
Borrowings		-	92	-	92	-	-	-	-
Lease liability	7	3,304	-	3,304	-	1,062	-	1,062	-
Share based payment liability		5,018	-	5,018	-	1,320	-	1,320	-
Insurance contract liabilities - short term	16	375,689	333,410	307,555	50,573	-	-	-	-
Insurance liabilities - life assurance		4,079	17,013	4,079	2,269	-	-	-	-
Other payables	17	80,799	69,241	80,799	9,184	3,829	2,612	3,828	421
Deferred income tax	18	290,709	114,250	281,695	16,436	-	-	-	-
Current income tax liabilities		863	341	863	55	-	-	-	-
Total liabilities		**1,536,605**	**1,658,720**	**1,459,457**	**259,624**	**6,211**	**2,612**	**6,210**	**421**
TOTAL EQUITY AND LIABILITIES		**2,404,902**	**2,447,055**	**2,307,909**	**392,278**	**596,378**	**589,209**	**532,356**	**87,418**

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	INFLATION ADJUSTED		HISTORICAL	
		AUDITED 31-Dec-19 ZWL000	AUDITED 31-Dec-18 ZWL000	AUDITED 31-Dec-19 ZWL000	AUDITED 31-Dec-18 ZWL000
INCOME					
Gross premium written	19	1,295,799	1,454,442	565,162	180,628
Reinsurance	19	(312,253)	(184,682)	(163,873)	(23,942)
Net premium written	**19**	**983,546**	**1,269,760**	**401,289**	**156,686**
Change in unearned premium reserve		(34,067)	(23,774)	(7,898)	(2,837)
Net premium earned		**949,479**	**1,245,986**	**393,391**	**153,849**
Rental income		52,485	51,160	23,288	7,685
Fair value adjustments - investment property	6	506,592	(289,504)	1,267,517	6,841
Investment income	20	(392,848)	207,402	215,025	31,263
Interest income		18,051	21,845	5,641	3,013
Fee income:					
- Insurance contracts		31,631	41,145	4,903	1,641
- Investment contracts		1,418	1,376	10,935	3,698
Other income		118,799	22,631	39,541	1,266
Monetary loss		(262,034)	(462,547)	-	-
Total income		**1,023,573**	**839,494**	**1,960,241**	**209,256**
EXPENDITURE					
Pension benefits	21	(38,616)	(63,817)	(17,584)	(11,053)
Insurance claims and loss adjustment expenses	21	(463,321)	(709,485)	(208,847)	(85,107)
Insurance claims and loss adjustment expenses recovered from reinsurers	21	48,870	49,187	15,272	7,444
Net insurance benefits and claims	**21**	**(453,067)**	**(724,115)**	**(211,159)**	**(88,716)**
Movement in insurance contract liabilities		174,049	129,397	(568,050)	(36,226)
Movement in shareholder risk reserve		(45,839)	(30,261)	(14,977)	262
Investment gain on investment contract liabilities		128,341	2,211	(28,847)	(7,065)
Acquisition of insurance and investment contracts expenses		(77,492)	(101,552)	(38,549)	(12,694)
Administration expenses		(305,533)	(277,554)	(143,308)	(39,306)
Impairment allowances		(22,713)	(5,601)	(19,125)	(690)
Finance cost on borrowings		(673)	(444)	(367)	(53)
Total expenditure		**(602,927)**	**(1,007,919)**	**(1,024,382)**	**(184,488)**
Profit/(loss) before share of profit of associate		**420,646**	**(168,425)**	**935,859**	**24,768**
Share of (loss)/ profit of associate		(4,238)	1,330	(2,546)	47
Profit/(loss) before income tax		**416,408**	**(167,095)**	**933,313**	**24,815**
Income tax expense		(388,771)	(46,200)	(275,133)	(7,171)
Profit/(loss) for the year		**27,637**	**(213,295)**	**658,180**	**17,644**
Other comprehensive income/(loss)					
Other comprehensive income/(loss) to be reclassified to statement of comprehensive income in subsequent period					
Exchange gain/ (loss) on translating foreign operations		61,326	(782)	61,326	(126)
Share of other comprehensive income of associate		106	944	106	152
Other comprehensive income/(loss) to be reclassified to statement of comprehensive income in subsequent periods		**61,432**	**162**	**61,432**	**26**
Total comprehensive profit/(loss) for the year		**89,069**	**(213,133)**	**719,612**	**17,670**
Profit/(loss) attributable to:					
Non-controlling interest		104,962	6,832	309,162	1,119
Equity holders of the parent		(77,325)	(220,127)	349,018	16,525
Profit/(loss) for the period		**27,637**	**(213,295)**	**658,180**	**17,644**
Comprehensive income/(loss) attributable to:					
Non-controlling interest		104,962	6,832	309,162	1,119
Equity holders of the parent		(15,893)	(219,965)	410,450	16,551
Total comprehensive income/(loss) for the year		**89,069**	**(213,133)**	**719,612**	**17,670**
Basic earnings/ (loss) per share (ZWLcents)		(10.72)	(31.13)	48.36	2.34
Diluted earnings/ (loss) per share (ZWL cents)		(10.70)	(31.05)	48.32	2.33
Basic headline earnings/ (loss) per share (ZWL cents)		(8.31)	(30.85)	46.80	2.09
Diluted headline earnings/ (loss) per share (ZWL cents)		(8.31)	(30.19)	46.76	2.05

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

INFLATION ADJUSTED	Share capital	Share premium reserves	Non-distributable reserves	Retained profits	Total equity for parent	Non-controlling interest	Total equity
	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000
As at 1 January 2018	**6,188**	**344,207**	**55,721**	**230,223**	**636,339**	**428,649**	**1,064,988**
Impact of adopting IFRS 9	-	-	-	(12,694)	(12,694)	-	(12,694)
Restated as at 1 January 2018	**6,188**	**344,207**	**55,721**	**217,529**	**623,645**	**428,649**	**1,052,294**
Profit for the year	-	-	-	(220 127)	(220,127)	6 832	(213,295)
Other comprehensive (loss)/ income	-	-	(782)	944	162	-	162
Total comprehensive (loss)/income	**-**	**-**	**(782)**	**(219 183)**	**(219,965)**	**6 832**	**(213,133)**
Transactions with shareholders in their capacity as owners							
Issue of shares	193	24,894	-	-	25,087	-	25,087
- acquisition of 19.08% of NDIL	146	23,264	-	-	23,410	-	23,410
- share options	47	1,630	-	-	1,677	-	1,677
2017 mandatory tender offer	(193)	(35,231)	-	-	(35,424)	-	(35,424)
Share based payments	-	-	2,828	-	2,828	-	2,828
Acquisition of non-controlling interest	-	-	-	20,555	20,555	(52,170)	(31,615)
Dividend declared and paid	-	-	-	(9,300)	(9,300)	(2,402)	(11,702)
As at 31 December 2018	**6,188**	**333,870**	**57,767**	**9,601**	**407,426**	**380,909**	**788,335**
As at 1 January 2019	**6,188**	**333,870**	**57,767**	**9,601**	**407,426**	**380,909**	**788,335**
Profit for the year				(77,325)	(77,325)	104,962	27,637
Other comprehensive income			61,432		61,432		61,432
Total comprehensive income	**-**	**-**	**61 432**	**(77 325)**	**(15,893)**	**104 962**	**89,069**
Transactions with shareholders in their capacity as owners							
Issue of shares - share options	6	423	-	-	429	-	429
Share based payments	-	-	2,583	-	2,583	-	2,583
Acquisition of non-controlling interest	-	-	-	1,158	1,158	(2,390)	(1,232)
Dividend declared and paid	-	-	-	(9,674)	(9,674)	(1,214)	(10,888)
As at 31 December 2019	**6,194**	**334,293**	**121,782**	**(76,239)**	**386,030**	**482,267**	**868,297**

HISTORICAL	Share capital	Share premium reserves	Non-distributable reserves	Retained profits	Total equity for parent	Non-controlling interest	Total equity
	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000
As at 1 January 2018	**719**	**39,972**	**6,471**	**26,735**	**73,897**	**49,778**	**123,675**
Impact of adopting IFRS 9	-	-	-	(1,474)	(1,474)	-	(1,474)
Restated as at 1 January 2018	719	39,972	6,471	25,261	72,423	49,778	122,201
Profit for the year	-	-	-	16 525	16,525	1 119	17,644
Other comprehensive (loss)/ income	-	-	(126)	152	26	-	26
Total comprehensive (loss)/income	**-**	**-**	**(126)**	**16 677**	**16,551**	**1 119**	**17,670**
Transactions with shareholders in their capacity as owners							
Issue of shares	25	2,964	-	-	2,989	-	2,989
- acquisition of 19.08% of NDIL	17	2,702	-	-	2,719	-	2,719
- share options	8	262	-	-	270	-	270
2017 mandatory tender offer	(23)	(4,092)	-	-	(4,115)	-	(4,115)
Share based payments	-	-	328	-	328	-	328
Acquisition of non-controlling interest	-	-	-	3,309	3,309	(8,399)	(5,090)
Dividend declared and paid	-	-	-	(1,056)	(1,056)	(273)	(1,329)
As at 31 December 2018	**721**	**38,844**	**6,673**	**44,191**	**90,429**	**42,225**	**132,654**
As at 1 January 2019	**721**	**38,844**	**6,673**	**44,191**	**90,429**	**42,225**	**132,654**
Profit for the year	-	-	-	349 018	349,018	309 162	658,180
Other comprehensive income	-	-	61 432	-	61,432	-	61,432
Total comprehensive income	**-**	**-**	**61 432**	**349 018**	**410,450**	**309 162**	**719,612**
Transactions with shareholders in their capacity as owners							
Issue of shares - share options	2	201	-	-	203	-	203
Share based payments	-	-	124	-	124	-	124
Acquisition of non-controlling interest	-	-	-	260	260	(537)	(277)
Dividend declared and paid	-	-	-	(3 650)	(3,650)	(214)	(3,864)
As at 31 December 2019	**723**	**39,045**	**68,229**	**389,819**	**497,816**	**350,636**	**848,452**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	INFLATION ADJUSTED		HISTORICAL	
	AUDITED 31-Dec-19 ZWL000	AUDITED 31-Dec-19 ZWL000	AUDITED 31-Dec-19 ZWL000	AUDITED 31-Dec-19 ZWL000
Profit before income tax	**416,408**	**(167,095)**	**933,313**	**24,815**
Total non- cash and separately disclosed items	(458,721)	475,294	(891,235)	2,052
Operating cash flows before working capital changes	**(42,313)**	**308,199**	**42,078**	**26,867**
Working capital changes	51,200	(329,395)	150,781	1,916
Cash (utilised in)/generated from operations	**8,887**	**(21,196)**	**192,859**	**28,783**
Finance costs on borrowings	(673)	(327)	(367)	(53)
Interest received	18,051	18,716	5,641	3,013
Tax paid	(27,405)	(21,057)	(8,564)	(3,390)
Net cash flows(utilised in)/ generated from operating activities	**(1,140)**	**(23,864)**	**189,569**	**28,353**
Net cash flow generated from/(used in) investing activities	**(7,770)**	**(16,382)**	**(5,392)**	**(17,863)**
Net cash flow used in financing activities	**(11,386)**	**(12,887)**	**(4,066)**	**(2,075)**
Net increase/(decrease) in cash and cash equivalents	**(20,296)**	**(53,133)**	**180,111**	**8,415**
Cash and cash equivalents at the beginning of the year	274,016	329,387	61,084	53,028
Effects of exchange rate changes on cash and cash equivalents	25,796	(2,238)	38,321	(359)
Cash and cash equivalents at the end of the year	**279,516**	**274,016**	**279,516**	**61,084**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Corporate information

The main business of First Mutual Holdings Limited ("the Company") and its subsidiaries (together the "Group") is that of provision of life and funeral assurance, health insurance, short term insurance, reinsurance, property management and development and wealth management. First Mutual Holdings Limited is a public company, incorporated and domiciled in Zimbabwe whose shares are publicly traded on the Zimbabwe Stock Exchange.

The ultimate parent of the Company is National Social Security Authority ("NSSA") which owns 66.22% (2018: 66.46%) directly and an additional 7.10% (2018: 10.59%) indirectly through Capital Bank Limited (under liquidation). NSSA owns 84% (2018: 84%) of Capital Bank Limited.

The registered office is located at Second Floor, First Mutual Park, 100 Borrowdale Road, Borrowdale, Harare, Zimbabwe. The consolidated historical and inflation adjusted financial statements of the Company and the Group for the year ended 31 December 2019 were authorised for issue in accordance by a resolution of the Directors at a meeting held on 9 April 2020.

DIRECTORS: O Mtasa (Chairman), D Hoto (Group Chief Executive Officer), W M Marere (Group Finance Director), G Baines, A R T Manzai, E Mkondo, E Moyo, M Mukondomi, D Tomana, S V Rushwaya

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

2 Statement of compliance
These financial results should be read in conjunction with the complete set of financial statements for the year ended 31 December 2019, which have been audited by PricewaterhouseCoopers Chartered Accountants (Zimbabwe). The Group's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("the IASB"), International Financial Reporting Committee Interpretations ("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) except for IAS 21, Effects of changes in foreign exchange rates. The financial statements are based on statutory records that are maintained under the historical cost convention except for investment properties, equity securities at fair value through profit or loss and insurance and investment contract liabilities that have been measured on a fair value basis.

The accounting policies applied in the audited abridged financial results are consistent with the accounting policies in the prior year financial statements except for the following:

2.1 Inflation adjustment
IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of a measuring unit current at the balance sheet date, and that corresponding figures for previous periods be stated in the same terms to the latest balance sheet date. The restatement has been calculated by means of conversion factors derived from the month-on-month consumer price index ("CPI") prepared by the Zimbabwe Statistical Agency. The conversion factors used to restate the financial statements at 31 December 2019 are as follows:

Date	CPI	Conversion factor
30 September 2018	64.06	8.61
31 December 2018	88.81	6.21
31 December 2019	551.63	1

All items in the income statements are restated by applying the relevant monthly conversion factors.

2.2 Leases
The Group and Company adopted IFRS 16, 'Leases' using the modified retrospective approach from 1 January 2019, thus have not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard.

Impact on the financial statements
On adoption of IFRS 16, the Group and Company recognised lease liabilities and right of use assets in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 'Leases'. These assets and liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rates applied to the lease liabilities on 1 January 2019 range from 10.75% to 12% depending on jurisdiction.

As at 1 January 2019, the Group and Company recognised the following:

	INFLATION ADJUSTED		HISTORICAL COST	
	AUDITED	AUDITED	AUDITED	AUDITED
	GROUP	COMPANY	GROUP	COMPANY
	1 Jan 19	1 Jan 19	1 Jan 19	1 Jan 19
	ZWL000	ZWL000	ZWL000	ZWL000
Assets				
Right of use assets	22,354	2,448	3,618	394
Liabilities				
Lease liabilities	3,618	394	3,618	394

3 Audit opinion
These financial statements should be read in conjunction with the complete set of financial statements for the year ended 31 December 2019, which have been audited by PricewaterhouseCoopers Chartered Accountants (Zimbabwe).

An adverse audit opinion has been issued because of non-compliance with IAS 21, 'The Effects of Foreign Exchange Rates' and the impact on the inflation-adjusted amounts determined in terms of IAS 29, 'Financial Reporting in Hyper-inflationary Economies. The auditor's report includes a section on key audit matters as defined by ISA 701, 'Communicating key audit matters in the independent auditor's report'. This includes both the rationale for determining the key audit matters and how they were addressed during the audit. Below are the key audit matters:

- valuation of investment property, and
- valuation of policyholder insurance contracts with and without DPF and investment contracts with DPF liabilities.

The financial statements were audited by Clive K Mukondiwa, CA(Z), a member of the Institute of Chartered Accountants of Zimbabwe ("ICAZ") Public Practice Certificate Number 253168 and a registered Public Auditor with the Public Accountants and Auditors Board, Public Auditor Certificate Number 0439.

4 Functional and Presentation Currency
a) Functional and presentation currency
Items included in the 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 ZWL which is the Company and the Group's functional and presentation currency.

b) Currency developments in Zimbabwe
The Group had in previous financial periods used the United States of America Dollar ("USD") as its presentation currency and functional currency. However, on 20 February 2019, the Reserve Bank of Zimbabwe ("RBZ") Governor announced a new Monetary Policy Statement ("MPS") whose highlights were:

- denomination of Real Time Gross Settlement ("RTGS") balances, bond notes and coins collectively as RTGS dollars ("RTGS$"). RTGS$ become part of the multi-currency system.
- RTGS$ to be used by all entities (including government) and individuals in Zimbabwe for purposes of pricing of goods and services, record debts, accounting and settlement of domestic transactions .
- establishment of an inter-bank foreign exchange market where the exchange rate will be determined by market forces. The interbank market opened trading at a rate of USD1 to RTGS$ 2.5

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

On 24 June 2019 another SI 142 was issued resulting in the abolishment of the multicurrency regime and introducing the ZWL as a mono-currency or sole tender. The ZWL was introduced at par with the RTGS$.

	INFLATION ADJUSTED		HISTORICAL		INFLATION ADJUSTED		HISTORICAL	
	AUDITED	AUDITED	AUDITED	AUDITED	AUDITED	AUDITED	AUDITED	AUDITED
	GROUP	GROUP	GROUP	GROUP	COMPANY	COMPANY	COMPANY	COMPANY
	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18
	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000
5 Property, vehicles and equipment								
At 1 January	29,248	24,899	10,541	10,258	635	488	74	55
Additions	27,898	14,203	9,811	1,649	235	364	88	42
Disposals	(629)	(852)	(192)	(99)	-	-	-	-
Depreciation charge	(5,481)	(9,002)	(1,661)	(1,267)	(120)	(217)	(31)	(23)
At 31 December	**51,036**	**29,248**	**18,499**	**10,541**	**750**	**635**	**131**	**74**
6 Investment property								
At 1 January	901,506	1,174,684	145,170	136,433	-	-	-	-
Additions	9,296	21,398	1,809	2,485	-	-	-	-
Disposals	(4,218)	-	(1,320)	-	-	-	-	-
Transfer to associate	-	(5,072)	-	(589)	-	-	-	-
Fair value adjustments	506,592	(289,504)	1,267,517	6,841	-	-	-	-
At 31 December	**1,413,176**	**901,506**	**1,413,176**	**145,170**	-	-	-	-

No investment property was encumbered as at 31 December 2019 (31 December 2018: ZWL23.5 million).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

	INFLATION ADJUSTED		HISTORICAL		INFLATION ADJUSTED		HISTORICAL	
	AUDITED	AUDITED	AUDITED	AUDITED	AUDITED	AUDITED	AUDITED	AUDITED
	GROUP	GROUP	GROUP	GROUP	COMPANY	COMPANY	COMPANY	COMPANY
	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18
	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000
7 Leases								
Right of use assets								
As at 1 January	22,354	-	3,618	-	2,449	-	394	-
Modification	-	-	-	-	2,354	-	969	-
Depreciation charge for the year	(3,398)	-	(550)	-	(1,173)	-	(333)	-
As at 31 December	**18,956**	-	**3,068**	-	**3,630**	-	**1,030**	-
Lease liability								
Current	472		472		683	-	683	-
Non-current	2,832		2,832		379	-	379	-
As at 31 December	**3,304**	-	**3,304**	-	**1,062**	-	**1,062**	-
8 Investment in subsidiaries								
First Mutual Microfinance (Private) Limited	-	-	-	-	2,858	1,362	350	200
First Mutual Life Assurance Company (Private) Limited	-	-	-	-	202,340	151,327	195,507	22,227
First Mutual Funeral Services (Private) Limited	-	-	-	-	-	5,447	-	800
First Mutual Health Company (Private) Limited	-	-	-	-	72,104	140,515	47,864	20,639
First Mutual Reinsurance Company (Private) Limited	-	-	-	-	28,389	69,698	26,705	10,237
FMRE Property & Casualty (Proprietary) Limited	-	-	-	-	81,189	27,798	74,516	4,083
First Mutual Wealth Management (Private) Limited	-	-	-	-	3,036	5,633	1,975	827
NicozDiamond Insurance Limited	-	-	-	-	176,496	123,438	158,692	18,131
Total	-	-	-	-	**566,412**	**525,218**	**505,609**	**77,144**
9 Financial assets at fair value through profit or loss								
At 1 January	650,249	343,209	104,710	55,267	30,950	14,223	4,983	2,290
Purchases	271,989	199,625	84,732	32,146	5,209	10,849	5,209	1,747
Disposals	(157,591)	(7,682)	(49,093)	(1,237)	-	-	-	-
Fair value gain on unquoted investments	859	129	859	21	-	-	-	-
Fair value gain/ (loss) on quoted equities	(416,739)	114,968	207,559	18,513	(20,921)	5,878	5,046	946
At 31 December	**348,767**	**650,249**	**348,767**	**104,710**	**15,238**	**30,950**	**15,238**	**4,983**
10 Debt securities at amortised cost								
At 1 January	29,799	412,362	29,799	39,391	-	-	-	-
Purchases	41,195	674,219	41,195	64,404	-	-	-	-
Maturities	(61,578)	(774,628)	(61,578)	(73,996)	-	-	-	-
At 31 December	**9,416**	**311,953**	**9,416**	**29,799**	-	-	-	-
11 Insurance, tenant and other receivables								
Insurance receivables	165,988	201,265	165,988	30,405	-	-	-	-
Tenant receivables	4,582	4,523	4,582	616	-	-	-	-
Amounts due from Group companies	-	-	-	-	3,680	6,729	3,680	1,083
Other receivables	37,778	20,352	37,778	3,205	1,716	1,546	1,716	249
Total	**208,348**	**226,140**	**208,348**	**34,226**	**5,396**	**8,275**	**5,396**	**1,332**
12 Cash and balances with banks								
Money market investments with original maturities less than 90 days	67,314	192,070	67,314	42,816	-	-	-	2,168
Cash at bank and on hand	212,202	81,946	212,202	18,268	4,821	23,885	4,821	1,677
Cash and balances with banks	**279,516**	**274,016**	**279,516**	**61,084**	**4,821**	**23,885**	**4,821**	**3,845**
13 Life insurance contracts and investment contracts with Discretionary Participating Features ("DPF") liabilities								
At 1 January	877,907	1,007,304	141,335	105,109	-	-	-	-
Net movement	(174,049)	(129,397)	562,523	36,226	-	-	-	-
At 31 December	**703,858**	**877,907**	**703,858**	**141,335**	-	-	-	-
14 Investment contract liabilities without DPF								
At 1 January	173,980	176,191	28,010	20,945	-	-	-	-
Net movement	(128,341)	(2,211)	17,629	7,065	-	-	-	-
At 31 December	**45,639**	**173,980**	**45,639**	**28,010**	-	-	-	-
15 Shareholder risk reserve								
At 1 January	72,486	102,747	11,670	11,932	-	-	-	-
Movement	(45,839)	(30,261)	14,977	(262)	-	-	-	-
At 31 December	**26,647**	**72,486**	**26,647**	**11,670**	-	-	-	-
16 Insurance contract liabilities - short term								
Outstanding claims	41,584	52,707	41,584	7,995	-	-	-	-
Reinsurance	141,189	56,405	141,189	8,556	-	-	-	-
Losses incurred but not reported	43,156	85,822	43,156	13,018	-	-	-	-
Member savings pot	7,638	36,433	7,638	5,526	-	-	-	-
Premium received in advance	10,197	16,640	10,197	2,524	-	-	-	-
Unearned premium reserve	119,310	85,243	51,176	12,930	-	-	-	-
Commissions	12,615	160	12,615	24	-	-	-	-
Total	**375,689**	**333,410**	**307,555**	**50,573**	-	-	-	-
17 Other payables								
	75 710	52 406	75 710	6 951	3 494	2 338	3 494	377
Other payables	27 618	8 287	27 618	1 099	-	-	-	-
Provisions	25 394	16 433	25 394	2 180	1 885	317	1 885	51
Payroll and statutory payables	8 284	10 646	8 284	1 412	307	554	307	89
Accrued expenses	5 749	9 145	5 749	1 213	501	828	501	133
Trade payables	8 665	7 895	8 665	1 047	801	639	801	104
Property business related liabilities	5 089	16 835	5 089	2 233	-	-	-	-
Amounts due to group companies	-	-	-	-	334	274	334	44
Total	**80,799**	**69,241**	**80,799**	**9,184**	**3,828**	**2,612**	**3,828**	**421**
18 Deferred income tax								
At 1 January	114,250	107,213	16,436	12,366	-	-	-	-
Impact of adopting IFRS 9	-	4,439	-	512	-	-	-	-
Recognised through statement of comprehensive income	176,459	2,598	265,259	3,558	-	-	-	-
Total	**290,709**	**114,250**	**281,695**	**16,436**	-	-	-	-
19 Net premium written								
Pension and savings business	100,800	224,155	43,964	27,838	-	-	-	-
Life assurance	46,239	126,056	20,167	15,655	-	-	-	-
Health insurance	306,361	506,439	133,619	62,895	-	-	-	-
Property and casualty	842,399	597,792	367,412	74,240	-	-	-	-
Gross premium written	**1,295,799**	**1,454,442**	**565,162**	**180,628**	-	-	-	-
Less: Reinsurance	(312,253)	(184,682)	(163,873)	(23,942)	-	-	-	-
Net premium written	**983,546**	**1,269,760**	**401,289**	**156,686**	-	-	-	-

FIRST MUTUAL
HOLDINGS LIMITED
Go Beyond

LIFE | HEALTH | INSURANCE | REINSURANCE | SAVINGS | PROPERTY

Audited Abridged Financial Results

FOR THE YEAR ENDED 31 DECEMBER 2019

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

	INFLATION ADJUSTED		HISTORICAL		INFLATION ADJUSTED		HISTORICAL	
	AUDITED GROUP 31-Dec-19 ZWL000	AUDITED GROUP 31-Dec-18 ZWL000	AUDITED GROUP 31-Dec-19 ZWL000	AUDITED GROUP 31-Dec-18 ZWL000	AUDITED COMPANY 31-Dec-19 ZWL000	AUDITED COMPANY 31-Dec-18 ZWL000	AUDITED COMPANY 31-Dec-19 ZWL000	AUDITED COMPANY 31-Dec-18 ZWL000
20 Investment income								
Dividend received	12,002	92,305	3,159	12,729	-	-	-	-
Fair value gain on unquoted equities at fair value through profit or loss	859	129	859	21	-	-	-	-
Gain from disposal of quoted investments at fair value through profit or loss	40,980	-	12,806	-	-	-	-	-
Capital guarantee fees	(29,950)	-	(9,358)	-	-	-	-	-
Fair value gain on quoted equities at fair value through profit or loss	(416,739)	114,968	207,559	18,513	-	-	-	-
Total investment income before interest income	(392,848)	207,402	215,025	31,263	-	-	-	-
21 Net insurance claims and benefits								
Insurance claims and loss adjustment expenses:								
Health insurance	244,859	408,308	110,373	48,979	-	-	-	-
Life assurance	9,817	35,288	4,425	4,233	-	-	-	-
Property and casualty	208,645	265,889	94,049	31,895	-	-	-	-
Total insurance claims and loss adjustment expenses	**463,321**	**709,485**	**208,847**	**85,107**	**-**	**-**	**-**	**-**
Less: Insurance claims and benefits expenses recovered from reinsurers	(48,870)	(49,187)	(15,272)	(7,444)	-	-	-	-
Net total insurance claims expense	414,451	660,298	193,575	77,663	-	-	-	-
Pensions benefits	38,616	63,817	17,584	11,053				
Net insurance claims and benefits	**453,067**	**724,115**	**211,159**	**88,716**	**-**	**-**	**-**	**-**
22 Companies Act (24.03) and IFRS manadatory disclosures								
Staff costs	136,631	139,604	64,086	19,770	-	-	-	-
Directors' fees – Holding company	1,320	990	619	140	-	-	-	-
– Group companies	3,840	3,355	1,801	475	-	-	-	-
Depreciation of property, vehicles and equipment	5,481	9,002	1,661	1,267	-	-	-	-
Audit fees	3,322	4,456	1,558	631	-	-	-	-

23 Events after the reporting date

On 31 December 2019, Wuhan Municipal Health Commission, China, reported a cluster of cases of pneumonia in Wuhan, Hubei Province to the World Health Organisation (WHO). A novel coronavirus was eventually identified; the Coronavirus disease (COVID-19) . However, substantive information about COVID-19 became available from mid-January 2020 and it was eventually characterised as a pandemic by WHO on 11 March 2020. In Zimbabwe, the Ministry of Health and Child Care announced the first COVID-19 case on 20 March 2020. The Government of Zimbabwe subsequently announced a mandatory country-wide initial 21-day lock-down with effect from 30 March 2020. The lock-down period was extended by 14 days on 19 April 2020. As a result of the timing, these events are non-adjusting as they occurred after the reporting date.

Going concern

The COVID-19 pandemic has diminished the short-term growth prospects of the economy and the Group. The evolving nature of the pandemic will require continuous monitoring as assessment to establish the impact on operations. The client base of the Group includes customers that have been more severely affected by the pandemic and associated physical distancing measures such as lock-downs.

The lock-down has resulted in disruption of normal operations of the Group and its customers with impact varying from segment to segment which has resulted in the Directors re-assessing the ability of the Group to continue as a going concern. The Directors are confident that the Group will continue to operate as a going concern into the foreseeable future with major segments of insurance, life assurance, health insurance afforded essential services status, hence no significant impact from the lock-down on the operating and financial performance of the Group. The property subsidiaries' major tenants are also within the essential services category. The Group has adequate liquid resources to continue to sustain its operations.

SEGMENTAL RESULTS AND ANALYSIS

FOR THE YEAR ENDED 31 DECEMBER 2019

INFLATION ADJUSTED

As at 31 December 2019	Life ZWL000	Property and Casualty ZWL000	Health ZWL000	Property ZWL000	Other ZWL000	Gross Figures ZWL000	Consolidation Entries ZWL000	Total Consolidated ZWL000
Net premium earned	186,752	399,715	361,655	-	-	948,122	1,357	949,479
Rental income	-	3,710	-	58,109	904	62,723	(10,238)	52,485
Fair value adjustments on investment property	-	6,202	-	485,407	-	491,609	14,983	506,592
Investment income	(122,255)	(8,007)	(20,784)	234	679,276	528,464	(903,261)	(374,797)
Other income and fee income	37,117	44,373	6,710	156,724	24,130	269,054	(379,240)	(110,186)
Total income	**101,614**	**445,993**	**347,581**	**700,474**	**704,310**	**2,299,972**	**(1,276,399)**	**1,023,573**
Total expenses	(36,506)	(380,232)	(345,785)	(35,334)	(28,041)	(825,898)	222,971	(602,927)
Deffered acquisition costs	-	24,337	-	-	-	24,337	-	24,337
Total assets	1,041,667	639,722	110,316	1,479,024	558,422	3,829,151	(1,424,249)	2,404,902
Movement in insurance contract liabilities	174,049	-	-	-	-	174,049	-	174,049
Movement in investment contract liabilities	128,341	-	-	-	-	128,341	-	128,341
Total liabilities	846,658	372,722	61,069	272,270	8,188	1,560,907	(24,302)	1,536,605
Cash flows from operating activities	77,862	13,287	90,364	50,336	4,119	235,968	(227,081)	8,887
Cash flows generated from/ (utilised in) investing activities	(96,038)	(67,990)	21,142	3,766	37,343	(101,777)	94,007	(7,770)
Cash generated from/ (utilised in) financing activities	29,436	9,808	-	(301)	(11,977)	26,966	(38,352)	(11,386)
Profit before income tax	76,037	86,798	21,454	565,329	197,913	947,531	(531,123)	416,408
Income tax expense	(6,816)	(35,766)	-	(48,852)	(51)	(91,485)	(297,286)	(388,771)

SEGMENTAL RESULTS AND ANALYSIS

FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

INFLATION ADJUSTED (continued)

As at 31 December 2018	Life ZWL000	Property and Casualty ZWL000	Health ZWL000	Property ZWL000	Other ZWL000	Gross Figures ZWL000	Consolidation Entries ZWL000	Total Consolidated ZWL000
Net premium earned	347,854	251,721	516,212	-	867	1,116,654	129,332	1,245,986
Rental income	-	3,528	-	65,761	-	69,289	(18,129)	51,160
Fair value adjustments on investment property	-	5,796	-	(296,821)	-	(291,025)	1,521	(289,504)
Investment income	(29,667)	16,801	44,619	1,553	170,802	204,108	25,139	229,247
Other income and fee income	101,436	12,762	2,368	337,466	21,348	475,380	(874,151)	(398,771)
Total income	**419,623**	**290,608**	**563,199**	**107,959**	**193,017**	**1,574,406**	**(734,912)**	**839,494**
Total expenses	(394,985)	(145,965)	(281,369)	(22,307)	(22,717)	(867,343)	(140,576)	(1,007,919)
Deffered acquisitions costs	-	23,998	-	-	-	23,998	-	23,998
Total assets	1,304,928	492,620	241,769	927,737	551,601	3,518,655	(1,071,600)	2,447,055
Movement in insurance contract liabilities	129,397	-	-	-	-	129,397	-	129,397
Movement in investment contract liabilities	2,211	-	-	-	-	2,211	-	2,211
Total liabilities	1,196,255	277,632	82,999	114,324	5,411	1,676,621	(17,901)	1,658,720
Cash flows from operating activities	147,396	25,153	171,063	95,288	7,797	446,697	(467,893)	(21,196)
Cash flows generated from/ (utilised in) investing activities	(181,805)	(128,709)	40,024	7,129	70,692	(192,669)	176,287	(16,382)
Cash generated from/ (utilised in) financing activities	55,724	18,568	-	(569)	(22,672)	51,051	(63,938)	(12,887)
Profit/ (loss) before income tax	(54,489)	(5,495)	(72,353)	(59,768)	(137,858)	(329,963)	162,868	(167,095)
Income tax expense	(4,561)	(1,024)	-	(32,613)	(103)	(38,301)	(7,899)	(46,200)

HISTORICAL

As at 31 December 2019	Life ZWL000	Property and Casualty ZWL000	Health ZWL000	Property ZWL000	Other ZWL000	Gross Figures ZWL000	Consolidation Entries ZWL000	Total Consolidated ZWL000
Net premium earned	63,550	197,707	133,619	-	-	394,876	(1,485)	393,391
Rental income	-	-	-	23,548	-	23,548	(260)	23,288
Fair value adjustments on investment property	-	123 668	-	1 246 886	-	1,370,554	(103,037)	1,267,517
Investment income	768 325	42 744	40 933	358	444 290	1,296,650	(1,081,625)	215,025
Other income and fee income	17 469	13 719	17 329	12 399	13 915	74,831	(13,811)	61,020
Total income	**849,344**	**377,838**	**191,881**	**1,283,191**	**458,205**	**3,160,459**	**(1,200,218)**	**1,960,241**
Total expenses	(678,527)	(184,240)	(143,795)	(16,095)	(16,675)	(1,039,332)	14,950	(1,024,382)
Deffered acquisition costs	-	7 648	-	-	-	7,648	-	7,648
Total assets	999 655	613 921	105 867	1 419 373	535 900	3,674,716	(1,366,807)	2,307,909
Movement in insurance contract liabilities	(568 050)	-	-	-	-	(568,050)	-	(568,050)
Movement in investment contract liabilities	(28 847)	-	-	-	-	(28,847)	-	(28,847)
Total liabilities	804 148	354 008	58 002	258 599	7 776	1,482,533	(23,076)	1,459,457
Cash flows from operating activities	23 729	4 049	27 539	15 340	1 255	71,912	117,657	189,569
Cash flows generated from/ (utilised in) investing activities	(29 268)	(20 720)	6 443	1 147	11 380	(31,018)	25,626	(5,392)
Cash generated from/ (utilised in) financing activities	8 971	2 989	-	(92)	(3 650)	8,218	(12,284)	(4,066)
Profit before income tax	170,424	194,543	48,085	1,267,094	443,591	2,123,737	(1,190,424)	933,313
Income tax expense	(4,823)	(25,311)	-	(34,572)	(35)	(64,741)	(210,392)	(275,133)
As at 31 December 2018								
Net premium earned	43,028 -	25,990 -	62,895 -	-	-	131,913	21,936	153,849
Rental income	-	-	-	8,032	-	8,032	(347)	7,685
Fair value adjustments on investment property	-	613	-	6,291	-	6,904	(63)	6,841
Investment income	30,243	302	5,613	14	19,906	56,078	(24,815)	31,263
Other income and fee income	7,118	796	210	437	4,726	13,287	(3,669)	9,618
Total income	**80,389**	**27,701**	**68,718**	**14,774**	**24,632**	**216,214**	**(6,958)**	**209,256**
Total expenses	(72,297)	(26,717)	(51,501)	(4,083)	(4,158)	(158,756)	(25,732)	(184,488)
Deffered acquisitions costs	-	2,934	-	-	-	2,934	-	2,934
Total assets	209,188	78,970	38,757	148,722	88,425	564,062	(171,784)	392,278
Movement in insurance contract liabilities	(7,065)	-	-	-	-	(7,065)	-	(7,065)
Movement in investment contract liabilities	(36,226)	-	-	-	-	(36,226)	-	(36,226)
Total liabilities	187,238	43,455	12,991	17,894	847	262,425	(2,801)	259,624
Cash flows from operating activities	32,819	3,521	6,369	2,613	(309)	45,013	(16,660)	28,353
Cash flows generated from/ (utilised in) investing activities	(19,430)	(993)	(6,554)	(2,294)	1,548	(27,723)	9,860	(17,863)
Cash utilised in financing activities	-	(142)	-	(1,100)	(2,451)	(3,693)	1,618	(2,075)
Profit before income tax	8,092	816	10,745	8,876	20,473	49,002	(24,187)	24,815
Income tax (expense)/ credit	(708)	(159)	-	(5,062)	(16)	(5,945)	(1,226)	(7,171)

Independent auditor's report

To the Shareholders of First Mutual Holdings Limited

Our adverse opinion

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion* section of our report, the financial statements do not present fairly the financial position of First Mutual Holdings Limited (the "Company") and its subsidiaries (together the "Group") as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year ended in 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 20 to 83, comprise:

- the consolidated statement of financial position of the Group as at 31 December 2019;
- 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;
- the notes to the financial statements, which include a summary of significant accounting policies; and
- the accompanying statement of financial position of the Company standing alone as at 31 December 2019.

Emphasis of matter

We draw attention to note 34 in the financial statements in which management has noted that the COVID-19 pandemic has diminished the short-term growth prospects of the Group. The Group has adequate liquid resources to continue to sustain its operations. Management has also disclosed in note 34 their evaluation of the ongoing impact of COVID-19 and plans to mitigate these. Our opinion is not modified in respect of this matter.

Basis for adverse opinion

On 1 October 2018, the Reserve Bank of Zimbabwe issued a Monetary Policy Statement ("MPS") that directed a separation of Foreign Currency Bank Accounts ("FCAs") into two categories, Nostro FCAs and the Real Time Gross Settlement ("RTGS FCA"). The Nostro FCAs were to hold individual foreign currencies permissible in Zimbabwe's multi-currency economy at the time. The RTGS FCA, mobile money, bond notes and coins would be held at the same value as the US$.

As described in note 2.1.3 of the consolidated financial statements, during the prior financial year, and for the period 1 January 2019 to 22 February 2019, the Group and Company transacted using a combination of the Nostro FCAs and RTGS FCA, mobile money, bond notes and coins. In terms of International Accounting Standard 21 - *The Effects of changes in foreign exchange rates* ("IAS 21"), these payment methods would have been considered as separate currencies to be translated for financial reporting purposes to the functional and presentation currency of the Group and Company at appropriate exchange rates. However, in order to comply with the legislation as described in note 2.1.3 to the financial statements, the RTGS transactions and balances in the financial statements for the prior financial year, are reflected at parity with the US$. The Group and Company, as described in note 2.1.3, changed its functional currency on 1 January 2019 to comply with legislation, which is not in compliance with IAS 21, which would have required a functional currency change on 1 October 2018.

Had the consolidated financial statements been prepared in accordance with the requirements of IAS 21, many elements in the accompanying consolidated financial statements would have been materially restated. It was not practicable to quantify the financial effects on the consolidated financial statements.

Furthermore, as described in Note 2.1.2 to the consolidated financial statements, the Public Accountants and Auditors Board issued a pronouncement that required companies to apply the requirements of IAS 29 - Financial Reporting in Hyperinflationary Economies ("IAS 29") in the preparation and presentation of its financial statements for financial periods beginning on or after 1 July 2019. The misstatements described in the paragraph above affect the historical amounts which enter into the calculation of the inflation adjusted amounts. Had the underlying historical consolidated financial statements been prepared in accordance with the requirements of IAS 21, and then inflation adjusted in accordance with IAS 29, many elements in the accompanying consolidated financial statements would have been materially restated. It was not practicable to quantify the financial effects on the consolidated financial statements.

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

Independence
We are independent of the Group in accordance with the *International Code of Ethics for Professional Accountants (including International Independence Standards) (the "IESBA Code")* issued by the International Ethics Standards Board for Accountants and other independence requirements applicable to performing audits of financial statements in Zimbabwe. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and other ethical requirements applicable to performing audits of financial statements in Zimbabwe.

Our audit approach

Overview

Overall group materiality
ZWL 12,957,993 which represents 1% of consolidated inflation adjusted gross premium written.

Group audit scope
We performed statutory audits of the Company and its seven subsidiaries, the most significant of which are:

- First Mutual Life Assurance Company (Private) Limited;
- NicozDiamond Insurance Limited; and
- First Mutual Health Company (Private) Limited.

First Mutual Properties Limited is a subsidiary of First Mutual Life Assurance Company (Private) Limited which is also significant to the Group.
The Group operates mainly in Zimbabwe and has operations in Botswana through its subsidiary, FMRE Property and Casualty (Proprietary) Limited.

Key audit matters

- Valuation of policyholder insurance and investment contract liabilities; and
- Valuation of investment property.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated 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 consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Overall materiality	ZWL 12,957,993
How we determined it	1% of consolidated inflation adjusted gross premium written.
Rationale for the materiality benchmark applied	We chose consolidated inflation adjusted gross premium written 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. The benchmark has remained a stable and key driver of the Group's business. 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 gross premium written to compute materiality.

How we tailored our group audit scope

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

The consolidated financial statements are a consolidation of the Company and seven subsidiaries, all of which are incorporated in Zimbabwe with the exception of FMRE Property and Casualty (Proprietary) Limited which is incorporated in Botswana. Full scope audits were performed on the Company and all subsidiaries, based on their financial significance to the Group and statutory audit requirements.

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 component auditors from other PwC network firms, operating under our instruction, in order to issue our audit opinion on the consolidated financial statements of the Group. Where the work was performed by component auditors, 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 group financial statements as a whole.

Key audit matters

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

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
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Valuation of policyholder insurance and investment contract liabilities

This key audit matter applies to consolidated financial statements only.

We considered the valuation of policyholder insurance and investment contract liabilities as an area of most significance in our audit due to:
• the magnitude of policyholder insurance and investment contract liabilities in relation to total assets and liabilities; and
• complex calculations, significant judgements, estimates and assumptions involved in the valuation of policyholder insurance and investment contracts.

As at 31 December 2019, the Group recognised insurance and investment contract liabilities amounting to ZWL 776 144 373 which included insurance and investment contracts with and without discretionary participation features (“DPF”) and a shareholder risk reserve.

The value of insurance and investment contract liabilities was determined by the Group’s actuaries using the Financial Soundness valuation method. Primary assumptions applied by the Group’s actuaries in determining the value of policyholder insurance and investment contract liabilities include mortality rates, expense inflation, lapse rates, withdrawal rates, real investment return and expense assumptions.

Refer to the following sections in the consolidated financial statements that relate to this key audit matter;
• Note 2.21 relating to insurance contract liabilities,
• Note 3.2.2 relating to critical accounting estimates and judgements, and
• Note 17 relating to insurance and investment contract liabilities.
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Through discussions with management we obtained an understanding of the process over data extraction and approval of the assumptions used in the valuation.

We assessed the competence, capabilities and objectivity of the statutory actuary, through inquiry with the actuary and management and inspected their curricula vitae in order to assess their experience and competence.

We obtained an understanding of the controls relating to the assessment and approval of the valuation results as determined by the actuary through discussions with management and performing walkthroughs.

On a sample basis, we tested the underlying data used in the valuation of the reserves for accuracy and completeness.

With the assistance of our actuarial expertise we evaluated the reasonableness of the principal assumptions and estimates, the actuarial computations, methodologies and the actuarial report. We also performed the following procedures:
- assessed the appropriateness of the valuation basis through discussions with the actuary,
- an assessment of the appropriateness thereof given the nature of the business as well as actuarial good practice;
- assessed the valuation methodology for compliance with Standard of Actuarial Practice 104, and
- assessed the valuation results by performing spot checks for each of the policy products as well as model cash flow checks and considering the high-level reasonability of the output to determine whether the application of the selected methodology and assumptions was accurate.

We also inspected the actuarial report for 2019 prepared by the statutory actuary and compared it with the prior year signed actuarial report in order to determine any significant changes in assumptions and methodology.
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Valuation of investment properties

This key audit matter applies to the consolidated financial statements only.

The valuation of investment property was considered a matter of most significance to our audit due to the magnitude of the investment property balance and the significant judgement applied by management to determine the fair values of the investment properties at reporting date.

All the investment properties have been categorised as level 3 in the IFRS 13 - Fair value measurement hierarchy. This implies that the fair value is determined with reference to unobservable inputs. These unobservable inputs include rental per square metre, capital rate/prime yield and vacancy rates. The valuation was also undertaken in a very unstable economic environment which is characterised by rising inflation, liquidity problems, hard currency shortages and frequent monetary policy changes.

The Group applies income capitalisation and market comparable valuation techniques to value the different classes of investment properties held at reporting date. The Group engages an independent property valuer to determine the fair values of all classes of investment property at reporting date.

Refer to the following sections in the consolidated financial statements that relate to this key audit matter:

Note 2.8 relating to the accounting policies for investment property,
Note 3.2.3 relating to significant estimates and assumptions, and
Note 7 relating to investment property.

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Our audit addressed the valuation of investment properties as follows:

We performed an understanding of controls over the valuation of the investment property, including the management committee’s recommendation for approval by the audit committee of the independent property valuer (“management’s expert”), and the assessment and approval of the valuation results.

We evaluated the competence, capabilities, and objectivity of management’s expert and obtained an understanding of their work. We inspected the company profile of management’s expert and the curricula vitae of the individuals involved in performing the valuation in order to assess their experience and competence.

We obtained the valuation report directly from management’s expert and performed the following procedures to assess the appropriateness of the valuation techniques adopted by management’s expert in determining the fair values of the investment properties:

we met with management’s expert to obtain an understanding of the assumptions used in applying the respective valuation techniques, and
we assessed whether the valuation techniques applied are considered to be generally accepted valuation methodologies for valuing investment properties. No material inconsistencies were identified.

We assessed the reasonableness of the assumptions applied by management’s expert in determining the unobservable inputs used in both valuation techniques with reference to prevailing market rentals and market yields for properties and market price per square metre for land.

On a sample basis, we agreed the key assumptions applied by management’s expert to supporting evidence, as follows:

agreeing rentals noted on the tenancy schedule to the underlying lease agreements; and
agreeing occupancy levels to the tenancy schedule and monthly management performance reports.

We recomputed the market value by capitalising the potential annual income by the yield.
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Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "*First Mutual Holdings Limited 2019 Annual Report".* The other information does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated 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 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 financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the *Basis for adverse opinion* section above, the consolidated financial statements contain material misstatements with respect to the application of IAS 21 and its consequent effects on the hyperinflationary adjustments made in terms of IAS 29. We have concluded that the other information is materially misstated for the same reasons, with respect to the amounts or other items in the other information affected by these matters.

Responsibilities of the directors for the consolidated financial statements

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or the Company or to cease operations, or has no realistic alternative but to do so.

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

Our objectives are to obtain reasonable assurance about whether the consolidated 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 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 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 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Pricewaterhousecoopers

Clive K Mukondiwa
Registered Public Auditor
Public Accountants and Auditors Board, Public Auditor Registration Number 0439
Institute of Chartered Accountants of Zimbabwe, Public Practice Certificate Number 253168
Partner for and on behalf of
PricewaterhouseCoopers Chartered Accountants (Zimbabwe)

18 May 2020
Harare, Zimbabwe