FIRST MUTUAL

HOLDINGS LIMITED

Go Beyond

LIFE | HEALTH | INSURANCE | REINSURANCE | SAVINGS | PROPERTY

2019 Annual Report

Vision

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

Mission

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.

Values

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 MUTUAL

HOLDINGS LIMITED

Go Beyond

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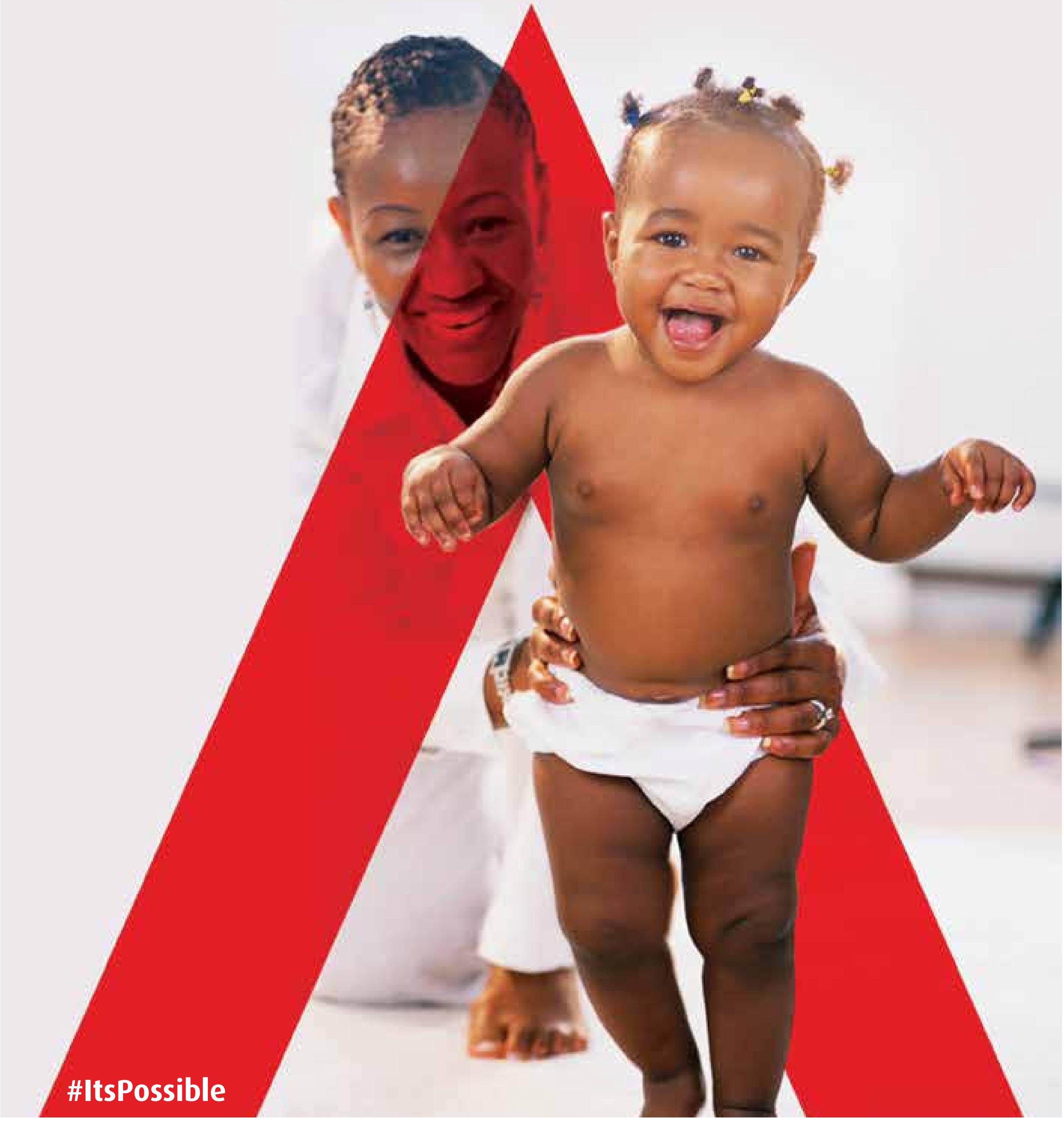
We help you Go Beyond

At First Mutual, when we say **Go Beyond** we want you to see a world where anything is possible because you have achieved the economic dignity needed to live life by your own rules.

Choose First Mutual for the wellness your life truly deserves.



FIRST MUTUAL HOLDINGS LIMITED, First Mutual Park, 100 Borrowdale Road, Borrowdale, Harare, Zimbabwe | P O Box BW 178, Borrowdale, Harare.
Tel: +263 (242) 886 000 - 17 | E-mail: info@firstmutualholdings.com | Website: www.firstmutualholdings.com

About this Report

First Mutual Holdings Limited, a Zimbabwean company listed on the Zimbabwe Stock Exchange since 2003 is pleased to present the annual report for the year ended 31 December 2019 integrating both financial and sustainability information. The report demonstrates of our commitment to transparency and accountability to our stakeholders on economic, social, environmental and governance issues of our business.

Reporting Frameworks

This report was prepared with due consideration of:

- Zimbabwe Companies Act [Chapter 24:03];
- Zimbabwe Stock Exchange (“ZSE”) Listing Requirements;
- International Financial Reporting Standards (“IFRS”); and
- Global Reporting Initiative (“GRI”) Standards

Reporting Scope

This report contains information for First Mutual Holdings Limited (the “Company”) and its subsidiaries (together “the Group”). First Mutual Holdings Limited incorporated and domiciled in Zimbabwe, is an investment holding company. In this document, unless otherwise noted references to ‘’our’’, ‘’we’’, ‘’us’’, ‘’the Group’’, ‘’First Mutual’’ refers to First Mutual Holdings Limited and its subsidiaries. This report was prepared in accordance with GRI Standards – ‘Core’ Option.

Data and Assurance

Our financial statements were audited by PricewaterhouseCoopers Chartered Accountants (Zimbabwe) in accordance with International Auditing Standards (“ISAs”). The independent auditors’ report is found on pages 54 to 60. Non-financial information and data provided in this report have been reviewed by subject matter experts and management, but not externally assured. The Directors approved the report before publication.

Restatements

The Group did not make any restatement of the financial statements previously published.

Forward-looking Statements

This report may contain forward-looking statements regarding the Group’s future performance and prospects. These statements cannot be guarantees of future outcomes as they are subject to changing circumstances and other unforeseen events. These events can cause results to materially differ from our current expectations. Therefore, we encourage readers to exercise caution in placing due reliance on forward-looking statements which may be affected by scenarios beyond our control.

Feedback on the Report

We value your feedback on our report, please feel free to send your comments to Sheila Lorimer (Mrs), Company Secretary, e-mail: slorimer@firstmutual.co.zw .

Oliver Mtasa
(Chairman)

Douglass Hoto
(Chief Executive Officer)

Contents

Group Structure

First Mutual Holdings Limited is a leading financial services group that is committed to creating value through risk management, wealth creation, and wealth management predominantly in the insurance sector.

Our brand is the financial ally that plays an integral role in preparation for a better tomorrow for individuals and institutions, by availing them the economic dignity of being prepared for life time obligations through our subsidiaries.

Our professional and client-centric team is solution driven, and cares enough to **Go Beyond** and provide straight forward tools that create sustainable value for our customers. We have diverse interests in life assurance, health insurance, short term insurance, reinsurance, savings, wealth management, as well as property through our business portfolio.

First Mutual Holdings Limited

Subsidiaries

First Mutual Life Assurance (Private) Limited
Zimbabwe
100%

First Mutual Health (Private) Limited
Zimbabwe
100%

NicozDiamond Insurance Limited
Zimbabwe
100%

First Mutual Reinsurance Limited
Zimbabwe
100%

First Mutual Wealth Management (Private) Limited
Zimbabwe
100%

First Mutual Properties Limited
Zimbabwe
69.99%

FMRE Property and Casualty (Proprietary) Limited
Botswana
100%

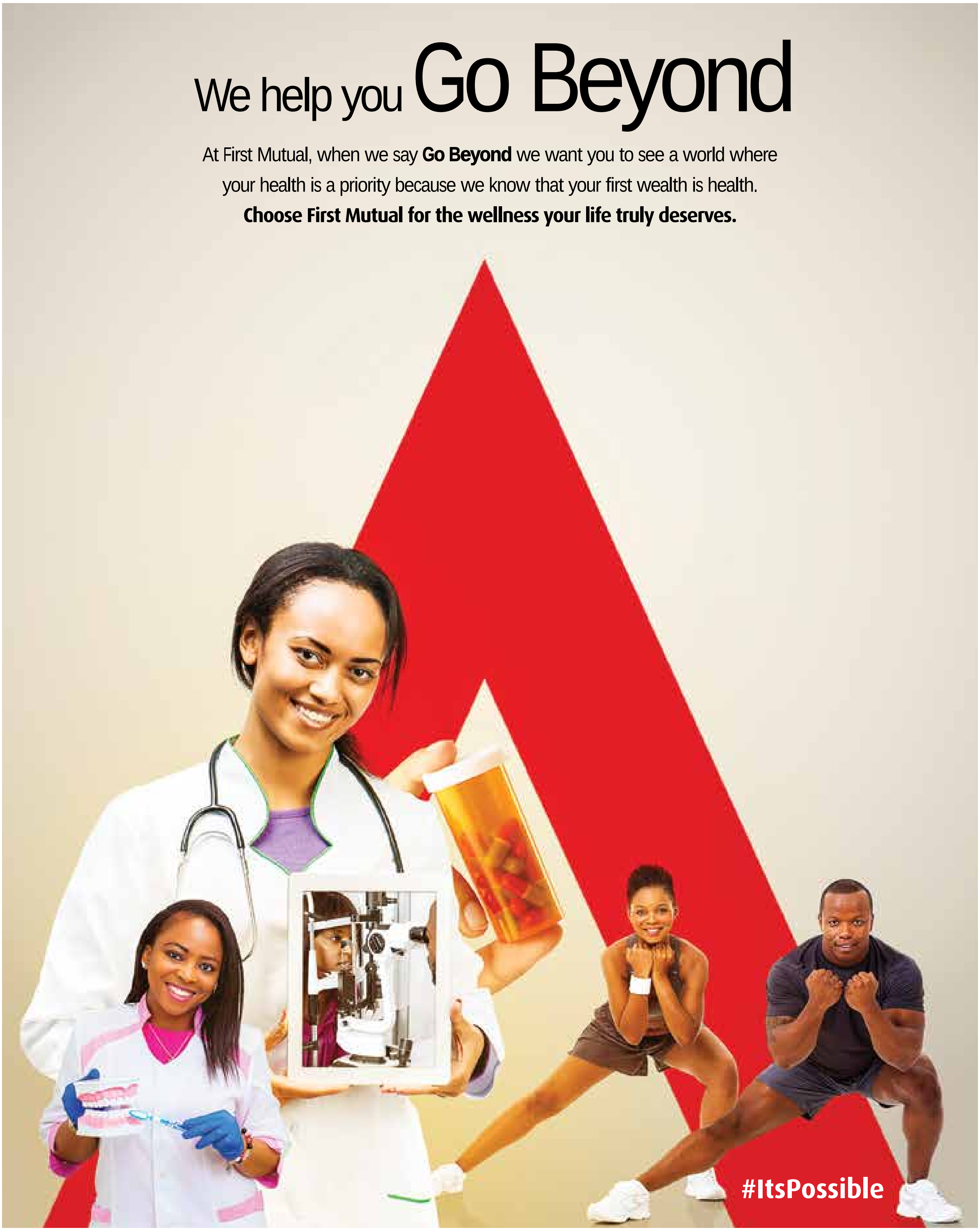
Associates

Clover Leaf Panel Beaters (Private) Limited
Zimbabwe
45%

Diamond Seguros
Mozambique
27%

United General Insurance Limited
Malawi
46%

FIRST MUTUAL
HEALTH
Go Beyond



adrenalin 16506

FIRST MUTUAL HEALTH, First Mutual Park, First Floor, 100 Borrowdale Road, Borrowdale, Harare, Zimbabwe | P O Box BW 1083, Borrowdale, Harare.
Tel: +263 (242) 886 018 – 36 | **Call Centre:** +263 (242) 084004801/2/3 | **E-mail:** info@firstmutualhealth.co.zw | **Website:** www.firstmutualhealth.co.zw

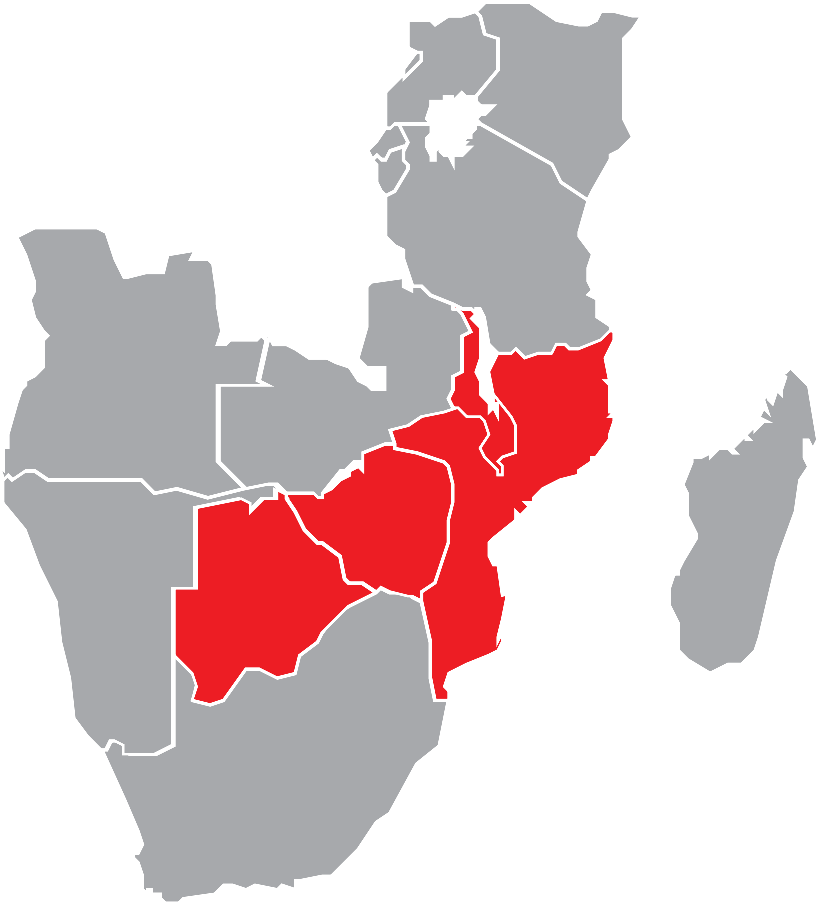
Business Value System

What we OFFER

- Life insurance;
- Health insurance;
- Short term Insurance;
- Reinsurance;
- Long term savings and investments planning;
- Property development and management;
- Microfinance; and
- Funeral Services.

Operating in
4 Countries

714 Employees
54% Male
46% Female



Business Value System (continued)

BUSINESS MEMBERSHIP

First Mutual Holdings is a member of the following:

- Zimbabwe Association of Pension Funds ("ZAPF");
- Actuarial Society of Zimbabwe ("ASZ");
- Life Offices Association ("LOA");
- Insurance Council of Zimbabwe ("ICZ");
- Confederation of Zimbabwe Industries ("CZI"); and
- Zimbabwe National Chamber of Commerce ("ZNCC")

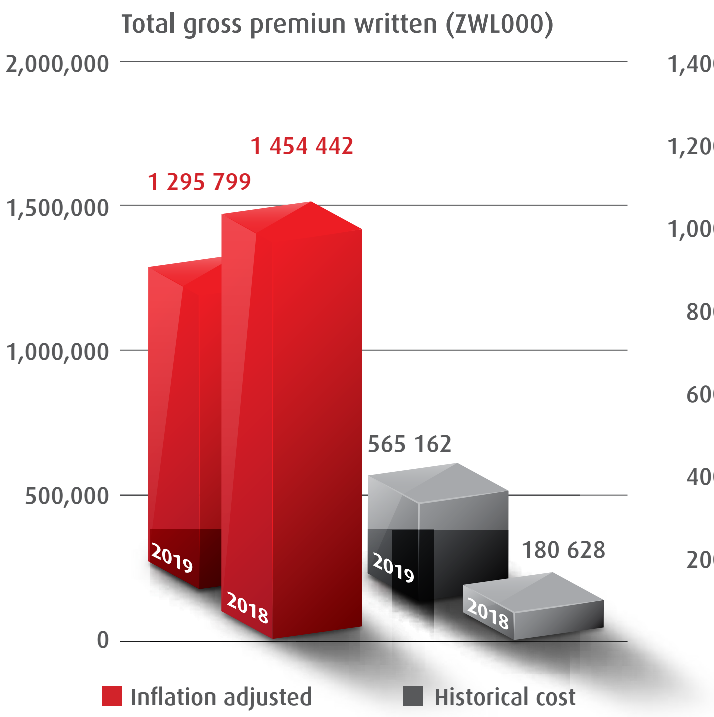
STANDARDS AND CERTIFICATIONS

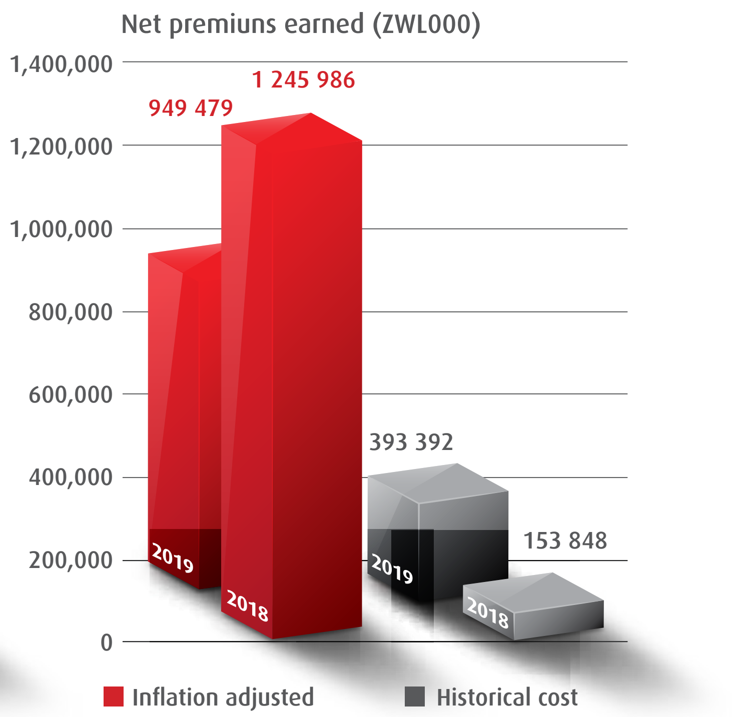
- First Mutual Life Assurance Company (Private) Limited: ISO 9001:2015 Certification;
- First Mutual Health Company: ISO 9001:2015 Certification

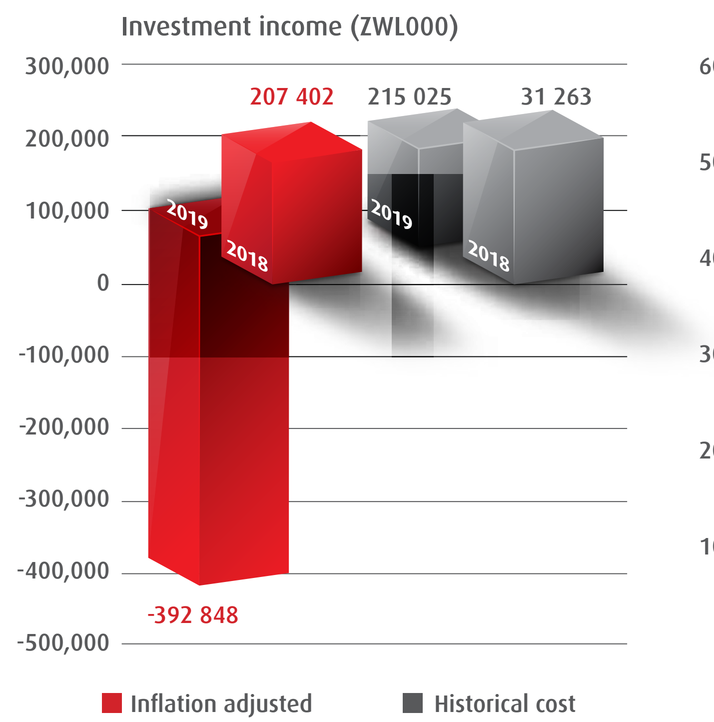
RECOGNITIONS AND AWARDS

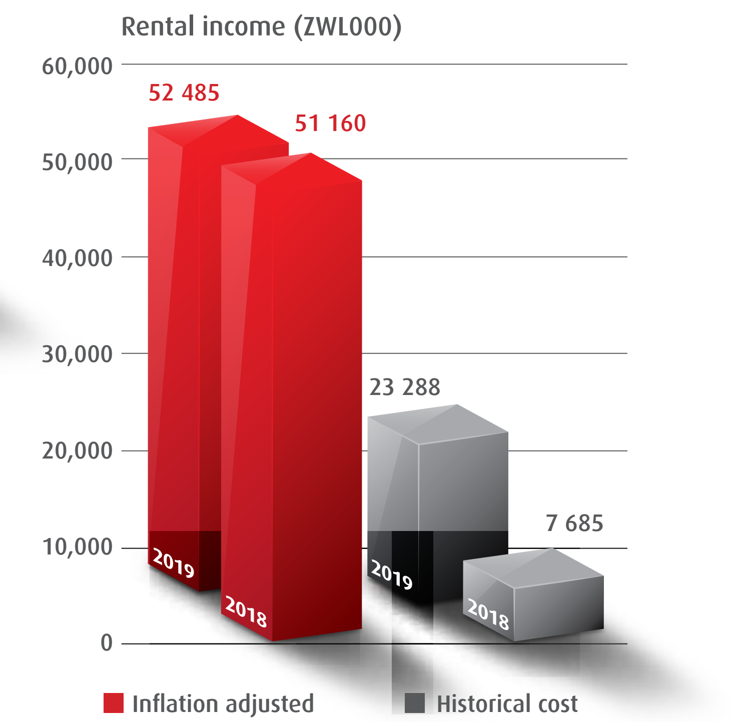
During the year, the Group received the following awards:
- First Mutual Life 1st Runner Up in the life insurance sector Superbrand 2019 (Marketers Association of Zimbabwe);
- First Mutual certificate of appreciation in recognition of valuable contributions towards cancer awareness campaign in Ruwa (Ruwa Local Board);
- First Mutual Life business of the year award (Zimbabwe Business Awards);
- First Mutual Health awarded the Superbrand award for the Best Medical Aid Company (Marketers Association of Zimbabwe);
- First Mutual Health Award of Service Excellence in the Health Insurance Sector (Contact Centre Association of Zimbabwe); and
- First Mutual Health Marketing Excellency Award- Bold Ads Insurance Awards.

Performance Highlights







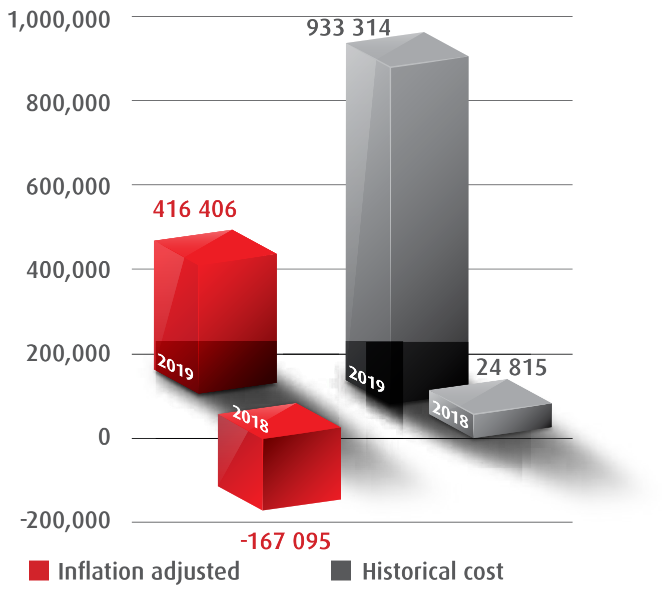


Performance Highlights (continued)

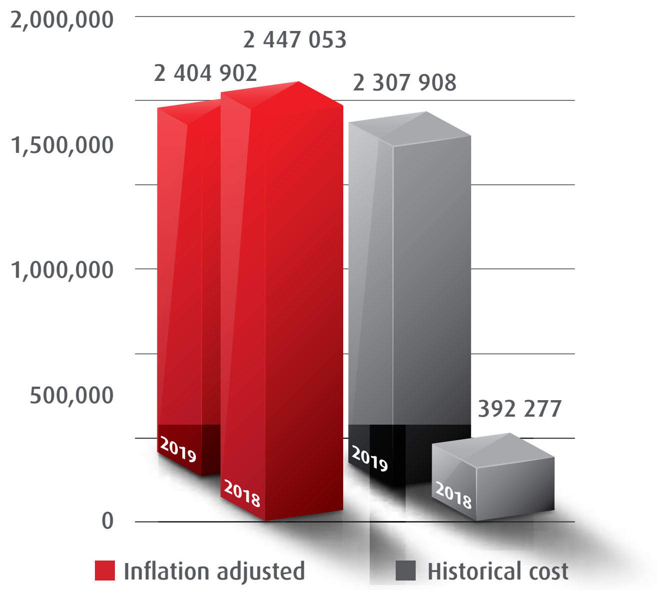
Share performance highlights	Inflation adjusted ZWL		Historical cost ZWL	
	2019	2018	2019	2018
Basic (loss)/earnings per share (ZWL cents)	(10.72)	(31.13)	48.36	2.34
Diluted (loss)/earnings per share (ZWL cents)	(10.71)	(31.05)	48.32	2.33
Market price per share (ZWL cents)	31	75	31	12

Sustainability performance				
Environmental highlights	**2019**	**2018**	**2017**	
Electricity usage (MWh)	2 041	3 307	3 113	
Water consumption: municipal (m3)	93 364	15 704	16 698	
Social performance highlights	**2019**	**2018**	**2017**	
Total Number of new employees	129	52	43	
Average hours of training per employee	27	80	121	
Tax payments	8 564 000	3 390 044	939 114	

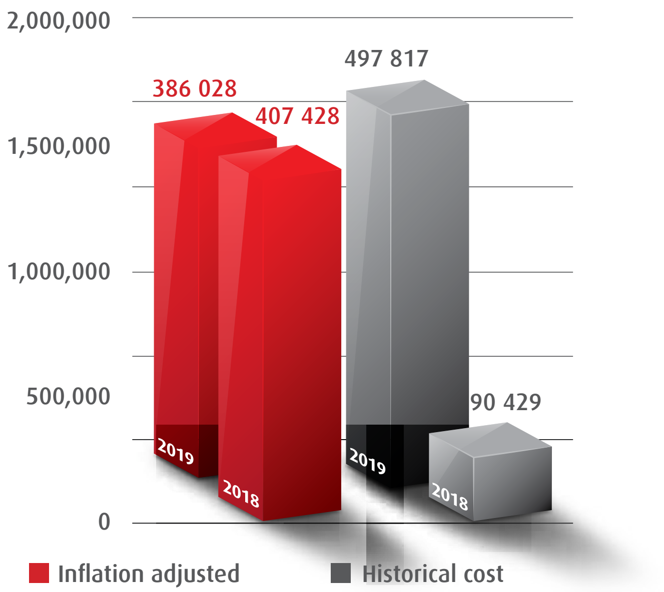
Profit before income tax (ZWL000)



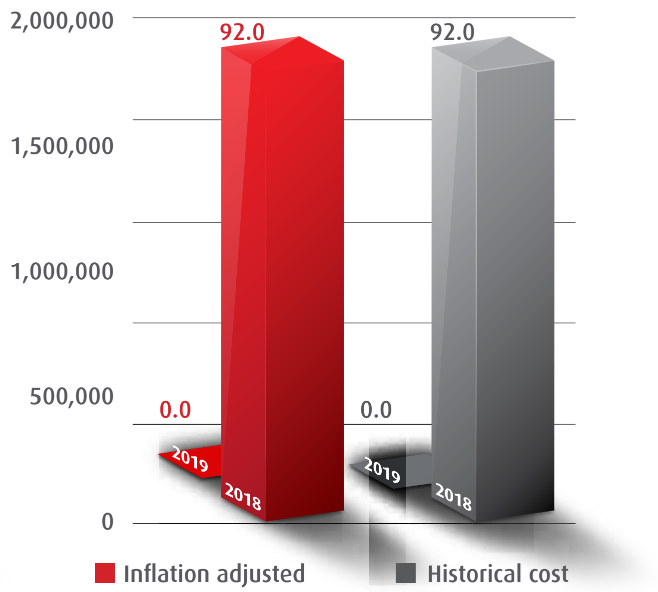
Total assets (ZWL000)



Equity (ZWL000)



Debt (ZWL000)



Chairman's Statement

...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...

Oliver Mtasa
Chairman

Chairman's Statement (continued)

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:

Chairman's Statement (continued)

Comprehensive income highlights

	Inflation adjusted		Historical cost	
	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	393 392	153 848
Rental income	52 485	51 160	23 288	7 685
Investment (loss) / income	(392 848)	207 402	215 025	31,263
Profit / (loss) before income tax	416 406	(167 095)	933 314	24 815
Profit / (loss) for the year	27 636	(213 295)	658 181	17 644

Financial position highlights

	Inflation adjusted		Historical cost	
	31 Dec 2019 ZWL000	**31 Dec 2018 ZWL000**	**31 Dec 2019 ZWL000**	**31 Dec 2018 ZWL000**
Total assets	2 404 902	2 447 053	2 307 908	392 277
Cash generated from operations	102 079	337 086	192 860	28 762

Share performance

Basic (loss) / earnings per share (ZWL cents)	(10.72)	(31.13)	48.36	2.34
Market price per share (ZWL cents)	31	75	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

GPW decreased by 11% from prior year and increased in historical cost 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% in inflation adjusted terms and by 203% in historical cost terms. The growth, relative to prior year, is due to quarterly rental reviews and increases in occupancy rates in retail and residential properties.

Chairman's Statement (continued)

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 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

Douglas Hoto
Group Chief Executive Officer

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

Through initiatives such as product innovation, service excellence and strategic partnerships, we were able to mitigate the loss of value for our customers.

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 economies. 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. 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 economies 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 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.

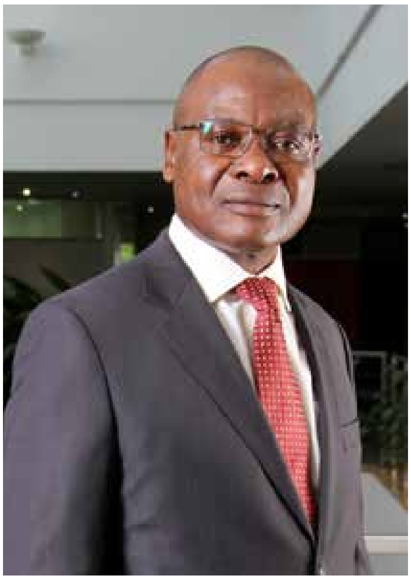
APPRECIATION

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

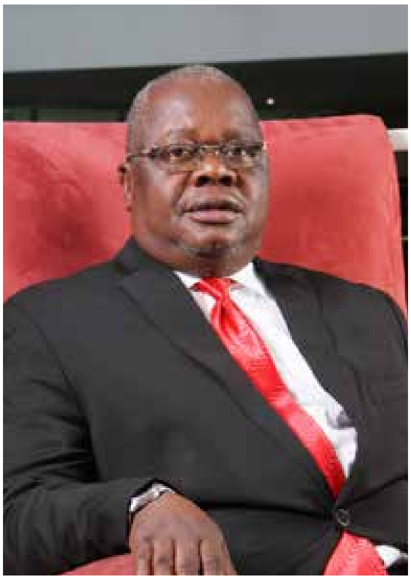
9 April 2020

Board of Directors



Oliver Mtasa
Independent Non-Executive Chairman
MBA (UZ), B. Acc (UZ), CA (Z)

Oliver is a Chartered Accountant (Zimbabwe). He holds a Bachelor of Accountancy (Honours) degree from the University of Zimbabwe ("UZ"). He is also a holder of a Masters in Business Administration from the same institution. Oliver is a non-executive director of Art Corporation, a Partner at Crowe Horwath Welsa Chartered Accountants and sits on several other boards. He chairs the Board of First Mutual Reinsurance Limited and is a Director of First Mutual Wealth Management (Private) Limited.



Douglas Hoto
Group Chief Executive Officer (Executive)
Fellow of the Institute of Actuaries (UK & SA) BSc Hons Mathematics (UZ)

Douglas Hoto is an accomplished business leader and currently is the Group Chief Executive Officer. He holds a Bachelor of Science Honours Degree in Mathematics (UZ), is a qualified Actuary with more than 22 years' experience. He is a Fellow of the Institute and Faculty of Actuaries of the United Kingdom 1999 ("FIFA"), and is also a Fellow of the Actuarial Society of South Africa ("FASSA"). Douglas started his actuarial career with Old Mutual in 1990 and worked in both the Harare and Cape Town offices until 1999, when he joined First Mutual Life. He rose through the ranks to become Managing Director of First Mutual Life in 2003 and Chief Executive of First Mutual Limited in 2004. Douglas was instrumental in setting up First Mutual Reinsurance Limited (FMRE Property & Casualty), TristarInsurance Company (Private) Limited and African Actuarial Consultants (Private) Limited from a division of First Mutual Life Assurance Society. His career has seen him at the helm of Altfin Holdings (Private) Limited and First Mutual Limited.In addition, Douglas is involved in community transformation initiatives focusing on education. He works closely with national development organizations and is the past chairman for Zimbabwe National Statistics Agency ("ZIMSTATS"). He serves on a number of boards and is a past chairman of Actuarial Society of Zimbabwe.

Samuel Vengai Rushwaya
Independent Non-Executive Director
BSc (Hons) Sociology (London), Dipl. Training Management.

Samuel is a former Managing Director of Aberfoyle Holdings (Pvt) Ltd and past Chairman of British American Tobacco Zimbabwe Limited and Standard Chartered Bank Zimbabwe Limited as well as First Mutual Reinsurance Limited. He is also a past Director of CGU Insurance, Portland Holdings Limited and SFG Insurance. He sits on the Boards of African Distillers Limited as well as Chairing the Board of First Mutual Life Assurance Company (Private) Limited. Samuel is a holder of a Bachelor of Science (Sociology) Honours Degree, London and Advanced Diploma in Training Management.

Amos R Tamuonepi Manzai
Independent Non-Executive Director
BA Hons Economics (Dunelim, UK), CA (Z)

Amos has senior managerial and executive leadership experience acquired at Deloitte & Touche London and Zimbabwe as senior supervisor. He has also served at ZESA as Deputy General Manager – Finance. Amos has also held the position of Group Finance Director at TA Holdings Ltd and Executive Director Finance & Administration at Standard Chartered Bank Zimbabwe.

He is a Director at Perrenialform Investments (Private) Limited, Evergid Services (Private) Limited and Lidle Trading Services (Private) Limited. He is also a Director of First Mutual Life Assurance Company (Private) Limited. He holds a BA Honours Economics Degree (Dunelim UK) and is a Chartered Accountant (Zimbabwe).

Daphine Tomana
Non independent Non-Executive Director
Bachelor of laws Degree, UZ

Daphine is a lawyer whose present occupation is Corporate Legal Services Manager for Zimbabwe Newspapers Limited (1980). Prior to that, she was a Bank Examiner for the Reserve Bank of Zimbabwe after starting her career as a legal practitioner in the law firms of Ziumbe and Mtambanengwe and Sawyer and Mkushi. Daphine is a previous Member and Acting Chairperson of the Board of the National Social Security Authority ("NSSA") and a previous Member of the NicozDiamond Insurance Limited Board. She currently sits on the Boards of First Mutual Holdings Limited and the Agricultural Development Bank of Zimbabwe ("Agribank"). She holds a Bachelor of Law Honours Degree from the University of Zimbabwe.

Gareth Baines
Independent Non-Executive Director
MBA (UCT), BSc-Finance (UCT), IRSMA (SA)

Gareth has experience in the insurance industry and extensive knowledge of life and non-life insurance. Prior to joining the First Mutual Holdings Limited Board, he held executive positions in financial services sector in South Africa, at Guardrisk Insurance Company Limited, AIG South Africa Limited ("AIG SA"), ABSA Insurance Company, and Nedbank Insurance Limited. Gareth has served on several South African board committees including AIG SA Pension Fund Trustee Chair, Audit sub-committee of AIG SA, Intermediaries Guarantee Facility Limited, as President Institute of Risk Managers South Africa("IRMSA") and IRMSA Education & Technical sub-committee chair. He holds a B.Bus.Sc in the special field of Finance and a Master of Business Administration (University of Cape Town). Gareth also sits on the Board of First Mutual Life Assurance.

Board of Directors (continued)

Evelyn Mkondo
Independent Non Executive Director
B. Acc (UZ), CA (Z)

Eve graduated from the University of Zimbabwe with a Bachelor of Accountancy (Honours) degree and became a member of the Institute of Chartered Accountants of Zimbabwe in 1989 after after serving articles with Coopers & Lybrand (now Ernst Young) in Harare. On leaving the profession Eve took up senior finance positions in organizations spanning power, retail, mobile communications and financial services. She later joined listed conglomerate Star Africa Corporation Limited (formerly ZSR Limited) as Group Finance Director and later as its Group Commercial Director. Eve gained invaluable experience as an executive director of the main Board, a director at divisional boards and also at subsidiaries Sugar Industries Botswana Limited, Star Africa International Limited (Mauritius) and ZSR Transport Limited (South Africa). She also sat on the Zimbabwe Sugar Association board. Eve spent a year as Chief Finance Officer of AIM listed African Consolidated Resources Limited before retiring in 2013.

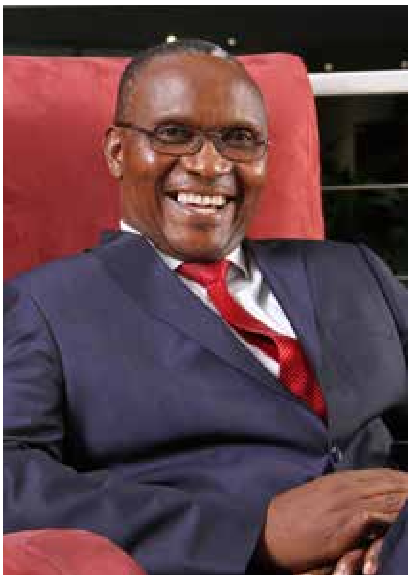
Currently she's serving as non-executive director at Schweppes Zimbabwe Limited, First Mutual Properties Limited and Standard Charted Bank Zimbabwe Limited.

Memory Mukondomi
Non Independent Non-Executive Director
Executive MBA (NUST), B.Sc. – Acc. and Finance (CUT)

Memory is the Director Finance and Administration in the Ministry of Public Service Labour and Social Welfare. Prior to her current position, she was the Chief Internal Auditor in the Ministry of Industry and International Trade from 2005 to 2011. She was in the COMESA Audit Committee having worked for the Auditor General from 1990 to 2005. Memory holds EMBA Nust University and BSC (Hons) Accounting and Finance – Chinhoyi University of Technology ("CUT").

William Munyaradzi Marere
Group Finance Director (Executive)
B.Com (UNISA), CA (Z)

William Marere was appointed to his current position in September 2012. Prior to this appointment, William was Chief Financial Officer – Corporate Finance at Econet Wireless Zimbabwe where he was responsible for corporate and project finance and investor relations. William served his Articles of Clerkship with Ernst & Young. Upon completion he worked for the companies in the financial services, mining and property development industries including Stanbic Bank Zimbabwe Limited, TN Financial Services (Private) Limited and Zimbabwe Alloys Limited where he gained proficiency and expertise in finance and administration, corporate and project finance. William holds an Honours Bachelor of Accounting Science Degree from the University of South Africa ("UNISA") and is a Chartered Accountant (Zimbabwe).



Elisha K Moyo
Independent Non -Executive Director
PhD Candidate (UZ), MBA (UZ), LLB. Hons (UZ)

Elisha a lawyer by profession and currently practices law in the Law firm Moyo and Partners Legal Practitioners which he founded in October 2011. His specialty is corporate law. Elisha chairs First Mutual Properties Limited and NicozDiamond Insurance Limited, and is a non-executive director of First Mutual Holdings Limited. Additionally, he sits on several other boards. He is a Commissioner on the National Manpower Advisory Council ("NAMACO") and a Councillor on the University of Zimbabwe Council.

He has served as the General Counsel for TA Holdings Limited, and as Managing Director of Zimnat Lion Insurance Company Limited for a period of 5 years. He is a past President of the Insurance Institute of Zimbabwe and a past Chairman of the Insurance Council of Zimbabwe. Prior to that, Elisha performed company secretarial roles for Southampton Assurance Company and its subsidiaries and Intermarket Holdings Limited.

He is a current PhD student in Business Administration and he holds a Masters in Business Administration from the University of Zimbabwe, a Bachelor of Laws degree and a Bachelor of Law Honours Degree from the same institution.

Boards of Directors of Subsidiary Companies

- as at 31 December 2019

1. **FIRST MUTUAL HEALTH COMPANY (PRIVATE) LIMITED**
   T A Makoni Dr (Chairman)
   D Hoto (Group Chief Executive Officer)
   N Dube (Mrs)
   R Mandima
   J Karidza
   S Sisya* (Managing Director)

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

4. **FIRST MUTUAL REINSURANCE COMPANY 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 Office)
   I C Tavonesa * (Managing Director)
   S Tumelo
   I Chagonda
   J Kamuyka
   M Neta (Mrs)

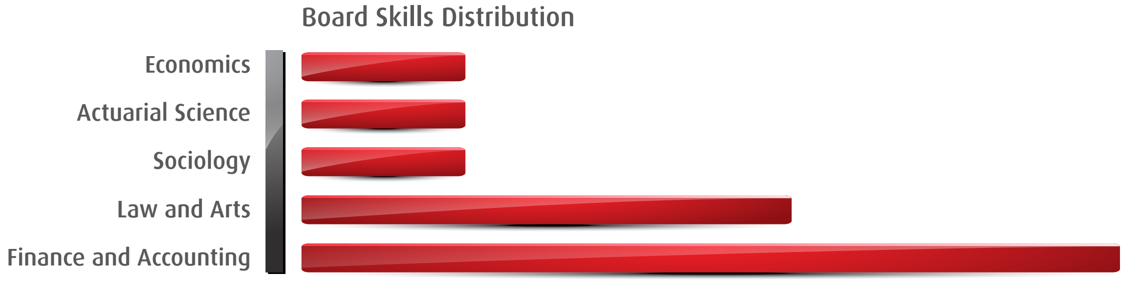
6. **NICOZDIAMOND INSURANCE COMPANY LIMITED**
   E K Moyo (Chairman)
   D Nyabadza* (Managing Director)
   D Hoto (Group Chief Executive Officer
   B Campbell
   C Chetsanga (Mrs) (resigned 31 December 2019)
   N Mukwehwa

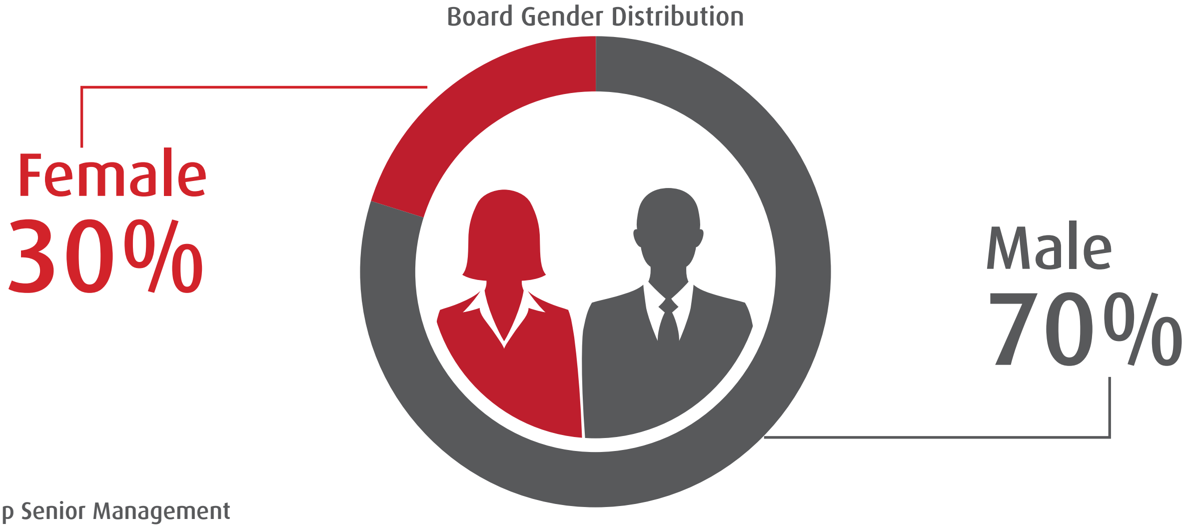
7. **FIRST MUTUAL PROPERTIES LIMITED**
   E K Moyo (Chairman)
   D Hoto (Group Chief Executive Officer)
   R B Ncube (Ms)
   W M Marere (Group Finance Director)
   S Jogi
   E Mkondo (Ms)
   C K Manyowa* (Managing Director)
   A Chidakwa

8. **FIRST MUTUAL WEALTH MANAGEMENT (PRIVATE) LIMITED**
   J Chikura (Chairman)
   O Mtasa
   D Hoto (Group Chief Executive Officer)
   W M Marere (Group Finance Director)
   A Chidakwa
   R Kupara (Mrs)

* **Executive**

Corporate Governance





Group Senior Management

• Douglass Hoto	Group Chief Executive Officer
• Christopher K Manyowa	Managing Director - First Mutual Properties Limited
• Stanford Sisya	Managing Director - First Mutual Health Company (Private) Limited
• David Nyabadza	Managing Director – NicozDiamond Insurance Limited
• Ian C Tavonesa	Managing Director - First Mutual Reinsurance Limited
• Ruth B Ncube	Managing Director - First Mutual Life Assurance Company (Private) Limited
• Thomas Mutswiti	General Manager - First Mutual Wealth Management (Private) Limited
• Max Ncube	General Manager - First Mutual Microfinance (Private) Limited
• Sheila F Lorimer	Group Company Secretary
• Joseph Mhlabi	Chief Risk Officer
• Farayi Mangwende	Group Marketing and Strategy Executive
• William M Marere	Group Finance Director
• Bianca Pasipanodya	Group Information and Communication Technology Executive
• Jabulani Mbengo	Group Internal Audit Executive
• Pfungwa Dhliwayo	Group Human Resources Executive
• Fanuel Tirihumwe	Group Business Development Manager

Governance Practices

The Group is committed to the principles of good corporate governance based on best global practice. The directors recognise the need to conduct the business of the Group with integrity and following generally accepted corporate practices to safeguard stakeholders' interests. The Board has adopted the National Code on Corporate Governance ("ZIMCODE"). The Board and management believe the governance systems and practices in place are appropriate for the Group and are essentially in line with ZIMCODE. The Group continues to align with internationally recognised codes of 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.

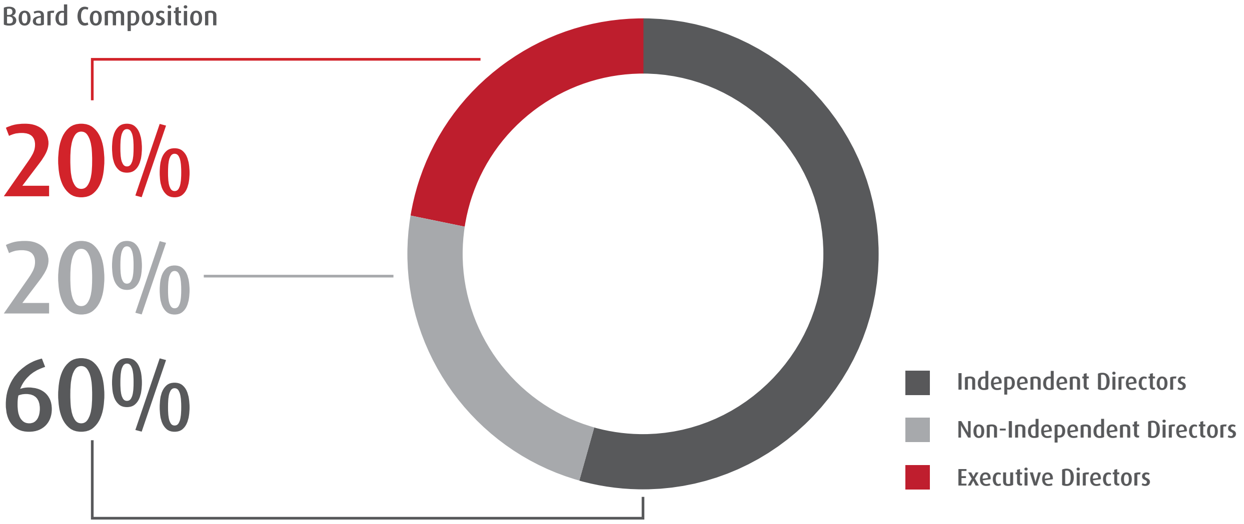
Board Structure

- First Mutual Holdings Limited Board
  - Audit and Actuarial Committee
  - Human Resources and Governance
  - Investments Committee
  - Risk Committee
  - Chief Executive Officer
    - Executive Committee

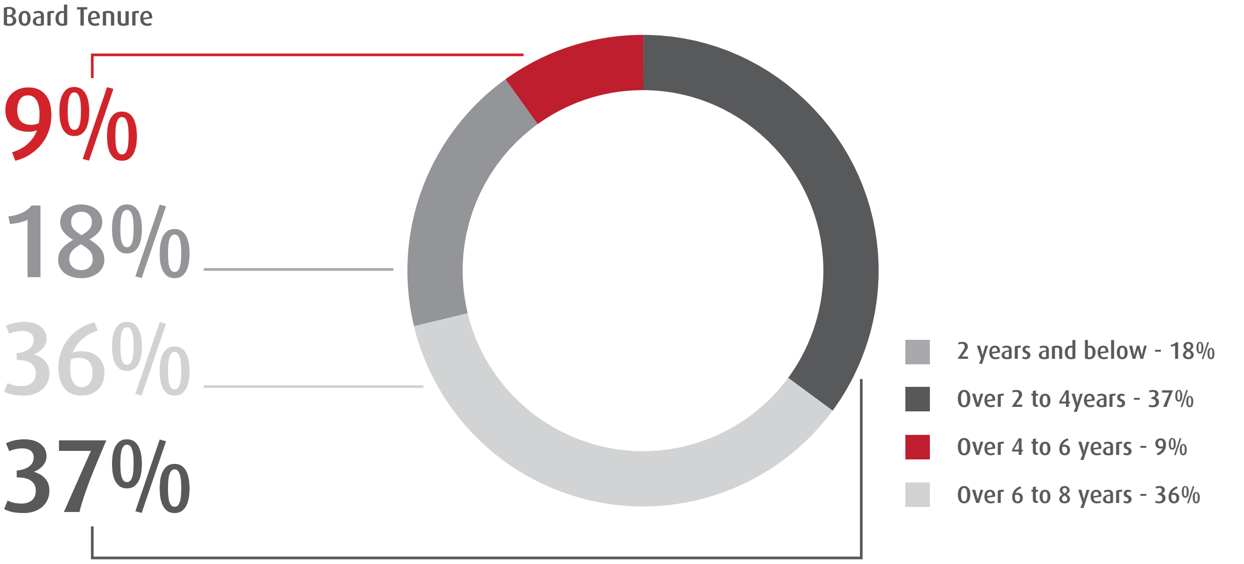
Board composition and appointment

The Board of Directors is chaired by an independent non-executive director and comprises seven (7) other non-executive and two (2) executive directors. The Board enjoys a strong mix of skills and experience. The Board is the primary governance organ whose role is to determine overall policies, plans and strategies of the Group and to ensure that these are implemented ethically and professionally.

Board Composition



Board Tenure



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 to 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 representation 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. Summarised on page 26 are the board structure and the members of the various board committees and the responsibilities of each committee.

Stakeholders' communication systems with the board

The Group avails various platforms of communication between our Board of Directors and stakeholders. The channels of communication include the annual general meeting, notices to shareholders and stakeholders, press announcement of interim and annual reports, investor briefings, annual reporting to shareholders, and the exercise of shareholders through proxy forms. We have online platforms where we cascade operational, financial and sustainability information which is easily accessible to our stakeholders.

Active ownership

The Group has shares in various companies, therefore takes an active responsibility of being a responsible investor. We participate in annual general meetings and voting in a way that is reflective of being a responsible investor and active owner. Our voting patterns are guided by the Group Investment Committee.

Directors' declaration & Ethical conduct.

In line with the Zimbabwe Stock Exchange Listing Requirements, the Group operates a "closed period" before the 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 shares of the Group.

During the year under review, no directors had any material interests which could cause a significant conflict of interest with the Groups objectives. The beneficial interests of the Directors and their families in shares of First Mutual Holdings Limited are presented on page 35.

Share dealing

Directors, management and all Group staff are not permitted to deal directly or indirectly in the shares of the Company and that of its listed subsidiary, First Mutual Properties Limited during:

- The period from the end of the interim or annual reporting periods to the announcement of the interim and annual report results,
- Any period when they are aware of any negotiations or details which may affect the share price, or
- Any period when they have information, the effects of which might affect the share price.

Directors' remuneration

In a rapidly evolving remuneration landscape, we pay great attention to the concerns of stakeholders on executive pay. We continuously assess existing and emerging views on remuneration and ensure these are reflected in our remuneration design. The remuneration structures at First Mutual are designed to attract and retain talent at all levels.

The remuneration packages are geared to the employee's level of influence and role complexity. Currently, our remuneration policies are not linked to any sustainability criteria but we intend to change this as we progress in our sustainability journey. The remuneration packages for the Group's Executive Directors are determined by the Group Human Resources and Governance Committee.

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 an independent assessment by the independent auditors. The Group from time to time reviews the number of Committees as necessitated by the prevailing environment.

Corporate Governance (Continued)

Board Committees

Committee	Members	Summary of Roles and Responsibilities
Combined Audit and Actuarial Committee	E Mkondo (Chairperson) C Chetsanga N Dube M Mukondomi	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. 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 the recommendations.
Group Human Resources And Governance Committee	SV Rushwaya (Chairperson), O Mtasa E Moyo	This committee comprises three (3) 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 has responsibility for drafting the remuneration policy. The committee is responsible for reviewing and assessing organizational structure in line with the Strategy and making 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 of the subsidiaries of the Group and, also, the committee considers wider corporate governance issues and related party transactions. This 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 Investments Committee	A R T Manzai (Chairman) O Mtasa A Chidakwa D Tomana	This committee comprises four (4) 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 following the Group's policies.
Group Risk Committee	G Baines (Chairperson), E K Moyo	The committee comprises three (3) non-executive Directors of companies in the First Mutual Holdings Group. There is currently a vacancy on this 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. The committee liaises with other Board Committees as necessary.

Corporate Governance (Continued)

Committee Meeting Attendance

Director	Main Board (6 meetings)	Risk Committee (4 meetings)	Investments Committee (4 meetings)	Human Resources and Governance committee (9 meetings)	Combined Audit and Actuarial Committee (7 meetings)
Oliver Mtasa	6	-	3	8	-
Douglas Hoto	5	-	-	-	-
Elisha Moyo	6	4	-	9	-
Samuel Vengai Rushwaya	6	-	-	9	-
Amos Raymond Tamuonepi Manzai	5	-	4	-	-
Daphne Tomana	5	-	3	-	-
Evlyn Mkondo	5	-	-	-	6
John Sekeso	0	-	-	-	-
Memory Mukondomi	5	-	-	-	7
Gareth Baines	4	4	-	-	-
William M Marere	6	-	-	-	-

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

The Group Internal Audit is the main internal assurance provider in First Mutual. Through the Combined Audit and Actuarial Committee and subsidiary company audit committees, internal audit provides objective and independent assurance to management and the boards of First Mutual and the respective companies about risk management, control and governance processes.Group Internal Audit is governed by an internal audit charter, which is approved by the First Mutual Holdings Limited board and reviewed annually. The charter defines the purpose, authority and responsibility of the function.

The Group Internal Audit Executive provides a consolidated report at each meeting of the Combined Audit and Actuarial Committee and unit specific reports to each subsidiary company's audit committee.The Group Internal Audit Executive reports to the chairman of the Combined Audit and Actuarial Committee with administrative reporting to the Group Chief Executive Officer, and has unrestricted access to all audit committee chairmen and executive management.

Group Internal Audit has subsidiary company specific annual plans that are approved by the entity audit committees, while the group annual plan is approved by the Combined Audit and Actuarial Committee. The annual plan is reviewed regularly so that it remains relevant and responsive to changes in the operating environment. Group Internal Audit reviews it's practices and resourcing on a regular basis to ensure that they are adequate and appropriate in view of the changing demands of corporate governance and the regulatory environment.

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.

Mr O Mtasa
Group Chairman

9 April 2020

Compliance Matters and Declarations

The Group is committed to complying with applicable legal, regulatory and industry standards and will always seek to do what is lawful and right. Whenever the Group joins membership or adopts best practices that bring mandatory or voluntary obligations, constructive effort is made to ensure the Group complies with such commitments.

During the year, great effort was made to comply with all applicable legal instruments as well as guidelines issued by the relevant industry bodies, as follows:

- Zimbabwe Companies Act (24:03);
- Zimbabwe Stock Exchange – Listing Requirements;
- Insurance and Pension Commission ("IPEC");
- Real Estate Institute of Zimbabwe ("REIZ");
- Institute of Actuaries Zimbabwe ("IAZ");
- Public Accountants and Auditors Board Zimbabwe ("PAABZ") - Pronouncements;
- Securities and Exchange Commission of Zimbabwe ("SECZIM");
- Malawi Companies Act (40:03);
- Botswana Companies Act (20030);
- Mozambique Companies Act (commercial code10 / 2006 4th edition); and
- All other applicable laws, regulations and directive.

The reports contained herein are presented in compliance with legal, regulatory provision and industry standards.

Directors' Report

31 DECEMBER 2019

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

Subsidiary and the services provided

1 **First Mutual Life Assurance Company (Private) Limited**
Life assurance, funeral assurance, employee benefits

2 **First Mutual Health Company (Private) Limited**
Health insurance

3 **NicozDiamond Insurance Limited**
Short-term insurance

4 **First Mutual Reinsurance Company Limited**
Short-term general reinsurance and life and health reinsurance

5 **First Mutual Wealth Management (Private) Limited**
Fund management

6 **First Mutual Properties Limited**
Property ownership, management and development

7 **First Mutual Wealth Property Fund One (Private) Limited**
Property management

8 **First Mutual Microfinance (Private) Limited**
Micro lending

9 **First Mutual Funeral Services (Private) Limited**
Funeral services

Share capital
As at 31 December 2019, the authorised and issued share capital of the Company is as follows:
- Authorised - 1,000,000,000 (2019: 1,000,000,000) ordinary shares with a nominal value of ZWL0.001 each; and
- Issued and fully paid - 723,443,577 (2019: 720,731,498) ordinary shares with a nominal value of ZWL0.001 each

Group results
The financial statements of the Group for the year are set out on pages 61 to 171.

Directors
In accordance with Article 106 of the Company's Articles of Association, Mr A R T Manzai, Mr O Mtasa and Mrs M Mukondomi retire as directors of the Company and, being eligible, offer themselves for re-election.

Capital commitments
Details of the Group's capital commitments are set out in note 30.2 of the financial statements.

Dividend
The directors at the meeting held on 9 April 2019 declared a dividend of ZWL2.5 million be paid from the profit of the Group for the year ended 31 December 2019. This brings the total dividend for the year to ZWL4 million.

Directors Report (continued)

Director's shareholding in the Company as at 31 December 2019

		Direct interest	Indirect interest	Share options
O Mtasa	(Chairman)	-	-	-
A R T Manzai		-	-	-
S V Rushwaya		10 100	-	-
D Hoto	(Group Chief Executive Officer)	-	-	1,621,470
E K Moyo		924	-	-
E Mkondo (Ms)		-	-	-
W M Marere	(Group Finance Director)	10,000	-	946,459
J Sekeso		-	-	-
M Mukondomi (Mrs)		-	-	-
G Baines		-	-	-
D Tomana (Mrs)		-	-	-

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

9 April 2020

Mrs S F Lorimer
Group Company Secretary
Harare

9 April 2020

The Directors' Statement of Responsibility

31 DECEMBER 2019

The Group's independent auditors, PricewaterhouseCoopers Chartered Accountants (Zimbabwe), have audited the financial statements and their report is set out on pages 54 to 60.

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 concerns and believe that the preparation of these financial statements on a going concern basis is appropriate.

OMtasa

Mr O Mtasa
Chairman
Harare

9 April 2020

Certificate of Compliance by Group Company Secretary

31 DECEMBER 2019

In my capacity as 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)
Company Secretary
Harare

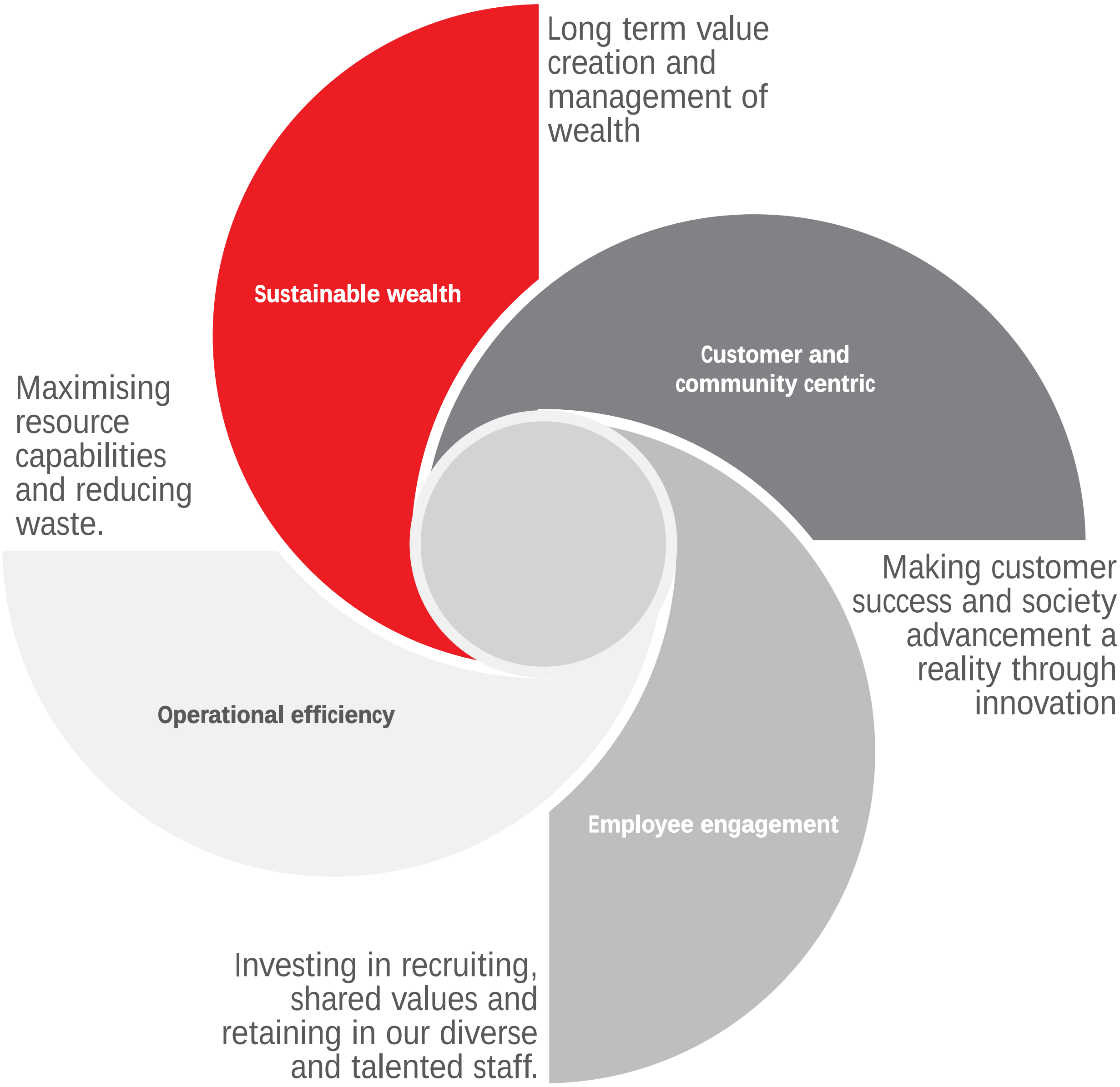
9 April 2020

Sustainability Approach

Sustainability is a significant pillar for First Mutual Holdings Limited as a responsible financial services business. We have always held a long term perspective to business as we say in one of our values *"We believe in continuance and preservation of future generations"*. In order to position our business for the future as a trusted and sustainable financial services provider, we prioritise material stakeholder issues pertinent to our business. In line with this agenda we adopted the Global Reporting Initiative Standards to enable us to take real action on the economic, social and environmental issues important to our stakeholders and business.

Our approach is to ensure we identify and manage the significant risks and opportunities that drive performance across our business and stakeholders. Sustainable wealth creation, customer centricity, employee engagement and operational efficiency are strategic to our service delivery. To ensure quality service delivery, the Group ascribed to ISO 9001:2015 standards in our assurance and health companies.

The levers driving corporate sustainability at First Mutual Holdings Limited



Stakeholder Engagement

Stakeholders are a significant capital that sustains our business, to manage their investments in us, we constantly engage them to inform the strategic decisions we make. The engagement process gives us a broad appreciation of the sustainability context in our operating environment. This enables us to identify material risks and business opportunities. We use a broad spectrum of channels to reach our stakeholders through our group functions and SBUs.

Key stakeholder groups

The philosophy of the Company is to treat stakeholders as business partners who have a strategic role in risk management and providing insights into potential business risks and opportunities. These stakeholders help to identify internal and external risks, hence categorising them between internal (employees and investors) and external stakeholders (customers, government, regulators, suppliers, and communities).

Our approach

Management's engagement with stakeholders is informed by structured profiling and understanding of our stakeholders' legitimate interests in our business, products and services. The stakeholder profiling provides critical information on engagement strategies, the frequency of engagement and response mechanism to each stakeholder group. The process enables management to design strategies on how to best respond to any material concerns and improve the way the business operates.

Our stakeholder engagement activities for the year are presented below:

Stakeholder	Engagement method	Key issues and concerns raised	FMH Response to issue
Employees	GCEO staff addresses; employee values and engagement surveys; departmental meetings; group emails or memos; Works Council meetings; and awareness emails.	Remuneration; shortfalls on medical aid; and mental health issues.	Cost of living adjustments; performance-based incentives; recalibration of employment costs to match regional levels; employee wellness programmes; team building exercises; and awareness training on mental health.
Customers	Adverts on all forms of media; focus groups; conferences and presentations; and fairs and exhibitions.	Shortfalls on medical aid; improvement of claims processing; product knowledge and information; and drug shortages.	Revision of reimbursement levels; real-time biometric and auto adjudication process; increased marketing initiatives including social media marketing; securing biller codes; client wellness programmes; and First Mutual funded critical drugs programme.
Government and regulators	Face to face meetings; lobbying through industry bodies; and engagement with regulators through brokers, advisors, bankers and others.	Business acquisitions; capital requirements for insurance businesses; introduction of quarterly reporting by ZSE; and settlement of foreign obligations.	Obtaining regulatory approvals; recapitalisation plans; quarterly trading updates, **Going Beyond** statutory requirements; and dialogue with all regulators.
Suppliers	Supplier meetings; emails; telephone communication; and newspaper updates.	Late payment processing.	Advance payments and deposits; and real-time biometric and auto adjudication process.

Stakeholder Engagement (continued)

Stakeholder	Engagement method	Key issues and concerns raised	FMH Response to issue
Shareholders and potential investors	Annual reports; quarterly financial reports; Annual General Meeting; cautionary statements; analysts briefing; and direct engagements with key shareholders after release of results	High dividend cover ratio; ability to attract investments (blue-chip status); and Increasing market presence.	Review proportion of operating profit paid as dividend; payment of consistent dividends; acquisitions and organic growth; and presentation of financial statements to stakeholders.
Local communities	First Mutual Marathon;and Corporate Social Responsibility activities.	Need for more sponsorship; capacitating local communities; and higher health cases of lifestyle disease like hypertension, high blood pressure.	First Mutual Foundation; health awareness programmes such as Zumba and marathons; and Financial literacy training.
Credit rating of companies in the First Mutual Group	Credit rating evaluation.	Increase to competitive levels of capital.	Recapitalisation of subsidiaries.

Reporting Practice and Materiality

First Mutual Holdings Limited discloses both financial and non-financial information in an integrated format to provide stakeholders with a broad understanding of the business performance. The report covers Key Performance Indicators ("KPIs") deemed material to the Group and stakeholders.

Report Boundary

In defining the report boundary, management focused on operations in Zimbabwe on the basis of their material impacts to the Group during the year.

Report Data

This report was prepared using both quantitative and qualitative data to explain sustainability performance for the period under review. Data was extracted from company records, policies and employees responsible for the key performance areas.

Report Period

The Group's reporting period is aligned with the financial year which runs for the 12 months period from 1 January to 31 December each year.

Report Declaration

Management confirms that this report was prepared in accordance with applicable GRI Standards – 'Core' option.

Materiality

The Group's approach to identifying material topics was based on analysing the business operating environment and context in Zimbabwe. Material topics to report were identified by considering issues with significant impacts both positive and negative on the business and stakeholders. Further, a sectoral approach was used to identify issues that were peculiar to the financial services and real estate sector in which our business activities are concentrated.

Final material topics were identified by sustainability champions and senior management who evaluated them on their relevance and impact on the business and stakeholders. The topics were then matched with Key performance indicators in GRI Standards to inform the indicators used to sustainability performance for the year.

Material issues identified were categorised as presented below:

Economic	Social	Environmental
• Group performance; • economic environment; • employee pension contribution and benefits; and • tax payments to Governments.	• Job security; • employment opportunities; • occupational health and safety; • staff life learning; • community social investments; • staff participation in corporate social responsibility ("CSR"); and • marketing of products and services	• Electricity consumption; • fuels consumption; and • water usage.

Sustainability Performance

ECONOMIC IMPACT

The ability to create sustainable economic value for our stakeholders and contribute to sustainable development in the places we operate is an imperative for us at First Mutual. We believe that our ability to continue operating depends on our capacity to create value for both our internal and external stakeholders. It is this recognition of stakeholders in our business that inspires First Mutual to generate and distribute economic value in a sustainable manner in line with our strategic plans.

Management approach

Management tries by all means to optimise economic value creation by deploying different forms of capital to strategic operations. Our performance responds actively and promptly to fiscal and monetary policies in the countries we operate. The pillars for driving our business growth rest upon providing sustainable financial services, excellence in client service delivery and innovative products. The Group continues to develop and adopt intuitive systems that span customer touchpoints and automate key business processes to deliver a superior customer experience. Management ensures that value is distributed in a manner that considers the long term perspective of the business.

Economic value generated and distributed

Economic value generation

	2019	2018	2017
Value Generated	416 276 169	161 533 030	121 593 088
Other income and interest	1 542 362 933	47 722 476	38 150 095
Equity accounted earnings	324 811	46 666	13 480
Total	**1 958 963 913**	**209 302 172**	**159 756 663**

Economic value distribution

Other operating costs	960 214 304	164 717 048	131 021 608
Employee wages and benefits	64 085 576	19 770 024	14 352 565
Payments to providers of Capital	3 650 010	3 309 278	-
Payments to government	12 357 760	9 654 390	5 952 940
Economic Value Retained	926 620 671	17 755 545	13 443 376

Defined contribution plan obligations and other retirement plans

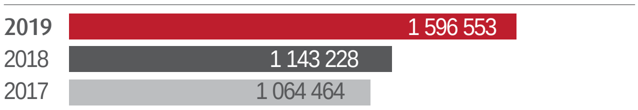
Preparing for life after work is often a daunting task for many employees. To ensure our employees have a dignified send-off and not to worry about financial demands, we have invested in retirement plans. We want our employees and their families to know that we care for them even after they are no longer working for us. We ensure that employees have access to voluntary and statutory pension schemes. The Group operates an employee pension scheme and contributes to a mandatory national social security fund.

During the year, our pension contribution was as follows:

Pension

	2019	2018	2017
Payments	1 596 553	1 143 228	1 064 464

Pension contribution



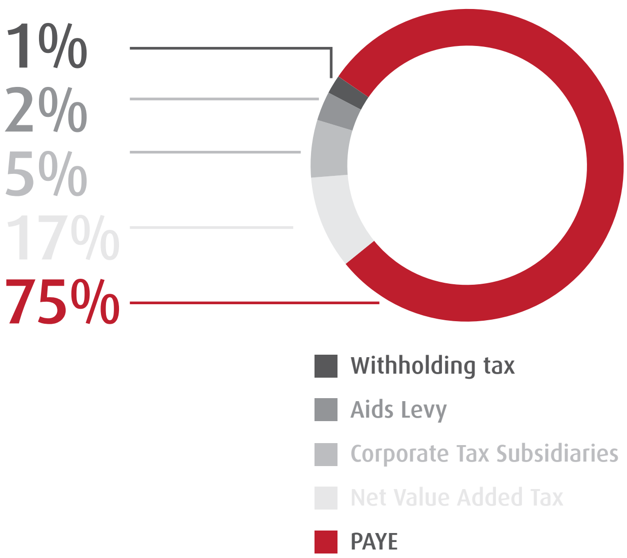
Tax strategy and payments

The Group makes significant payments to the government through taxes. These payments help government address important developmental issues and support sustaining the infrastructure in our business operating environment. We believe that transparency in payments we make to government is a fundamental ethical and good business practice. The Group strategy is to ensure compliance with all applicable tax laws and requirement. It is within the Group's Audit Committee to ensure such compliance has been achieved through regular tax compliance reviews, tax planning adherence and regular engagement with tax authorities in the countries we operate. During the year, our tax payment were as follows:

Payment

	2019	2018	2017
Corporate tax- Subsidiaries	8 564 000	5 327 385	2 576 602
Net value added tax	701 571	1 049 470	981 920
Import duty	-	85 500	54 839
Other taxes - PAYE	3 092 195	3 192 035	2 339 579
Total	**12 357 766**	**9 654 390**	**5 952 940**

2019 Payments to the Government



Sustainability Performance (continued)

Supply chain

The Group has a Procurement Policy which guides supplier accreditation to ensure consistency, best prices and quality in all procurements. Our supply chain covers approximately 300 suppliers of products and services. These are often located within the vicinity of our business sites. Management's approach to supply chain management is to ensure all sourcing is in accordance with the procurement policy in place.

ENVIRONMENTAL IMPACT

First Mutual is committed to maintaining all aspects of our business that affect the environment directly and indirectly to protect natural resources. At our workplaces and within our property portfolio, we aim to reduce adverse impacts on the environment. The Group emphasises on environmental impact consideration to any contractors during construction of properties.

Energy

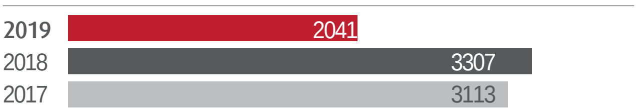
Energy is an essential resource on which we rely on in our business. As such, in our operations, management prioritizes energy conservation. The Group continues to improve activities regarding energy conservation and reduces reliance on non-renewable resources. Management encourages all staff members to ensure power is switched off in non-core areas to save energy and ensure they embark on trips which are necessary to save fuel. We recognise that our energy use is a key contributor to climate change and hence the need to take part in managing the risk it poses to our business and the opportunities it creates.

Our energy consumption for the year is presented below:

Energy consumption within the Group

Energy type	Unit	2019	2018	2017
Electricity	MWh	2041	3307	3113

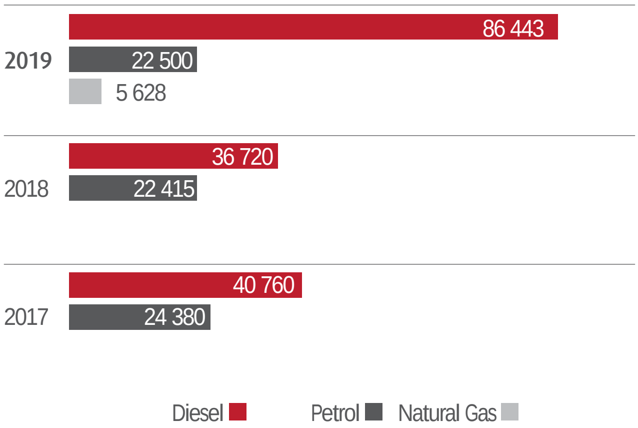
Electricty Usage



Energy Consumption outside the Group

Fuel type	Unit	2019	2018	2017
Diesel	Litres	86 443	36 720	40 760
Petrol	Litres	22 500	22 415	24 380
Natural gas	Kgs	5 628	-	-

Fuel Usage



Water management

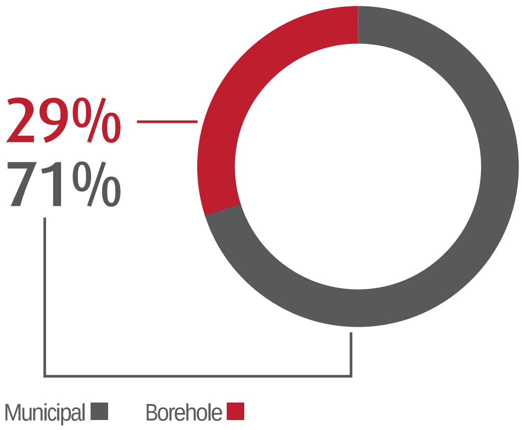
Water is a valuable resource and basic requirement for human life, wellbeing, our operations as well as our clients. At First Mutual we respect this resource and understand the need to use and maintain it sustainably. Recognizing the water crisis and the danger it poses to our business customers and our operations, the Group takes great interest and responsibility in water management.

Water withdrawal by source

Borehole and municipal water are our key sources of water extraction, which meet our water requirements in maintaining our premises and facilities. We appreciate that without water we cannot run our facilities and we ensure the resource is managed efficiently. Our municipal water consumption is presented below:

Source	Unit	2019	2018	2017
Municipal	(m3)	93,364	15,704	16,698
Borehole	(m3)	37,240	N/A	N/A

Water consumption by source



N/A - There were no borehole water consumption measurements in the year 2018 and 2017 due to the absence of flow meters.

Sustainability Performance (continued)

SOCIAL IMPACT

The Group's social impact strategy provides opportunities for engaging with our employees, communities and customers through shared values. The Group's strategy for social impacts is focused on human capital management, community investments and employee driven corporate social responsibility. This allows the Group to build a strong social capital that sustains our performance underpinned by a strong human capital base and good community relations. The Group continues to work towards upholding inclusivity, gender, equality, diversity and social development among our stakeholders.

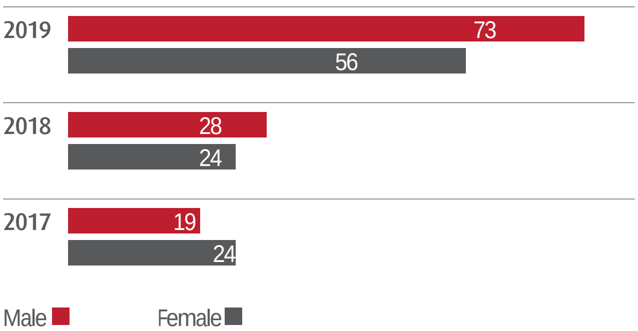
Human capital management

Our employees are central to how we deliver value to our stakeholders and sustaining our corporate brands. In light of the radical economy and technological advancement, our employees remain a significant core capital of our business. As such, we seek to be an attractive employer, where everyone aspires to work. Group management provides a conducive working environment supported by continued professional development. We continue to provide employment opportunities and equal opportunities across society.

During the year, our new employees are presented below:

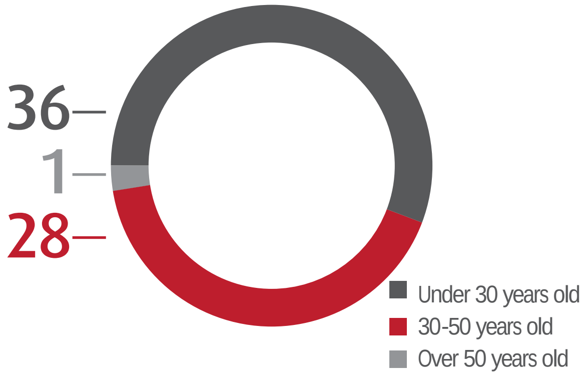
Gender	Unit	2019	2018	2017
Male	Count	73	28	19
Female	Count	56	24	24
Total		129	52	43

Employee hire by gender

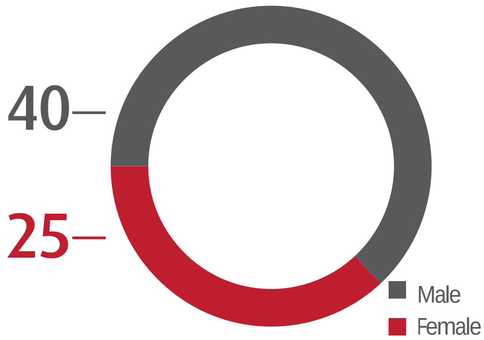


Employee hire by age

2019 Turnover by age



2019 employee turnover by gender



Occupational health and safety

First Mutual attaches great value to the health and safety of its employees. Employee well-being in our workplace is not only a foundation for the smooth functioning of First Mutual but an indicator of how we protect their rights and interests. Management ensures that there is great employee awareness of workplace safety, work-life balance, and protection of the physical and mental health at all times. During the year, they were no material safety incidences recorded, demonstrating our commitment to workplace safety and employee adherence to safety standards.

Training and education

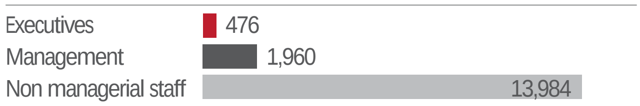
The Group fosters a continuous learning culture to keep our employees up to date with global trends and best practices. Training and education help keep our employees abreast of the relevant skillset and knowledge which keeps us competitive to satisfy the needs of our stakeholders. Below is the average training hour per employee:

Sustainability Performance (continued)

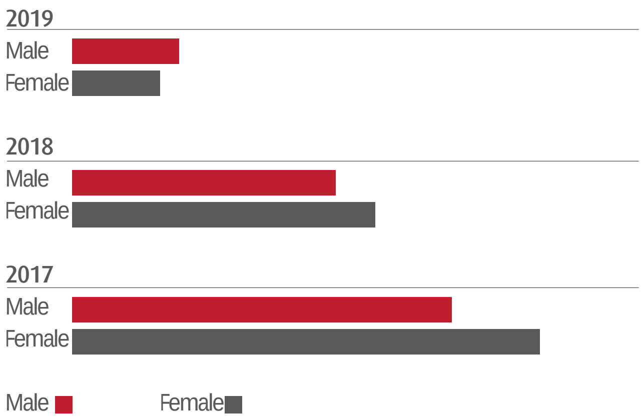
Average hours of training per employee

	Unit	2019	2018	2017
Male	Count	15	37	54
Female	Count	12	43	67
Total		**27**	**80**	**121**

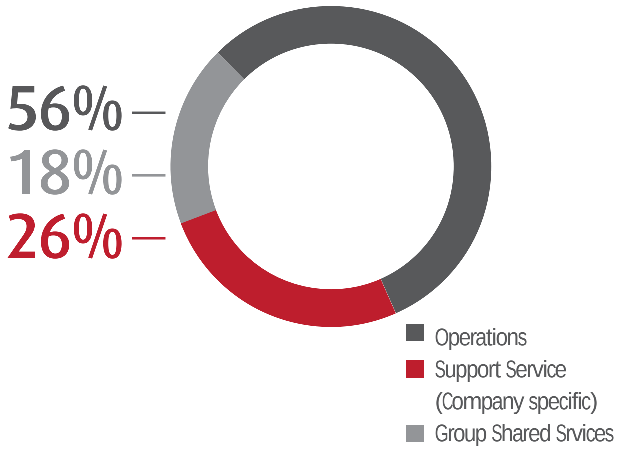
2019 Training hours by employee levels



Average training hours by gender



2019 Training hours by employee function



Community investments

First Mutual Holdings Limited is committed to sustainable development and empowerment of communities. As part of the Group's Corporate Social Responsibility Programme initiative, the First Mutual Foundation provides educational assistance to children from economically challenged backgrounds. The foundation supports selected children from primary school through to university level even though they may be a deliberate emphasis for university level students studying towards insurance and actuarial degrees. The Group supports other community developmental needs that uplift the standards of life and societal well-being across the country.

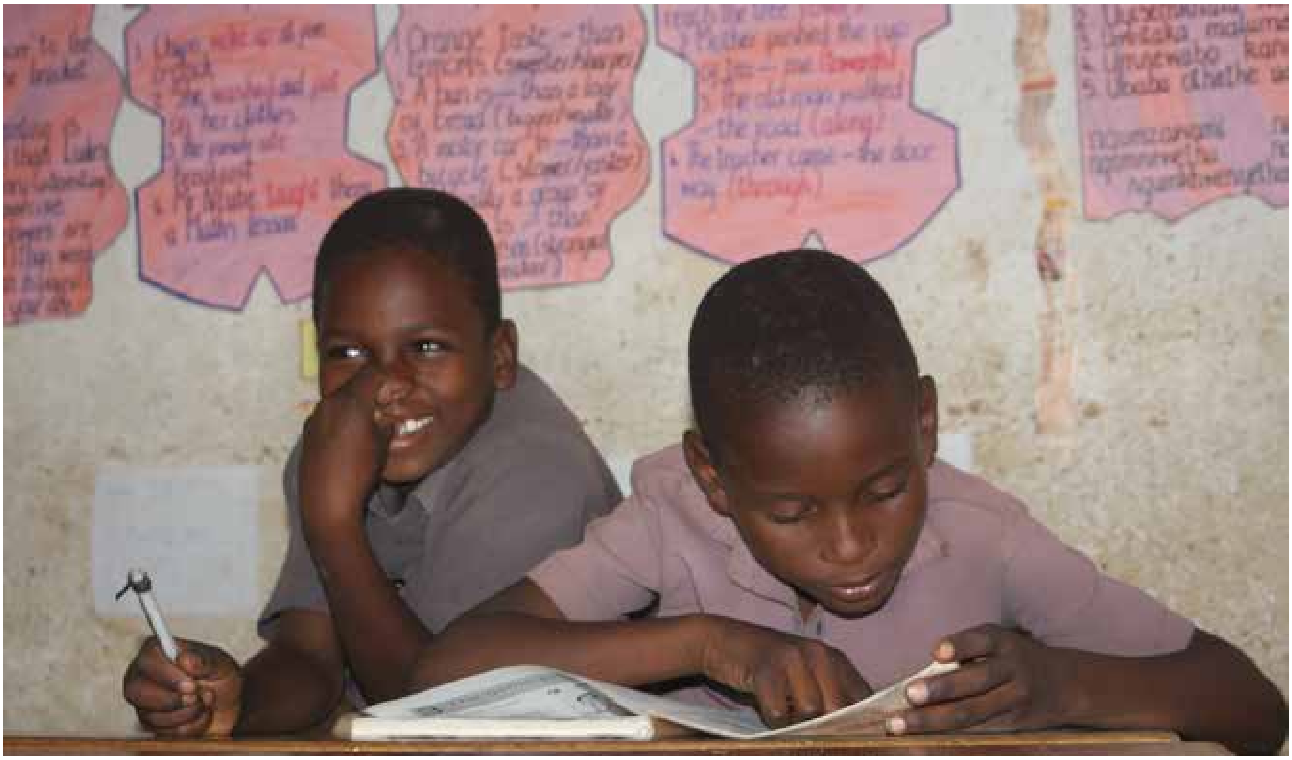
Our initiatives and support for the year are presented below:

Category	Support provided	Beneficiaries
Education	Tuition and ancillary support.	First Mutual Foundation; and First Mutual Reformed Church University Scholarship.
Health	Health check-up – BP; BMI; weight; eye and dental screening..	Chinhoyi community.
Environment	Clean up campaigns; and gloves; bins; face masks; cleaning materials.	Chinhoyi community; Makokoba community; and Warren Park 2.
Disaster support	Donations- food; sanitary wear; blankets; clothes; and grocery items.	Cyclone Idai Victims- Chipinge.
The welfare of the disadvantaged	Donations – time; clothes; groceries; and exercise books	KIP KEINO Children's Home (Gwanda).

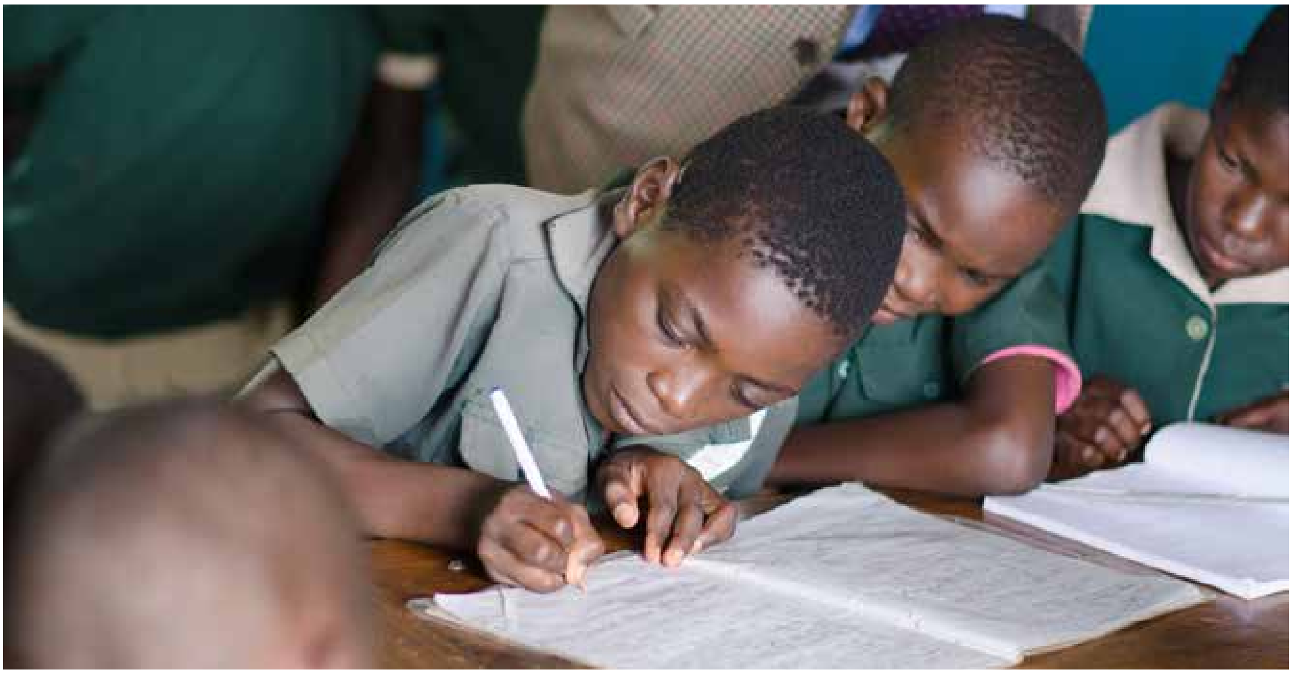
First Mutual employees in the community

The employee driven Corporate Social Responsibility Programme is voluntary amongst staff members wishing to give back to the community. The programme contributes donations in various forms which includes cash, non-perishable goods, clothing, shoes and books among other items for disbursing to charity homes.

Sustainability Performance (continued)





Educating the future: selected primary school children get educational assistance from the First Mutual Foundation every year.

Risk Management Report

RESPONSIBLE MARKETING OF OUR SERVICES

Our Strategy
Risk management is key to the success of First Mutual. We recognize that risk is inherent in our business operations in both insurance and non-insurance lines of business. We take a proactive approach that includes diversification through the varied range of products offered by the Group, the use of different distribution channels and the geographical spread of Group operations. This approach is underpinned by a robust risk management framework that ensures adequate processes are in place to identify, measure, manage, monitor and treat in a consistent and effective manner the key and emerging risks - financial and non-financial – that the Group faces. Risk consideration is critical to our business activities and enables us to make informed decisions and manage the expected returns that are consistent with our risk appetite.

Our Governance
The Risk Management Framework sets out the requirements for detailed risk policies, risk oversight committees, roles and responsibilities for executive management along the 'three lines of defence' and for the Board. The Board is ultimately responsible for Group's risk management, ensuring that our risk-taking endeavours are made from well-informed decisions and remain within the risk appetite.

We manage the risks faced by the Group through the Group Risk Management function whose responsibilities include the following:

- Assisting the board and management develop and maintain a sound risk management framework that ensures that risk management is embedded across the Group operations;
- Informing the board of any material risks that may have a material effect on First Mutual;
- Identification, monitoring and mitigation of material risks and promoting a robust risk culture in the organisation; and
- Ensuring that there is sufficient capital in place to operate sustainably within the risk appetite and the trending risk profile.

We have set parameters to assess the effectiveness of risk management at First Mutual Holdings to continuously monitor and improve ourselves. The Board is committed to increasing stakeholder value through the management of corporate risks. We believe that sustainability management at the Board and executive level plays a significant role in the integration of non-financial risk management in business. As such, sustainability training and representation in the board will remain the ideal that we seek to achieve.

Management approach
The Group Risk Management Department is headed by the Chief Risk Officer. Its main activities are to address the following issues at each of the business units of the Group:

- Strengthening of the risk management framework, ensuring consistent implementation of its requirements across the enterprise;
- Increasing and sustaining the embedding of risk management in the business operations;
- Identifying, measuring, managing, monitoring and reporting on key risks using relevant risk models and stress and scenario testing; and
- Raising risk awareness among staff to achieve the targeted risk culture across the enterprise.

The Group Risk Management department reports to the subsidiary company Board Audit Committees and the Group Risk Committee and has unrestricted access to these Committees.

Inherent risks
The Group's business model is exposed to the following inherent risks

Risks transferred by the customer
- Life insurance risks driven by variations in longevity, mortality and expense as well as lapses, and changes in reserves;
- General insurance risks arising from losses from accident, fire, floods and related perils;
- Health insurance risk relating to qualifying healthcare costs

Risks arising from investments and operations
- Financial risks including risks relating to interest rates, currency, credit, liquidity, equities, concentration, reinsurance and solvency
- Property management risks arising from tenants, planning, locations, environment and structural and
- Operational risks arising from inadequate or failed internal processes, people or systems as well as external events

Financial Risk Management

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. The Group Investment Committee set limits on investment risk that individual and managers can trade on. Further, details are contained in the notes to the financial statement on pages 61 to 171.

Operational and Business Related Risk Management

The Group manages operational risks through formalised procedures and controls, well-trained personnel and where necessary back-up facilities. The Group manages the risk of all forms including operational, market, reputational, environmental, social, liquidity and credit risks. These risks are identified and monitored through various channels and mechanisms.

Marketing is an integral aspect of distributing our services. Selling our financial services is heavily reliant on customer knowledge. These activities rely on marketing to spread messages that educate our customers to make informed decisions about adopting our products and services. We seek to avoid any illegal marketing practices that offend the standards of decency and do not abuse clients' trust or exploit their lack of experience or knowledge. Our marketing practises seek to uphold human dignity and do not incite any form of discrimination and / or antisocial behaviour.

We evaluate any form of marketing communication before publishing to ensure that they do not mislead clients concerning our products and services. Responsible marketing at First Mutual is an expression that we recognise our social obligation to our clients. We want our clients to trust that the information we provide about our products and services is accurate and does not violate ethical and legal standards in our business environment.

Declaration by the 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

9 April 2020

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 the financial performance and cash flows of the Group 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 consolidated financial statements, set out on pages 61 to 171, 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.

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$. As described in note 2.1.3 of the consolidated financial statements, during the prior financial year, and for the period 1 January 2019 to 22 February 2019, the Group transacted using a combination of the Nostro FCAs and RTGS FCA, mobile money, bond notes and coins. In terms of International Accounting Standard 21 - The Effects of changes in foreign exchange rates ("IAS 21"), these payment methods would have been considered as separate currencies to be translated for financial reporting purposes to the functional and presentation currency of the Group at appropriate exchange rates. However, in order to comply with the legislation as described in note 2.1.3 to the financial statements, the RTGS transactions and balances in the financial statements for the prior financial year, are reflected at parity with the US$. The Group, as described in note 2.1.3, changed its functional currency on 22 February 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.

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)

In addition, foreign currency denominated transactions and balances of the Group were translated into ZWL using the interbank rate which is not considered an appropriate spot rate for translation as required by IAS 21.

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 ending 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.

Furthermore, as disclosed in note 2.8, note 3.2.3 and note 7, the Group performed valuation of investment property as at 31 December 2019. Valuations rely on observable and sufficiently frequent historical transactional market evidence. Monetary policy changes, specifically Statutory Instrument 142 of 2019, which introduced the Zimbabwe dollar ("ZWL") as the sole legal tender effective 24 June 2019, resulted in a limited period for observable transactional evidence. Unobservable inputs include capitalisation rates and vacancy rates. In addition, the valuation was undertaken in an unstable economic environment which is characterised by rising inflation, liquidity problems, hard currency shortages and frequent monetary policy changes, and presented the limitations explained below.

Market evidence for capitalisation rates in ZWL did not exist at 31 December 2019 for purposes of the valuation of commercial and industrial properties using the income capitalisation method. For residential properties and land, in order to determine the ZWL values of the investment property at 31 December 2019, US$ inputs were used and then translated into ZWL using the closing interbank exchange rate. The application of a conversion rate to US$ valuation inputs to calculate ZWL property values is not an accurate reflection of market dynamics, as the risks associated with currency trading do not reflect the risks associated with property trading.

There were no further audit procedures that we could have performed to obtain sufficient and appropriate audit evidence regarding the valuation of the investment properties. As a result, we were unable to determine whether any adjustments would be required in respect of the recorded fair value of investment properties.

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.

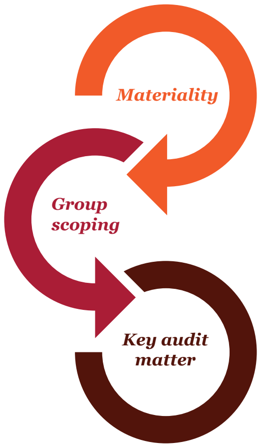
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

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

Full scope audits were performed on the Company and all subsidiaries, based on their financial significance to the Group and statutory audit requirements.

Key audit matter

- Valuation of policyholder insurance and investment contract liabilities.

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 matters 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.

Key audit matter	How our audit addressed the key audit matter
Valuation of policyholder insurance and investment contract liabilities 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 ZWL776 144 374 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.	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 by agreeing to underlying audit evidence. Making use 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, • assessed 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 reasonable. 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.

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, as well as the valuation of investment property. 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;

Independent auditor's report (continued)

- 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)

6 July 2020

Harare
Zimbabwe

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2019

		INFLATION ADJUSTED		HISTORICAL COST	
	Note	2019	2018	2019	2018
ASSETS		ZWL	ZWL	ZWL	ZWL
Property, plant and equipment	6	51 035 737	29 248 190	18 498 614	10 540 542
Investment property	7	1 413 176 336	901 505 702	1 413 176 336	145 170 000
Right of use of assets	6.1	18 955 797	-	3 068 000	-
Intangible assets	8	8 484 159	7 727 960	2 693 473	897 443
Investment in associate	10	29 754 474	12 420 085	10 351 871	1 491 033
Financial assets:					
- equity securities at fair value through profit or loss (“FVPL”)	11.1	348 766 929	650 246 274	348 766 929	104 709 545
- debt securities at amortised cost	11.2	9 416 077	311 953 057	9 416 077	29 799 120
Deferred acquisition costs	12	24 336 527	23 998 356	7 647 511	2 933 677
Income tax asset	21.2	116 967	4 298 173	116 967	621 598
Inventory	13	12 995 371	5 498 806	6 308 622	804 119
Insurance, tenant and other receivables	14	208 347 639	226 140 300	208 347 639	34 225 612
Cash and balances with banks	15	279 515 881	274 016 450	279 515 881	61 083 891
TOTAL ASSETS		**2 404 901 894**	**2 447 053 353**	**2 307 907 920**	**392 276 580**
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the parent					
Share capital	16	6 194 499	6 188 170	723 443	720 731
Share premium		334 293 098	333 870 472	39 045 426	38 844 411
Non-distributable reserves	16.5	121 782 442	57 768 961	68 228 713	6 673 423
(Accumulated losses) / retained profits		(76 241 888)	9 600 842	389 819 454	44 190 903
Total equity attributable to equity holders of the parent		**386 028 151**	**407 428 445**	**497 817 036**	**90 429 468**
Non-controlling interests		**482 267 343**	**380 908 895**	**350 636 177**	**42 224 786**
Total equity		**868 295 494**	**788 337 340**	**848 453 213**	**132 654 254**
Liabilities					
Life insurance contract liabilities:					
- with Discretionary Participating Features (“DPF”)	17.3	55 097 091	81 712 809	55 097 091	13 154 971
- without DPF	17.3	37 505 429	96 995 921	37 505 429	15 615 404
Investment contract liabilities:					
- with DPF	17.2	611 255 766	699 198 142	611 255 766	112 564 128
- without DPF	17.2	45 639 382	173 979 971	45 639 382	28 010 256
Shareholder risk reserve	17.6	26 646 706	72 485 939	26 646 706	11 669 534
Borrowings	18	-	91 665	-	91 665
Lease liability	6.1	3 304 006	-	3 304 006	-
Share based payment liability	16.4	5 017 934	-	5 017 934	-
Insurance contract liabilities - short term	19.1	375 689 164	333 410 353	307 555 266	50 572 954
Insurance liabilities - life assurance	19.2	4 078 742	17 012 634	4 078 742	2 268 940
Other payables	20	80 799 186	69 240 595	80 799 186	9 183 682
Deferred tax	21.1	290 710 061	114 247 398	281 692 266	16 435 961
Current income tax liabilities	21.2	862 933	340 586	862 933	54 831
Total liabilities		**1 536 606 400**	**1 658 716 013**	**1 459 454 707**	**259 622 326**
TOTAL EQUITY AND LIABILITIES		**2 404 901 894**	**2 447 053 353**	**2 307 907 920**	**392 276 580**

These financial statements were approved by the Board of Directors on 9 April 2020 and signed on behalf of the Directors

O Mtasa
Chairman

D Hoto
Group Chief Executive Officer

Company Statement of Financial Position

AS AT 31 DECEMBER 2019

	Note	INFLATION ADJUSTED 2019 ZWL	INFLATION ADJUSTED 2018 ZWL	HISTORICAL COST 2019 ZWL	HISTORICAL COST 2018 ZWL
ASSETS					
Property, plant and equipment	6	631 373	635 071	131 400	73 749
Right of use of assets	6.1	3 630 128	-	1 029 831	-
Investment in subsidiaries	9	566 412 297	525 217 680	505 609 494	77 143 625
Financial assets:					
- equity securities at fair value through profit or loss ("FVPL")	11.1	15 238 066	30 949 545	15 238 066	4 982 577
Inventory	13	131 081	246 096	131 081	39 619
Other receivables	14	5 395 814	8 274 752	5 395 814	1 332 155
Cash and balances with banks	15	4 820 757	23 884 965	4 820 757	3 845 248
TOTAL ASSETS		**596 259 516**	**589 208 109**	**532 356 443**	**87 416 973**
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the parent					
Share capital	16	6 194 499	6 188 170	723 443	720 731
Share premium		334 293 098	333 870 472	39 045 426	38 844 411
Non-distributable reserves	16.5	7 673 284	5 091 619	806 326	682 852
Retained profits		241 889 449	241 446 697	485 572 062	46 748 609
Total equity		**590 050 330**	**586 596 958**	**526 147 257**	**86 996 603**
Liabilities					
Lease liability	6.1	1 061 675	-	1 061 675	-
Share based payment	16.4	1 319 670	-	1 319 670	-
Other payables	20.1	3 827 841	2 611 151	3 827 841	420 370
Total liabilities		**6 209 186**	**2 611 151**	**6 209 186**	**420 370**
TOTAL EQUITY AND LIABILITIES		**596 259 516**	**589 208 109**	**532 356 443**	**87 416 973**

These financial statements were approved by the Board of Directors on 9 April 2020 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 2019

		INFLATION ADJUSTED		HISTORICAL COST	
		2019	2018	2019	2018
INCOME	Note	ZWL	ZWL	ZWL	ZWL
Gross premium written	22	1 295 799 266	1 454 442 098	565 161 858	180 628 097
Reinsurance	22	(312 253 328)	(184 681 613)	(163 872 559)	(23 942 366)
Net premium written	**22**	**983 545 938**	**1 269 760 485**	**401 289 299**	**156 685 731**
Movement in unearned premium reserve		(34 066 949)	(23 774 268)	(7 897 748)	(2 837 333)
Net premium earned		**949 478 989**	**1 245 986 217**	**393 391 551**	**153 848 398**
Rental income	23	52 484 786	51 160 225	23 288 426	7 684 632
Fair value adjustment - investment property	7	506 592 397	(289 504 408)	1 267 517 432	6 841 300
Investment (loss) / income	24	(392 848 248)	207 402 340	215 025 177	31 262 921
Interest income		18 051 398	21 845 127	5 641 062	3 013 121
Fee income:					
- insurance contracts	25.1	6 669 765	11 611 141	3 233 686	1 456 507
- investment contracts	25.1	26 379 069	30 909 322	12 604 403	3 882 199
Other income	25.2	118 799 142	22 631 223	39 540 847	1 266 428
Monetary gain / (loss)		(262 033 715)	(462 547 050)	-	-
Total income		**1 023 573 583**	**839 494 137**	**1 960 242 584**	**209 255 506**
EXPENDITURE					
Insurance benefits	26	(38 615 958)	(63 817 279)	(17 583 931)	(11 052 821)
Insurance claims and loss adjustment expenses	26	(463 320 797)	(709 485 373)	(208 847 103)	(85 106 595)
Insurance claims and loss adjustment expenses recovered from reinsurers	26	48 868 942	49 186 669	15 271 544	7 443 621
Net insurance benefits and claims	**26**	**(453 067 813)**	**(724 115 983)**	**(211 159 490)**	**(88 715 795)**
Movement in insurance contract liabilities	17.5	174 048 587	129 396 504	(568 050 201)	(36 226 073)
Movement in shareholder risk reserve	17.6	(45 839 233)	(30 260 858)	(14,977,172)	262,060
Investment profit on investment contract liabilities	17.7	128 340 584	2 211 493	(28 847 283)	(7 065 356)
Acquisition of insurance and investment contracts expenses	27	(77 491 889)	(101 551 757)	(38 548 956)	(12 693 630)
Administration expenses	28	(305 533 281)	(277 553 694)	(143 307 628)	(39 305 678)
Impairment allowances	28.3	(22 713 392)	(5 600 883)	(19 125 133)	(689 966)
Finance cost on borrowings		(673 023)	(444 338)	(366 984)	(52 634)
Total expenditure		**(602 929 460)**	**(1 007 919 516)**	**(1 024 382 847)**	**(184 487 072)**
Profit/(loss) before share of profit of associate		**420 644 123**	**(168 425 379)**	**935 859 737**	**24 768 434**
Share of (loss) / profit of associate	10	(4 237 834)	1 329 956	(2 545 704)	46 666
Profit/(loss) before income tax		**416 406 289**	**(167 095 423)**	**933 314 033**	**24 815 100**
Income tax expense	21.3	(388 770 692)	(46 199 804)	(275 133 039)	(7 171 272)
Profit/(loss) for the year		**27 635 597**	**(213 295 227)**	**658 180 994**	**17 643 828**
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		61 325 844	(782 395)	61 325 844	(125 958)
Share of other comprehensive profit of associate	10	105 972	944 311	105 972	152 025
Other comprehensive income/(loss) to be reclassified to statement of comprehensive income in subsequent periods		**61 431 816**	**161 916**	**61 431 816**	**26 067**
Total comprehensive income/(loss) for the year		**89 067 413**	**(213 133 311)**	**719 612 810**	**17 669 895**
Profit/(loss) attributable to:					
Non-controlling interest		104 962 843	6 832 992	309 162 721	1 118 977
Equity holders of the parent		(77 327 246)	(220 128 219)	349 018 273	16 524 851
Profit/(loss) for the year		**27 635 597**	**(213 295 227)**	**658 180 994**	**17 643 828**
Comprehensive income/(loss) attributable to:					
Non-controlling interest		104 962 843	6 832 992	309 162 721	1 118 977
Equity holders of the parent		(15 895 430)	(219 966 303)	410 450 089	16 550 918
Total comprehensive income/(loss) for the year		**89 067 413**	**(213 133 311)**	**719 612 810**	**17 669 895**
Basic (loss) / earnings per share (ZWL cents)	29.1	(10.72)	(31.13)	48.36	2.34
Diluted (loss) / earnings per share (ZWL cents)	29.2	(10.71)	(31.05)	48.32	2.33

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2019

INFLATION ADJUSTED

For the year ended 31 December 2018	**Share capital ZWL**	**Share premium ZWL**	**Non distributable reserve (note 16.5) ZWL**	**Retained profits/ (accumulated losses) ZWL**	**Total equity for parent ZWL**	**Non-controlling Interest ZWL**	**Total equity ZWL**
As at 1 January 2018	6 187 746	344 207 280	55 721 477	230 223 130	636 339 633	428 648 669	1 064 988 302
Impact of adopting IFRS 9	-	-	-	(12 693 953)	(12 693 953)	-	(12 693 953)
As at 1 January 2018, as restated	**6 187 746**	**344 207 280**	**55 721 477**	**217 529 177**	**623 645 680**	**428 648 669**	**1 052 294 349**
(Loss)/profit for the year	-	-	-	(220 128 219)	(220 128 219)	6 832 992	(213 295 227)
Other comprehensive (loss)/income	-	-	(782 395)	944 311	161 916	-	161 916
Total comprehensive income/(loss)	-	-	**(782 395)**	**(219 183 908)**	**(219 966 303)**	**6 832 992**	**(213 133 311)**
Transactions with shareholders in their capacity as owners:							
Issue of shares:	193 534	24 893 075	-	-	25 086 609	-	25 086 609
- acquisition of 19.08% of NDIL	146 314	23 263 548	-	-	23 409 862	-	23 409 862
- share options	47 220	1 629 527	-	-	1 676 747	-	1 676 747
2017 mandatory tender offer	(193 110)	(35 229 883)	-	-	(35 422 993)	-	(35 422 993)
Share based payments	-	-	2 829 879	-	2 829 879	-	2 829 879
Acquisition of non-controlling	-	-	-	-	-	-	-
interest (note 17.6)	-	-	-	20 555 759	20 555 759	(52 170 804)	(31 615 045)
Dividend declared and paid	-	-	-	(9 300 186)	(9 300 186)	(2 401 962)	(11 702 148)
As at 31 December 2018	**6 188 170**	**333 870 472**	**57 768 961**	**9 600 842**	**407 428 445**	**380 908 895**	**788 337 340**
For the year ended 31 December 2019							
As at 1 January 2019	**6 188 170**	**333 870 472**	**57 768 961**	**9 600 842**	**407 428 445**	**380 908 895**	**788 337 340**
(Loss)/profit for the year	-	-	-	(77 327 246)	(77 327 246)	104 962 843	27 635 597
Other comprehensive income	-	-	61 431 816	-	61 431 816	-	61 431 816
Total comprehensive income/(loss)	-	-	**61 431 816**	**(77 327 246)**	**(15 895 430)**	**104 962 843**	**89 067 413**
Transactions with shareholders in their capacity as owners:							
Issue of shares - share options	6 329	422 626	-	-	428 955	-	428 955
Share based payments	-	-	2 581 665	-	2 581 665	-	2 581 665
Acquisition of non-controlling							
interest (note 17.6)	-	-	-	1 158 391	1 158 391	(2 390 383)	(1 231 992)
Dividend declared and paid	-	-	-	(9 673 875)	(9 673 875)	(1 214 012)	(10 887 887)
As at 31 December 2019	**6 194 499**	**334 293 098**	**121 782 442**	**(76 241 888)**	**386 028 151**	**482 267 343**	**868 295 494**

Consolidated Statement of Changes in Equity

HISTORICAL COST

For the year ended 31 December 2018	Share capital ZWL	Share premium ZWL	Non distributable reserve (note 16.5) ZWL	Retained profits ZWL	Total equity for parent ZWL	Non-controlling Interest ZWL	Total equity ZWL
As at 1 January 2018	718 563	39 971 685	6 470 756	26 735 072	73 896 076	49 777 592	123 673 668
Impact of adopting IFRS 9	-	-	-	(1 474 108)	(1 474 108)	-	(1 474 108)
As at 1 January 2018, as restated	**718 563**	**39 971 685**	**6 470 756**	**25 260 964**	**72 421 968**	**49 777 592**	**122 199 560**
Profit for the year	-	-	-	16 524 851	16 524 851	1 118 977	17 643 828
Other comprehensive (loss)/income	-	-	(125 958)	152 025	26 067	-	26 067
Total comprehensive income/(loss)	**-**	**-**	**(125 958)**	**16 676 876**	**16 550 918**	**1 118 977**	**17 669 895**
Transactions with shareholders							
in their capacity as owners:							
Issue of shares:	24 593	2 963 859	-	-	2 988 452	-	2 988 452
- acquisition of 19.08% of NDIL	16 991	2 701 521	-	-	2 718 512	-	2 718 512
- share options	7 602	262 338	-	-	269 940	-	269 940
2017 mandatory tender offer	(22 425)	(4 091 133)			(4 113 558)		(4 113 558)
Share based payments	-	-	328 625	-	328 625	-	328 625
Acquisition of non-controlling interest (note 17.8)	-	-	-	3 309 278	3 309 278	(8 398 994)	(5 089 716)
Dividend declared and paid	-	-	-	(1 056 215)	(1 056 215)	(272 789)	(1 329 004)
As at 31 December 2018	**720 731**	**38 844 411**	**6 673 423**	**44 190 903**	**90 429 468**	**42 224 786**	**132 654 254**
For the year ended 31 December 2019							
As at 1 January 2019	**720 731**	**38 844 411**	**6 673 423**	**44 190 903**	**90 429 468**	**42 224 786**	**132 654 254**
Profit for the year	-	-	-	349 018 273	349 018 273	309 162 721	658 180 994
Other comprehensive income	-	-	61 431 816	-	61 431 816	-	61 431 816
Total comprehensive income	**-**	**-**	**61 431 816**	**349 018 273**	**410 450 089**	**309 162 721**	**719 612 810**
Transactions with shareholders in their capacity as owners:							
Issue of shares - share options	2 712	201 015	-	-	203 727	-	203 727
Share based payments	-	-	123 474	-	123 474	-	123 474
Acquisition of non-controlling interest (note 17.8)	-	-	-	260 289	260 289	(537 120)	(276 831)
Dividend declared and paid	-	-	-	(3 650 011)	(3 650 011)	(214 210)	(3 864 221)
As at 31 December 2019	**723 443**	**39 045 426**	**68 228 713**	**389 819 454**	**497 817 036**	**350 636 177**	**848 453 213**

Consolidated Statement Of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	INFLATION ADJUSTED 2019 ZWL	INFLATION ADJUSTED 2018 ZWL	HISTORICAL COST 2019 ZWL	HISTORICAL COST 2018 ZWL
Profit before income tax		**416 406 289**	**(167 095 423)**	**933 314 033**	**24 815 100**
Adjustments for non-cash items:					
Depreciation	6	6 011 333	9 194 836	1 822 966	1 290 694
Fair value gain on investment properties	7	(506 592 397)	289 504 408	(1 267 517 432)	(6 841 300)
Amortisation of intangible assets	8	1 268 972	1 819 223	229 141	211 265
Fair value adjustment on equity securities at FVPL	11.1	415 879 446	(115 096 501)	(208 418 723)	(18 534 058)
(Gain) / loss from disposal of equity securities at FVPL	24	(40 979 972)	-	(12 806 241)	-
Profit / (loss) from disposal of property and equipment	25.2	-	(1 322 371)	-	(73 999)
Movement in allowance for credit losses	28.3	22 713 392	4 285 761	19 125 133	689 966
Movement in insurance contract liabilities	17.3	(86 106 211)	21 902 737	63 832 145	3 526 129
Movement in investment contract liabilities		(548 477 139)	215 298 976	516 320 763	34 661 364
Movement in incurred but not reported provisions		46 710 525	57 724	(30 541 593)	9 293
Movement in shareholder risk reserves	17.6	45 839 233	30 260 858	14 977 172	(262 060)
Change in unearned premium reserve movement		34 066 949	23 774 268	7 897 748	2 837 333
Cash settled shared based payment	32.3	5 017 934	-	5 017 934	-
Share of loss / (profit) of associate	10	4 237 834	(1 359 956)	2 545 704	(46 666)
Deferred acquisition costs	12	338 171	2 067 464	4 713 834	252 737
Adjustments for separately disclosed items:					
Finance costs on borrowings		673 023	326 942	366 984	52 634
Dividend received	24	(10 110 306)	(92 284 249)	(3 159 471)	(12 728 862)
Interest received	24	(18 051 398)	(18 716 163)	(5 641 062)	(3 013 121)
Monetary loss		262 033 715	462 547 050	-	-
Operating cash flows before working capital changes		**50 879 393**	**666 480706**	**42 079 035**	**26 846 449**
Working capital changes					
Increase in inventory		(7 496 566)	(1 907 307)	(5 504 503)	(307 058)
(Increase) / decrease in other receivables		(17 424 610)	31 251 433	(34 572 648)	5 031 178
(Increase) / decrease in rental receivables		(59 358)	6 448 562	(3 966 015)	1 038 156
Decrease / (increase) in insurance receivables		35 276 630	(29 326 491)	(135 583 364)	(4 721 281)
Increase / (decrease) in other payables		11 558 591	(17 246 739)	71 615 504	(2 776 558)
(Decrease) / increase in insurance contract liabilities - life assurance		(12 933 892)	(947 016)	1 809 802	(152 460)
(Decrease) / increase in insurance contract liabilities - short term		42 278 812	(317 667 006)	256 982 312	3 803 727
Net working capital changes		**51 199 607**	**(329 394 564)**	**150 781 088**	**1 915 704**
Cash generated from operations		**102 079 000**	**337 086 142**	**192 860 123**	**28 762 153**
Finance costs on borrowings		(673 023)	(326 942)	(366 984)	(52 634)
Interest received		18 051 398	18 716 163	5 641 062	3 013 121
Income tax paid	21.2	(27 404 801)	(21 057 441)	(8 564 000)	(3 750 277)
Net cash flows from operating activities		**92 052 574**	**334 417 922**	**189 570 201**	**27 972 363**
Investing activities					
Dividends received	24	10 110 307	46 201 910	3 159 471	7 438 060
Additions to property, plant and equipment	6	(27 898 341)	(14 203 037)	(9 811 301)	(1 649 353)
Additions to investment property	7	(9 296 000)	(21 397 712)	(1 808 699)	(2 485 217)
Proceeds from disposal of investment property		4 217 762	-	1 319 795	-
Proceeds from disposal of property and equipment		99 458	935 299	30 263	150 574
Purchase of equity securities at FVPL	11.1	(271 989 094)	(199 624 704)	(84 731 805)	(32 145 685)
Purchase of debt securities at amortised cost	11.2	(132 236 116)	(674 219 336)	(41 195 052)	(64 404 379)
Proceeds from sale of equity securities at FVPL		157 588 993	76 842 110	61 899 386	73 995 875
Proceeds from sale of debt securities at amortised cost		159 900 319	403 077 157	65 746 151	1 597 626
Cash utilised in investing activities		**(109 502 713)**	**(374 664 288)**	**(5 391 791)**	**(17 502 499)**
Financing activities					
Issue of shares		428 955	2 201 083	203 727	354 353
Lease liability repayment	6.1	(313 991)	-	(313 991)	-
Dividends paid controlling interest		(9 300 186)	(6 560 736)	(3 650 011)	(1 056 215)
Loan repayment	18	(293 328)	(6 832 709)	(91 665)	(1 100 000)
Dividends paid to non-controlling interest		(1 214 012)	(1 694 441)	(214 210)	(272 789)
Cash flows utilised in financing activities		**(10 692 562)**	**(12 886 803)**	**(4 066 150)**	**(2 074 651)**
Net (decrease)/increase in cash and cash equivalents for the year		**(28 142 701)**	**(53 133 169)**	**180 112 260**	**8 395 213**
Cash and cash equivalents at the beginning of the year		274 016 450	329 387 228	61 083 891	53 028 153
Effects of exchange rate changes on cash and cash equivalents		33 642 132	(2 237 609)	38 319 730	(339 475)
Cash and cash equivalents at the end of the year	15	**279 515 881**	**274 016 450**	**279 515 881**	**61 083 891**

Notes to the Financial Statements

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, healthcare and funeral assurance), property management and development, wealth management services and micro-lending.

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 the National Social Security Authority (“NSSA”) which owns 68.81% (2018: 68.81%) directly and an additional 11.41% (2018: 11.41%) 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 inflation adjusted and historical 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.

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 and Company 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”), except for non-compliance with International Accounting Standards (“IAS”) 21 ‘The effects of changes in foreign exchange rates’, and IAS 29 Financial Reporting in hyperinflationary economies 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 and insurance and investment contract liabilities that have been measured at fair value basis. For fair presentation in accordance with IAS 29, ‘Financial Reporting in Hyperinflationary Economies’, the historical cost information has been restated for changes in the general purchasing power of the Zimbabwe dollar (“ZWL “ or “$”) and appropriate adjustments and reclassifications have been made. Accordingly, the inflation adjusted financial statements represent the primary financial statements of the Group and Company. The historical cost financial statements have been provided by way of supplementary information.

The financial statements comprise the statement of financial position of the Company and the financial statements of the Company and its subsidiaries (together the “Group”) as at 31 December 2019.

2.1.2 Inflation adjustment

On 11 October 2019, the Public Accountants and Auditors Board (the “PAAB”) issued Pronouncement 01/2019, which advised that Zimbabwe had met conditions for application of IAS 29 for financial periods ending on or after 1 July 2019.

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 National Statistics Agency. The conversion factors used to restate the financial statements as at 31 December 2019 are as follows:

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation and presentation (continued)

2.1.2 Inflation adjustment (continued)

Date	CPI	Conversion factor
31 December 2019	551.63	1.00
30 November 2019	473.28	1.17
31 October 2019	402.92	1.37
30 September 2019	290.39	1.90
31 August 2019	246.68	2.24
31 July 2019	208.92	2.64
30 June 2019	172.61	3.20
31 May 2019	123.95	4.45
30 April 2019	110.14	5.01
31 March 2019	104.38	5.28
28 February 2019	100.00	5.52
31 January 2019	98.35	5.61
31 December 2018	88.81	6.21
30 November 2018	81.45	6.77
31 October 2018	74.59	7.40
30 September 2018	64.06	8.61

All other items on the statement of comprehensive income are restated by applying the relevant monthly conversion factors.

The application of the IAS 29 restatement procedures has the effect of amending some of the accounting policies for non-monetary assets and liabilities used when preparing financial statements under the historical cost convention.

The main considerations and procedures applied for the above-mentioned restatement are as follows:

- financial statements are stated in terms of a measuring unit current at the balance sheet date;
- the corresponding figures for the previous period are restated to the measuring unit current at the balance sheet date;
- monetary assets and liabilities that are carried at amounts current at the balance sheet date are not restated because they are already expressed, in the monetary unit current at the balance sheet date;
- the non-monetary assets and liabilities that are not carried at amounts current at the balance sheet date and component of shareholders' equity are restated by applying the relevant conversion factors from the date of the transaction to the balance sheet date;
- additions to property and equipment acquired after 1 October 2018 (date of change in currency) are restated using the relevant conversion factors from the date of the transaction to the balance sheet date and a single factor of 8.67 for purchases before 1 October 2018;
- comparative financial statements are restated using general inflation indices in terms of the measuring unit current at the balance sheet date;
- all items in the statement of comprehensive income are restated by applying the relevant monthly conversion factors;
- the effect of inflation on the net monetary position of the Group is included in the Group's statement of comprehensive income as a gain or loss on net monetary position; and
- items in the cashflow statement are expressed in terms of the measuring unit current at the balance sheet date.

2.1.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's subsidiaries and associates are measured using the currency of the primary economic environment in which the subsidiary or associate operates ("the functional currency"). The financial statements are presented in the ZWL which is the Company's functional and presentation currency.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation and presentation (continued)

2.1.3 Foreign currency translation (continued)

(a) Functional and presentation currency (continued)

Currency developments in Zimbabwe

The Group and Company 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 (the "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, recording debts, accounting and settlement of domestic transactions; and
- 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 on the effective date would be deemed to be RTGS$ at a rate of 1:1 to the US$ 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 the multicurrency regime and introducing the ZWL as a monocurrency or sole tender.The ZWL was introduced at par with the RTGS$. At the time the ZWL was trading and exchange rate of US$1:ZWL6.2. Due to the weakening of the ZWL against foreign currencies, there were frequent general price increases resulting in hyperinflation as highlighted on note 2.1.2 above.

The Group and Company adopted the ZWL or RGTS$ as the functional and presentation currency as at 22 February 2019. Foreign currency US$ transaction were convertated into ZWL at an exchange rate of US$1:ZWL1 from 1 October 2018 to 31 December 2018 and US$1:ZWL2.5 from 1 January 2019 to 22 February 2019. For inflation adjusted information, month-on-moth indicies were applied from 1 October 2018.

(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 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.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation and presentation (continued)

2.1.3 Foreign currency translation (continued)

(b) Transactions and balances (continued)

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.

2.1.4 Changes in accounting policies and disclosures

a) **New standards, amendments and interpretations effective for the first time for 31 December 2019 year ends that are relevant to the Group:**

Standard/interpretation	Effective Date	Executive summary
IFRS 16 Leases	1 January 2019	IFRS 16 affects primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases. The statement of profit or loss will also be affected because total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest and depreciation, so key metrics like earnings before interest, tax, depreciation and amortisation will change. Operating cash flows will be higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest can continue to be presented as operating cash flows. The accounting by lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease. 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. The impact of the adoption of this standard is highlighted on note 7.2.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation and presentation (continued)

2.1.4 Changes in accounting policies and disclosures (continued)

a) **New standards, amendments and interpretations effective for the first time for 31 December 2019 year ends that are relevant to the Group: (continued)**

Standard/interpretation	Effective Date	Executive summary
Interpretation 23 Uncertainty over income tax treatments	1 January 2019	The interpretation explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. In particular, it discusses: - how to determine the appropriate unit of account, and that each uncertain tax treatment should be considered separately or together as a group, depending on which approach better predicts the resolution of the uncertainty - that the entity should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information, i.e that detection risk should be ignored - that the entity should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment - that the impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty, and - that the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements. There are no new disclosure requirements affecting the Group, however, refer to note 3 on significant judgements and estimates.
Amendments to IFRS 9 – 'Financial instruments' on - prepayment features with negative compensation and -modification of financial liabilities.	1 January 2019	The narrow-scope amendment covers two issues: · 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; and . 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. The amendment has no material impact on the financial statements of the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation and presentation (continued)

2.1.4 Changes in accounting policies and disclosures (continued)

a) New standards, amendments and interpretations effective for the first time for 31 December 2019 year ends that are relevant to the Group: (continued)

Standard/interpretation	Effective Date	Executive summary
Long-term interests in associates and joint ventures – Amendments to IAS 28	1 January 2019	The amendments clarify the accounting for long-term interests in an associate or joint venture, which in substance form part of the net investment in the associate or joint venture, but to which equity accounting is not applied. Entities must account for such interests under IFRS 9 Financial instruments before applying the loss allocation and impairment requirements in IAS 28 Investments in Associates and Joint Ventures. The amendment has no material impact on the financial statements of the Group.
Annual improvements to IFRS arising from the 2015-2017 reporting cycle	1 January 2019	The following improvements were finalised in December 2017: - IFRS 3 Business combinations – clarified that obtaining control of a business that is a joint operation is a business combination achieved in stages; - IFRS 11 Joint arrangements – clarified that the party obtaining joint control of a business that is a joint operation should not remeasure its previously held interest in the joint operation; - IAS 12 Disclosure of interests in other entities – 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; and - IAS 23 Borrowing costs – clarified that, if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings. The amendments have no material impact on the financial statements of the Group.
Plan Amendment, Curtailment or Settlement – Amendments to IAS 19	1 January 2019	The amendments to IAS 19 Employee benefits clarify the accounting for defined benefit plan amendments, curtailments and settlements. They confirm that entities must : - calculate the current service cost and net interest for the remainder of the reporting period after a plan amendment, curtailment or settlement by using the updated assumptions from the date of the change - recognise any reduction in a surplus immediately in profit or loss, either as part of past service cost or as a gain or loss on settlement. In other words, a reduction in a surplus must be recognised in profit or loss even if that surplus was not previously recognised because of the impact of the asset ceiling - separately recognise any changes in the asset ceiling through other comprehensive income. The amendments have no material impact on the Groups financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation and presentation (continued)

2.1.4 Changes in accounting policies and disclosures (continued)

b) **New standards, amendments and interpretations issued but not effective for 31 December 2019 year ends that are relevant to the Group but have not been early adopted:**

Standard/interpretation	Effective Date	Executive summary
IFRS 17 Insurance contracts	1 January 2023	IFRS 17 was issued in May 2017 as replacement for IFRS 4 Insurance contracts. It requires a current measurement model where estimates are re-measured in each reporting period. Contracts are measured using the building blocks of: -discounted probability-weighted cash flows; -an explicit risk adjustment, and -a contractual service margin ("CSM") representing the unearned profit of the contract which is recognised as revenue over the coverage period. The standard allows a choice between recognising changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9. An optional, simplified premium allocation approach is permitted to recognise the liability for the remaining coverage for short duration contracts. There is a modification of the general measurement model called the 'variable fee approach' for certain contracts. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the CSM. The results of insurers using this model are therefore likely to be less volatile than under the general model. The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features. The standard will have significant impact on the financial statements of the Group. The Group has treated the implementation of the standard as a project and the following have been done: - key project team members have been identified from finance, actuarial, underwriting and information technology departments; - a project charter has been drafted; - project timetable determined; and - project team has attended preliminary training.

Notes to the Financial Statements (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation and presentation (continued)

2.1.4 Changes in accounting policies and disclosures (continued)

b) **New standards, amendments and interpretations issued but not effective for 31 December 2019 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 2023	The project team will ensure data governance, lineage and transparency across the entire reporting chain. This includes a wide spectrum of data that will be used, from historical or current data (e.g. policy and premium data or data to produce the risk adjustment) to forward-looking data (e.g. data used to produce cash flow projections). The project team is working with internal and external stakeholders to assess the current data flows and identify potential gaps. In doing so, it is critical to have the future state in mind to identify data requirements across the existing data and systems landscape. In addition to data flow and system analysis, the project team will also review data management capabilities at the enterprise level. This includes the end-to-end data architecture and flow (e.g. source, master and reference data once for multiple uses), data governance process and policies (e.g. access controls and ownership). The Group expects to be substantially done by 31 December 2022.
Definition of material – Amendments to IAS 1 and IAS 8	1 January 2020	The IASB has made amendments to IAS 1 Presentation of financial statements and IAS 8 'Accounting policies, changes in accounting estimates and errors' which use a consistent definition of materiality throughout International Financial Reporting Standards and the conceptual framework for financial reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information. In particular, the amendments clarify: - that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and - the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.
Definition of a business – Amendments to IFRS 3	1 January 2020	The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term 'outputs' is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. The amendments will likely result in more acquisitions being accounted for as asset acquisitions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation and presentation (continued)

2.1.4 Changes in accounting policies and disclosures (continued)

b) **New standards, amendments and interpretations issued but not effective for 31 December 2019 year ends that are relevant to the Group but have not been early adopted: (continued)**

Standard/interpretation	Effective Date	Executive summary
Revised conceptual framework for financial reporting	1 January 2020	The IASB has issued a revised conceptual framework which will be used in standard-setting decisions with immediate effect. Key changes include: - increasing the prominence of stewardship in the objective of financial reporting; - reinstating prudence as a component of neutrality; - defining a reporting entity, which may be a legal entity, or a portion of an entity; - revising the definitions of an asset and a liability; - removing the probability threshold for recognition and adding guidance on derecognition; - adding guidance on different measurement basis; and - stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements. No changes will be made to any of the current accounting standards. However, entities that rely on the conceptual framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised conceptual framework from 1 January 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised conceptual framework.

The Group and Company are assessing the impact of the new standards on the financial statements of the Group and Company and the timing of their adoption. There are no other standards, amendments and interpretations that are not yet effective that are likely to have a material impact on the financial statements of the Group and Company.

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. Refer to note 34 for detailed assessment.

2.2 **Basis of consolidation**

(a) **Subsidiaries**

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Basis of consolidation (continued)

(a) Subsidiaries (continued)

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 IFRS 9, Financial instruments either in statement of comprehensive income or as a change too 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.

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 into 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 Limited which is 69.60% (2018 : 69.6%) owned through First Mutual Life Assurance Company (Private) Limited, have 31 December year ends and are consolidated in the presented financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Basis of consolidation (continued)

(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 from 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 historical 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. After initial recognition, subsidiaries are recognised at inflation adjusted amounts.

(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 historical 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. After intial recognition, investments in associates are recognised at inflation adjusted amounts

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 IFRS9, Financial instruments, unless the retained interest continues to be an associate.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Basis of consolidation (continued)

(d) Associates (continued)

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 polices of associates have been changed where necessary to ensure consistency with the polices 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 historical 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 inflation adjusted 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 from 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 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 that 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 that are related to 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.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 the subsidiaries.

2.6 Property, plant and equipment

Property, plant and equipment items are initially measured at historical cost. Subsequently they are measured at inflation adjusted 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
• Laptops	4 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 comprises 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% (2018:25%) 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 historical 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 inflation adjusted 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.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 historical 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 inflation adjusted cost or estimated net realisable value (“NRV”), property classified as inventory is valued at the lower of inflation adjusted 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.

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 equity securities 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; and
- **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 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

The Group's financial assets are classified as measured at:

1. amortised cost; and
2. fair value through profit or loss

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Financial instruments (continued)

2.13.1 Financial assets

Classification

Financial assets recognised at amortised cost

Insurance, tenant and other receivables, cash and balances with banks and debts securities are classified as financial assets at amortised cost because Group holds these financial instruments to collect contractual cashflows that are solely payment of principal and interest. The Group's cashflows from insurance, tenant and other receivables arise from the Group's operations that are concluded on credit basis and interest is only charged on tenant balances that are overdue. Cash collected in excess of the Group's daily cash needs is invested in debt securities to earn interest income, prior to the cash being deployed to meet insurance and benefit claims, daily operational costs, and dividends payments.

The Group classifies its financial assets as at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows; and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

Financial assets recognised at amortised cost include insurance, tenant and other receivables, cash and balances with banks and debt securities.

Financial assets at fair value through profit or loss

Equity securities at fair value through profit or loss, comprise quoted and unquoted securities that are mainly held to fund life assurance and investment contract liabilities. The objectives of holding these investments is increase in fair value and dividend income to meet life assurance and investment contract liabilities on maturity or on the occurrence of the insured event.

The Group classifies the following financial assets at fair value through profit or loss ("FVPL"):

- listed equity investments that are held for trading acquired principally for the purpose of selling in the near term and forms part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking; and
- unlisted equity investments for which the Group has not elected to recognise fair value gains and losses through other comprehensive income ("OCI").

The equity securities are classified as financial assets at fair value through profit or loss by the Group and Company as management assess performance of the financial assets on a fair value basis.

Transaction cost that are directly attributable to acquisition of financial assets are expensed in profit or loss for financial assets classified at fair value through profit and loss. For financial asset not classified at fair value through profit and loss, transaction costs are added to the fair value at initial recognition

Measurement of financial assets

All financial assets are initially measured at fair value on recognition.

Subsquent measurement of financial assets

Financial assets at amortised cost

These asset are subsequently measured at amortised cost using the effective interest method. The effective interest method is a technique for calculating the actual interest rate in a period based on the amount of a financial instrument's book value at the beginning of the accounting per in profit or loss and presented in interest income. Impairment losses are presented as separate line item in the statement of profit or loss.

Financial assets at fair value through profit or loss

The Group subsequently measures all equity investments at fair value. Dividends from such investments are recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/ (losses) in the statement of profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Financial instruments (continued)

2.13.1 Financial assets

Impairment of financial assets

Simplified approach

The Group applies the simplified approach that takes into account forward looking information to measure expected credit losses. The simplified approach uses a lifetime expected credit loss allowance for insurance, tenant and other receivables. To measure the expected credit losses, insurance, tenant and other receivables have been grouped based on shared credit characteristics, thus direct insurance, reinsurance, health, life and tenants. The forward looking information adjusts the current backward-looking incurred loss based credit loss rates into a forward-looking expected credit loss rates. The expected credit loss rates are based on the payment profiles over a period of 2 years before 31 December 2019 and corresponding historical credit losses experienced within this period. The historical credit loss rates are adjusted to reflect current and forward looking information on macroeconomic factors (such as unemployment forecasts, monetary policy changes, economic outlook) affecting the ability of the cedants to settle the receivables.

General approach

The Group applies general approach on financial assets such as debt instruments measured at amortised cost, cash and cash equivalents and related party balances. The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating;
- external credit rating (as far as available);
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;
- actual or expected significant changes in the operating results of the borrower;
- significant increases in credit risk on other financial instruments of the same borrower; and
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the group and changes in the operating results of the borrower.

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model. Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment, without a payment plan inplace. A default on a financial asset is when the counterparty fails to make contractual payments within 60 days of when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group categorises a loan or receivable for write off when a debtor fails to make contractual payments greater than 120 days past due. Where loans or receivables have been written off, the company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss

Derecognition of financial assets

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Financial instruments (continued)

2.13.2 Financial liabilities

Financial liabilities are recognised initially at fair value and, in the case of borrowings, less directly attributable transaction costs. Financial liabilities within the scope of IFRS 9 are classified as financial liabilities at at amortised cost. The Group determines the classification of its financial liabilities at initial recognition.

The Group and Company'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. The Group and Company classify all financial liabilities as subsequently measured at amortized cost.

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.

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 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.

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 or acquired by a subsidiary of the Group 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.

2.15 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.

2.16 Leases

As explained on note 2.1.3 a, the Group and Company changed their accounting policy on leases with effect from 1 January 2019 due to changes in the accounting standards.

Policies applicable from 1 January 2019

The Group leases office spaces. Rental contracts are typically made for fixed periods varying from 1 year to 5 years, but may have extension options.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Leases (continued)

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

The Group and Company leases have fixed rental arrangements, which have been reviewed periodically due to the hyperinflationary environment. There are no variable payments, residual values, purchase options nor termination penalties.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group and Company made use of the interest rates charged by their principal bankers for such borrowings, that is interest rates for corporate mortgages.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group and Company are reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

The right-of-use asset is subsequently measured at inflation adjusted cost less accumulated depreciation in line with owner occupied property policy.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Policies applicable to 31 December 2018

The Group had numerous leasing contracts as the lessee of office space. The leases were operating leases. Contractual rental expenses were recognised on a straight-line basis over the period of the lease term. Operating lease commitments were immaterial as at 31 December 2018.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 Revenue recognition

The Group and Company recognise revenue when the following conditions have been met;
- the contract has been approved by the parties to the contract;
- each party's rights in relation to the goods or services to be transferred can be identified;
- the payment terms for the goods or services to be transferred can be identified;
- the contract has commercial substance; and
- and it is probable that the consideration to which the Group and Company are entitled to in exchange for the goods or services will be collected.

The Group and Company do not expect to have any contracts where the period between the transfer of the promised services to the customer and payment by the customer exceeds 12 months. The transaction price is there for not adjusted for the effects of a significant financing component.

2.17.1 Premium income

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

Pensions	- when due
Life	- when paid
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 2.21.6 for the Group's accounting policy for unearned premium.

2.17.2 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.

2.17.3 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.

2.17.4 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.

2.17.5 Interest income

Interest earned on cash invested with financial institutions and from micro-loans lent 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17.6 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.

2.17.7 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.

2.17.7 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.

Where the contract is judged to be for the sale of a completed property, revenue is recognised when control over the property has been transferred to the customer. However, an enforceable right does not arise until legal title is passed to the customer. Therefore, revenue is recognised at point in time when legal title has passed to the customer.

The revenue is measured at the transaction price agreed under the contract. In most cases, the consideration is due when legal title has been transferred. While deferred payment terms may be agreed in rare circumstances, the deferral never exceeds twelve months. The transaction price is therefore not adjusted for the effects of a significant financing component. 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.

2.17.8 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.

2.17.9 Commission income

Commission income received or receivable under insurance and reinsurance contracts for non life insurance contracts is recognised in full when risk has been accepted by the reinsurer.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17.10 Funeral services income

Funeral services income comprises income received or receivable from provision of funeral services to clients. The income is recognised when the related services have been provided, however, there is usually no material time lag between service provision and payment. Funeral services income will be generated from the following services:

- body embalming;
- hearse hire;
- church services; and
- bus hire.

2.18 Claims

2.18.1 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.

2.18.2 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.

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.

2.19 Reinsurance recoveries

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

2.20 Acquisition costs of insurance contracts

Acquisition costs of 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 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.

2.21.1 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.

2.21.2 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.

2.21.3 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.

2.21.4 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.

2.21.4.1 Insurance contract liabilities and investment contract liabilities with DPF

The liability for life insurance contracts and investment contracts with DPF are 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 a 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.

Notes to the Financial Statements (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21.4.2 Investment contracts without discretionary participating features ("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.

2.21.5 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 17 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.

2.21.6 Shareholder risk reserve

Shareholder risk reserve are funds set aside to meet claims on risk products as they fall due. Risk products are those which are underwritten by the Group and payable on death.

The measurement of the funeral assurance contract provisions is made in accordance with the Financial Soundness Valuation Basis as set out in actuarial guidance issued by the Actuarial Society of South Africa in Standard of Actuarial Practice (SAP) 10 version 9. The provisions are calculated on a gross premium basis using realistic expectations of future experience, with margins of prudence and deferral of profit emergence. Each year the assumptions used to calculate the provisions are adjusted to reflect the change in expected experience. The contingency data risk reserve has been set at 0.1% of the non-investment linked insurance contracts for any possible of data discrepancies.

2.21.7 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.

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 has been cancelled.

Incurred but not reported - ("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.

Notes to the Financial Statements (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Unearned premium reserves - ("UPR")

The provision for unearned premiums represents that portion of premiums received or receivable that relates to risks that have not yet expired at the reporting date. The provision 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.

2.22 Deferred acquisition costs

Deferred acquisition costs, relating 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.

2.23 Reinsurance

The Group cedes insurance risk in the normal course of business for all of its insurance 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.

2.24.1 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.24 Current income and deferred taxes

2.24.2 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 (and tax laws) that have been enacted or substantively enacted at the reporting date that are expected to apply to the year when the asset is realised or the liability is settled. 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.

Management has rebutted the presumption that the carrying amount of investment property measured at fair value would be recovered though sale 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 24.72% (2018 : 27.75%) 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.24.3 Value added tax

Expenses and assets are recognised net of the amount of the 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 First Mutual Reinsurance Limited and First Mutual Health Company (Private) Limited that are VAT exempt.

2.25 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.

2.26 Shared-based payments

2.26.1 Share options

The Group operates an equity-settled, share-based compensation plan, under which the Group receives services from employees for equity instruments ("options") of the Company. 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, the Company'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.

2.26.2 Share appreciation rights

Liabilities for the Group's share appreciation rights are recognised as employee benefit expense over the relevant service period. The liabilities are remeasured to fair value at each reporting date and are presented as employee benefit obligations in the balance sheet.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.27 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.

2.28 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.

2.29 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.

2.30 Dividends

Provision is made for the amount of any dividend declared by the directors and no longer at the discretion of the Company on or before the end of the reporting period but not distributed at the end of the reporting period.

2.31 Rounding of amounts

All amounts disclosed in the financial statements and notes have been rounded off to the nearest dollar.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.32 Changes in accounting policies

This note explains the impact of the adoption of IFRS 16 Leases on the Group's financial statements.

As indicated in note 2.1.4(a) above, the Group has adopted IFRS 16 Leases retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. There was no material impact on the transition as the IAS 17 lease commitment was immaterial as 31 December 2018. The new accounting policies are disclosed in note 2.15.1.

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

There were no leases previously classified as finance leases under IAS 17.

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

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019;
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

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

a) Measurement of lease liabilities

	INFLATION ADJUSTED		HISTORICAL COST	
	Group 2019 ZWL	Company 2019 ZWL	Group 2019 ZWL	Company 2019 ZWL
Discounted using incremental borrowing rate of at the date of initial application	3 617 997	2 448 872	3 617 997	394 245
Split as:				
Current	313 991	1 185 315	313 991	190 872
Non-current	3 304 006	1 263 557	3 304 006	203 373
	3 617 997	2 448 872	3 617 997	394 245

b) Measurement of right of use asset

The right of use asset was measured at the amount equal to the lease liability, at the date of initial recognition.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.32 Changes in accounting policies (continued)

c) Adjustments recognised in the statement of financial position as at 1 January 2019

The change in the accounting policy affected the following items in the statement of financial position as at 1 January 2019:

	INFLATION ADJUSTED		HISTORICAL COST	
	Group 2019 ZWL	Company 2019 ZWL	Group 2019 ZWL	Company 2019 ZWL
Assets				
Right of use asset increase	22 471 379	2 448 872	3 617 997	394 245
Liabilities				
Lease liability increase	3 617 997	394 245	3 617 997	394 245

There was no impact on deferred tax as both the right of asset and the lease liability have permanent tax differences.

There was no adjustment to retained earnings and no impact to the statement of profit or loss and the statement of cashflows.

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 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.

3.1.2 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.

During the year, the Zimbabwe Revenue Authority ("ZIMRA") pronounced that where an entity earns revenue in foreign currency, a component of income tax should be paid in foreign currency. The Group earns some rental income in US$ and as such property business income tax has been split based on the ratio of income earned.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

3.1 Judgements other than estimates (continued)

3.1.2 Taxes (continued)

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 24.72% (2018: 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 17 and 19 for the carrying amount of policyholder funds and insurance risk reserve and the assumptions used to determine the carrying amounts.

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 meter of MSE. The objective is to arrive at a common basis of comparison. After adjustments for quality, location and size, the rates per MSE

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

3.1 Judgements other than estimates (continued)

3.2.3 Fair value of investment property (continued)

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 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.

3.2.5 Allowances for expected credit losses

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. For receivables, the Group applied the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 2.13.1 for further details. Forecast on national unemployment rates, economic outlook, monetary policy changes, changes in client profiles are taken into account in determining expected credit losses.

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.

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. In addition, the Group Investment Committee makes all decisions regarding property investments and unquoted companies' share transactions.

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.

Notes to the Financial Statements (continued)

4 GROUP FINANCIAL RISK MANAGEMENT (continued)

4.2 Equity price risk (continued)

+/-10 share price movement	2019 Impact on profit before tax ZWL	2018 Impact on profit before tax ZWL	2019 Impact on equity ZWL	2018 Impact on equity ZWL	2019 Effect on life policyholder liabilities ZWL	2018 Effect on life policyholder liabilities ZWL
Commodity						
+/-10	2 658 860	798 264	1 974 204	798 264	1 432 056	579 048
Consumer						
+/-10	12 596 949	3 781 955	9 353 234	3 781 955	4 296 680	1 737 351
Financial						
+/-10	8 226 538	2 469 836	6 108 205	2 469 836	1 709 137	691 085
Manufacturing						
+/-10	2 880 139	864 698	2 138 503	864 698	1 105 789	447 123
Property						
+/-10	3 591 689	1 078 325	2 666 829	1 078 325	271 398	109 739
Telecommunication						
+/-10	4 236 892	1 272 033	3 145 892	1 272 033	3 074	1 243
Other						
+/-10	685 626	205 844	509 077	205 844	930 687	376 321
Total						
+/-10	**34 876 693**	**10 470 955**	**25 895 944**	**10 470 955**	**9 748 821**	**3 941 910**

At the reporting date, the total exposure to listed equity securities at fair value through profit or loss was ZWL360 331 394 (2018: ZWL104 470 505), ZWL39 448 476 (2018: ZWL18 054 997) relating to policyholder.

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. Credit risk arises from cash and cash equivalents with banks and financial institutions, as well as credit exposures to insured, cedants and tenants.

Risk management

The key areas where the Group is exposed to credit risk are:-

- amounts due from debt securities;
- reinsurers' share of insurance liabilities;
- amounts due from cedants;
- amounts due from agents, brokers and intermediaries;
- amounts due from tenants; and
- amounts due from cash and balances with banks.

The Group manages and analyses credit risk for each of their new clients before standard payment, 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 financial assets at amortised cost, 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.

4 GROUP FINANCIAL RISK MANAGEMENT (continued)

4.3 Credit risk (continued)

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

Insurance receivables

The following policies and procedures are in place to mitigate credit risk:

- exposure limits are set for each counterparty or group's of counterparties;
- the creditworthiness of cedants is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract;
- the exposure to individual counterparties is also managed by other mechanisms, such as the right to offset where counterparties are both debtors and creditors of the Group; and
- management information reported to the board of directors includes details of allowance for credit losses on amounts due from cedants and subsequent write-offs.

Credit limits are monitored based on the financial position and history of the insured or cedant's ability to pay. In the view of management, the credit quality of insurance receivables is considered sound. Management does not expect material losses from non-performance by counter parties. The credit risk in respect of customer balances incurred on non-payment of premium will only persist during the period specified in the policy document.

Tenant receivables

Tenants are assessed according to set criteria prior to entering into lease arrangements. Credit risk is managed by requiring tenants to pay rentals in advance in addition to an upfront good tenancy deposit. 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 each class of financial asset.

Cash and balances with banks and Debt securities at amortised cost

The Group has a policy that establishes counterparty trading limits for each banking institution that it trades with. These counter party 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.

The Group only trades with and receives service from banking institutions that meet regulatory requirements including minimum regulatory capital.

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 capital adequacy, asset quality, management, earnings, liquidity and sensitivity ("CAMELS") ratings,
- 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 aftrades;
- Zimbabwe Stock Exchange ("ZSE") top ten listed equities;
- bankers acceptances; and
- property bonds for long term placements

4 GROUP FINANCIAL RISK MANAGEMENT (continued)

4.3 Credit risk (continued)

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 each tier 1 banks is set as 40% (2018: 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 each tier 2 banks is set as 20% (2018: 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.

	INFLATION ADJUSTED		HISTORICAL COST	
	2019	2018	2019	2018
	ZWL	ZWL	ZWL	ZWL
Tier 1	164 958 227	161 712 700	164 958 227	36 049 080
Tier 2	114 557 654	112 303 750	114 557 654	25 034 811
	279 515 881	**274 016 450**	**279 515 881**	**61 083 891**

(ii) **Security**

The Group holds no collateral in respect of insurance, tenant and other receivables, and debt securities at amortised cost.

(iii) **Impairment of financial assets**

The Group has four types of financial assets that are subject to the expected credit loss model:

- insurance receivables;
- tenants receivables;
- other receivables;
- debt securities at amortised cost; and
- cash and balances with banks.

While cash and balances with banks are also subject to the impairment requirements of IFRS 9, the identified allowances for expected credit losses was immaterial because they are fully performing and are in stage 1.

Insurance, tenant and other receivables

The Group applies the simplified approach that takes into account forward looking approach to measure expected credit losses. The simplified approach uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses and insurance receivables have been grouped based on shared credit characteristics and the days past due with the exception of the reinsurance companies where an assessment was done based on cedant / broker basis. The forward looking approach requires the Group to adjust the current backward-looking incurred loss based credit losses into a forward-looking expected credit loss. The expected loss rates are based on the payment profiles over a period time and corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of the cedants to settle the receivables, changes to underwriting through more short-term policies.

4 GROUP FINANCIAL RISK MANAGEMENT (continued)

4.3 Credit risk (continued)

Insurance receivables for the pensions business relate to pension contributions and Group Life Assurance (“GLA”) premiums that are paid a month in arrears. 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.

When determining allowance for credit losses in respect of past due tenant receivables, the following criteria is used:

- **Occupancy status of the tenant**
  The tenant who relinquish occupancy of premises and honour agreed payment plans will not be considered for specific write-off.

- **Length of period of non-payment**
  The length of period a tenant stays without making payment towards past due balances is used as a measure of the extent of delinquency of outstanding amounts. All past due amounts over three months are referred to collection agencies and lawyers for collection while amounts that are over six months past due may qualify for specific write-off subject to the fulfilment of additional qualification criteria. All tenant balances that are over three months are profiled with relevant percentage of general allowance applied to arrive at a general allowance for credit losses amount.

- **Analysis of results of collection efforts undertaken so far in order to recover amounts that are past due**
  When the efforts of lawyers, collection agencies or direct approaches by the Group to tenants do not yield significant recovery of past due amounts and the prospects of significant recoveries consider remote, the outstanding balance is considered for specific write off. All material write offs are approved by the Audit and Acturial Committee. Significant managerial judgment is exercised in analysing the likelihood of success of current collection efforts with assessment of prospects of recovery rated from more highly probable to remote.

Debt securities at amortised cost

All of the Group’s debt investments at amortised cost and at fair value through other comprehensive income (“FVOCI”) are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months expected losses. Management consider ‘low credit risk’ for listed bonds to be an investment grade credit rating with at least one major rating agency. Other instruments are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risks. For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

4 GROUP FINANCIAL RISK MANAGEMENT (continued)

4.3 Credit risk (continued)

INFLATION ADJUSTED

31 December 2019	Current	More than 30 days past due	More than 60 days past due	More than 120 days past due	Total
Expected credit loss rate	12%	15%	15%	16%	
Gross carrying amount - Insurance receivables					
-Reinsurance	49 275 217	15 281 043	22 261 676	36 547 773	123 365 709
-Short term direct	17 772 163	14 468 998	14 007 494	26 067 138	72 315 793
Gross carrying amount - rental receivables	3 750 327	1 170 743	278 139	1 751 487	6 950 696
Gross carrying amount - other receivables	14 934 077	2 799 853	2 168 398	10 281 939	30 184 267
Loss allowance	**10 609 586**	**4 923 260**	**5 860 418**	**11 856 652**	**33 249 916**

31 December 2018	Current	More than 30 days past due	More than 60 days past due	More than 120 days past due	Total
Expected credit loss rate	24%	27%	23%	26%	
Gross carrying amount - Insurance receivables					
-Reinsurance	7 340 108	30 365 242	8 897 353	32 978 987	79 581 690
Gross carrying amount - rental receivables	-	4 068 922	622 056	9 209 256	13 900 234
Gross carrying amount - other receivables	-	3 280 625	2 540 741	29 207 574	35 028 940
Loss allowance	**1 787 449**	**10 008 129**	**6 020 511**	**18 673 104**	**36 489 193**

HISTORICAL COST

31 December 2019	Current	More than 30 days past due	More than 60 days past due	More than 120 days past due	Total
Expected credit loss rate	12%	15%	15%	16%	
Gross carrying amount - Insurance receivables					
-Reinsurance	49 275 217	15 281 043	22 261 676	36 547 773	123 365 709
-Short term direct	17 772 163	14 468 998	14 007 494	26 067 138	72 315 793
Gross carrying amount - rental receivables	3 750 327	1 170 743	278 139	1 751 487	6 950 696
Gross carrying amount - other receivables	14 934 077	2 799 853	2 168 398	10 281 939	30 184 267
Loss allowance	**10 609 586**	**4 923 260**	**5 860 418**	**11 856 652**	**33 249 916**

31 December 2018	Current	More than 30 days past due	More than 60 days past due	More than 120 days past due	Total
Expected credit loss rate	24%	27%	23%	26%	
Gross carrying amount - Insurance receivables					
-Reinsurance	1 181 982	4 889 733	1 432 746	5 310 626	12 815 087
Gross carrying amount - rental receivables	-	655 221	100 170	1 482 972	2 238 363
Gross carrying amount - other receivables	-	528 281	409 137	4 703 313	5 640 731
Loss allowance	**287 834**	**1 611 615**	**452 713**	**3 006 940**	**5 359 102**

4.4 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.

4.5 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.

4 GROUP FINANCIAL RISK MANAGEMENT (continued)

4.5 Interest rate risk (continued)

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 ZWL in order to minimise cross currency interest rate risk.

At 31 December 2019, 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 ZWL nil (2018: ZWL17 642 744) lower, mainly as a result of higher interest expense on floating rate borrowings. If the interest rate on financial assets at amortised cost 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 ZWL nil (2018: ZWL18 369 981) higher, mainly as a result of higher interest income.

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.

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.

The negative gap shown below is long-term and will be covered by investment property through either rental received or disposals to fund the long-term insurance and life contract liabilities. The insurance and life assurance contract liabilities mature in smaller amounts over period longer than 5 years.

4 GROUP FINANCIAL RISK MANAGEMENT (continued)

4.6 Liquidity risk (continued)

INFLATION ADJUSTED

Assets 31 December 2019	1 month ZWL	1 month to 3 months ZWL	3 months to 1 year ZWL	1 year to 5 years ZWL	Total ZWL
Financial assets:					
Insurance, tenant and other receivables	4 582 165	203 765 474	-	-	208 347 639
Debt securities at amortised cost	-	-	11 299 292	-	11 299 292
Equity securities at fair value through profit or loss	-	-	-	348 766 929	348 766 929
Cash and balances with banks	192 172 688	87 343 193	-	-	279 515 881
Total assets	**196 754 853**	**291 108 667**	**11 299 292**	**348 766 929**	**847 929 741**
Liabilities					
Insurance liabilities - short term	6 763 382	249 037 269	5 684 841	114 203 672	375 689 164
Investment contract liabilities:					
With PDF	17 892	5 765 895	3 487 869	601 984 109	611 255 765
Without PDF	-	-	-	45 639 382	45 639 382
Insurance liabilities - life assurance payables	-	-	-	4 078 742	4 078 742
Property business related payables	4 441 419	647 498	-	-	5 088 917
Accrued expenses	5 420 805	328 385	-	-	5 749 190
Trade payables	8 640 041	-	-	-	8 640 041
Other payables	61 321 040	-	-	-	61 321 040
Total liabilities	**86 604 579**	**255 779 047**	**9 172 710**	**765 905 905**	**1 117 462 241**
Liquidity gap	**110 150 274**	**35 329 620**	**2 126 582**	**(417 138 976)**	**(269 532 500)**
Cumulative liquidity gap	**110 150 274**	**145 479 894**	**147 606 476**	**(269 532 500)**	**-**

4 GROUP FINANCIAL RISK MANAGEMENT (continued)

4.6 Liquidity risk (continued)

INFLATION ADJUSTED

31 December 2018	1 month ZWL	1 month to 3 months ZWL	3 months to 1 year ZWL	1 year to 5 years ZWL	Total ZWL
Financial assets:					
Insurance, tenant and other receivables	3 826 907	197 494 899	16 781 665	8 036 829	226 140 300
Debt securities at amortised cost	-	-	-	374 343 668	374 343 668
Equity securities at fair value through profit or loss	-	-	-	650 246 275	650 246 275
Cash and balances with banks	256 600 659	17 415 791	-	-	274 016 450
Total assets	**260 427 566**	**214 910 690**	**16 781 665**	**1 032 626 772**	**1 524 746 693**
Liabilities					
Insurance liabilities - short term	24 423 934	197 849 401	35 918 229	75 218 789	333 410 353
Investment contract liabilities:					
With PDF	-	-	30 282 561	668 915 581	699 198 142
Without PDF	-	-	-	173 979 971	173 979 971
Insurance liabilities - life assurance payables	-	17 012 634	-	-	17 012 634
Property business related payables	16 835 103	-	-	-	16 835 103
Accrued expenses	5 900 358	3 244 452	-	-	9 144 810
Other payables	82 460 324	-	-	-	82 460 324
Total liabilities	**129 619 719**	**218 106 487**	**66 200 790**	**918 114 341**	**1 332 041 337**
Liquidity gap	**130 807 847**	**(3 195 797)**	**(49 419 125)**	**114 512 431**	**192 705 356**
Cumulative liquidity gap	**130 807 847**	**127 612 050**	**78 192 925**	**192 705 356**	**-**

Notes to the Financial Statements (continued)

4 GROUP FINANCIAL RISK MANAGEMENT (continued)

4.6 Liquidity risk (continued)

HISTORICAL COST		1 month to	3 months to	1 year to	
Assets	1 month	3 months	1 year	5 years	Total
31 December 2019	ZWL	ZWL	ZWL	ZWL	ZWL
Financial assets:					
Insurance, tenant and other receivables	4 582 165	203 765 474	-	-	208 347 639
Debt securities at amortised cost	-	-	12 240 899	-	12 240 899
Equity securities at fair value through profit or loss	-	-	-	348 766 929	348 766 929
Cash and balances with banks	192 172 688	87 343 193	-	-	279 515 881
Total assets	**196 754 853**	**291 108 667**	**12 240 899**	**348 766 929**	**848 871 348**
Liabilities					
Insurance liabilities - short term	5 536 794	285 736 882	4 653 855	11 627 736	307 555 267
Investment contract liabilities:					
With PDF	17 892	-	-	611 237 873	611 255 765
Without PDF	-	-	-	45 639 382	45 639 382
Insurance liabilities - life assurance payables	-	-	-	4 078 742	4 078 742
Property business related payables	4 441 419	647 498	-	-	5 088 917
Accrued expenses	5 420 805	328 385	-	-	5 749 190
Trade payables	8 640 041	-	-	-	8 640 041
Other payables	61 321 040	-	-	-	61 321 040
Total liabilities	**85 377 991**	**286 712 765**	**4 653 855**	**672 583 733**	**1 049 328 344**
Liquidity gap	**111 376 862**	**4 395 902**	**7 587 044**	**(323 816 804)**	**(200 456 996)**
Cumulative liquidity gap	**111 376 862**	**115 772 764**	**123 359 808**	**(200 456 996)**	-
Assets					
31 December 2018					
Financial assets:					
Insurance, tenant and other receivables	616 150	31 797 601	517 894 -	1 293 967	34 225 612
Debt securities at amortised cost	-	-	-	31 289 076	31 289 076
Equity securities at fair value through profit or loss	-	-	-	104 709 545	104 709 545
Cash and balances with banks	41 320 557	22 347 703	-	-	63 668 260
Total assets	**41 936 707**	**54 145 304 -**	**517 894 -**	**137 292 588 -**	**233 892 493**
Liabilities					
Insurance liabilities - short term	3 540 064	28 676 770	7 453 366	10 902 393	50 572 593
Investment contract liabilities:					
With PDF	-	-	4 875 199	107 688 930	112 564 129
Without PDF	-	-	-	28 010 256	28 010 256
Borrowings	91 665	-	-	-	91 665
Insurance liabilities - life assurance payables	-	2 268 940	-	-	2 268 940
Property business related payables	2 145 397	87 518	-	-	2 232 915
Accrued expenses	732 047	480 869	-	-	1 212 916
Other payables	2 146 146	-	-	-	2 146 146
Total liabilities	**8 655 319**	**31 514 097**	**12 328 565**	**146 601 579**	**199 099 560**
Liquidity gap	**33 281 388**	**22 631 207**	**(11 810 671)**	**(9 308 991)**	**34 792 933**
Cumulative liquidity gap	**33 281 388**	**55 912 595**	**44 101 924**	**34 792 933**	-

4 GROUP FINANCIAL RISK MANAGEMENT (continued)

4.7 Foreign exchange risk

The risk that the fair value of the cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. Foreign exchange risks arise from recognised monetary financial assets and liabilities 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 United States of America Dollar ("USD"), Botswana Pula ("BWP"), Malawi Kwacha ("MWK"), Mozambique Metical ("Metical") and the South African Rand ("ZAR").

The Group manages foreign exchange risk by making prepayments to suppliers to lock prices and increasing investments in illiquid assets such as high value unquoted equity securities in foreign currency generating investments.

The following table details the Group's sensitivity to a 10% increase or decrease in the ZWL 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.

Consolidated foreign exchange gap analysis as at 31 December 2019

Base currency	USD ZWL equivalent	ZAR ZWL equivalent	EUR ZWL equivalent	BWP ZWL equivalent	MWK ZWL equivalent	TOTAL ZWL equivalent
Assets						
Balances with other banks and cash	96 855 845	403 645	-	131 012 700	-	228 272 190
Trade and other receivables	78 217 967	-	-	61 028 708	-	139 246 675
Total assets	**175 073 812**	**403 645**	**-**	**192 041 408**	**-**	**367 518 865**
Liabilities						
Trade and other payables	8 591 000	330 766	-	120 973 252	-	129 895 018
Total liabilities	**8 591 000**	**330 766**	**-**	**120 973 252**	**-**	**129 895 018**
Net currency position	**166 482 812**	**72 879**	**-**	**71 068 156**	**-**	**237 623 847**

Consolidated foreign exchange gap analysis as at 31 December 2018

	USD	ZAR	EUR	BWP	MWK	TOTAL
Assets						
Balances with other banks and cash	-	1 054 925	-	915 014	139 856	2 109 795
Trade and other receivables	-	229 093	62 233	1 986 218	82 661	2 360 205
Total assets	**-**	**1 284 018**	**62 233**	**2 901 232**	**222 517**	**4 470 000**
Liabilities						
Trade and other payables	-	521 383	-	409 322	72 156	1 002 861
Total liabilities	**-**	**521 383**	**-**	**409 322**	**72 156**	**1 002 861**
Net currency position	**-**	**762 635**	**62 233**	**2 491 910**	**150 361**	**3 467 139**

As per note 2.1.3, the Group changed functional currency from USD to ZWL, hence no USD foreign exchange risk exposure in 2018.

4 GROUP FINANCIAL RISK MANAGEMENT (continued)

4.7 Foreign exchange risk (continued)

Below are major cross rates to the ZWL used by the group

Currency	2019 Cross rate	2018 Cross rate
South African Rand ("ZAR")	1.19	14.43
Great Britain Pound ("GBP")	21.99	0.79
Euro ("EUR")	18.80	0.87
Botswana Pula ("BWP")	1.58	10.51
United States of America Dollar ("USD")	16.77	1.00
Malawian Kwacha ("MWK")	43.92	730.44
Mozambique Metical ("MZN")	3.72	64.05

Impact of 10% increase in exchange rates	MZN ZWL	USD ZWL	ZAR ZWL	EUR ZWL	BWP ZWL	MWK ZWL	TOTAL ZWL
For the year ended 31 December 2019							
Assets	-	17 507 381	40 365	-	19 204 141	-	36 751 887
Liabilities	-	859 100	33 077	-	12 097 325	-	12 989 502
Net position	**-**	**18 366 481**	**73 442**	**-**	**31 301 466**	**-**	**49 741 389**
For the year ended 31 December 2018							
Assets	-	-	128 402	6 223	290 123	22 252	447 000
Liabilities	-	-	52 138	-	40 932	7 216	100 286
Net position	**-**	**-**	**180 540**	**6 223**	**331 055**	**29 468**	**547 286**

	31 December 2019			31 December 2018		
Currency	Change in variables ZWL	Impact on profit before tax ZWL	Impact on equity ZWL	Change in variables ZWL	Impact on profit before tax ZWL	Impact on equity ZWL
USD	+10%	34 454	25 582	+10%	-	-
ZAR	+10%	28 288	21 004	+10%	108 543	80 593
MW	+10%	2 880 311	2 138 631	+10%	91 502	67 940
BWP	+10%	2 880 311	2 138 631	+10%	14 041	10 425
USD	-10%	(34 454)	(25 582)	-10%	-	-
ZAR	-10%	(28 288)	(21 004)	-10%	(108 543)	(80 593)
MWK	-10%	(28 288)	(21 004)	-10%	(91 502)	(67 940)
BWP	-10%	(2 880 311)	(2 138 631)	-10%	(14 041)	(10 425)

This 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.

4 GROUP FINANCIAL RISK MANAGEMENT (continued)

4.8 Insurance risk (continued)

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 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.

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 advises 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.

Audit and Actuarial Committee

The audit committee deals with insurance companies within the Group. 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, including actuarial input thereon, 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 director. The committee meetings are attended by the external and internal auditors and are held at least quarterly.

Statutory actuary

The statutory actuary of the insurance subsidiaries reports 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 actuary. Dividend declarations are approved by the statutoty actuary prior to payment 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. The CAR is actuarially determined taking into account forward looking information.

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.

4 GROUP FINANCIAL RISK MANAGEMENT (continued)

4.8 Insurance risk (continued)

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.

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 liability for life insurance contracts is either based on current assumptions or on assumptions established at inception of the contract, reflecting the best estimate at the time increased with a margin for risk and adverse deviation.

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. Discount rates are based on current industry risk rates, adjusted for the Group's own risk exposure.

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

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.

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.

4 GROUP FINANCIAL RISK MANAGEMENT (continued)

4.8 Insurance risk (continued)

4.8.1.1 Mortality and morbidity risk (continued)

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.

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.

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.

Life insurance contract sensitivity analysis

As at 31 December 2019	Change in assumptions	Impact on liabilities	Impact on net liabilities	profit before income tax	Impact on Impact on equity
Base					
Mortality	+10%	2 515 084	2 515 084	(2 515 084)	(1 867 450)
Mortality	-10%	(2 417 551)	(2 417 551)	2 417 551	1 795 032
Investment return	+1%	(6 243 193)	(6 243 193)	6 243 193	4 635 571
Expense	+10%	4 366 006	4 366 006	(4 366 006)	(3 241 759)
Lapse and surrenders rate	+10%	(652 040)	(652 040)	652 040	484 140
As at 31 December 2018					
Base	+10%	1 921 558	1 921 558	(1 921 558)	(1 426 757)
Mortality	-10%	(1 754 959)	(1 754 959)	1 754 959	1 303 057
Investment return	+1%	4 353 112	4 353 112	(4 353 112)	(3 232 186)
Expense	+10%	1 634 287	1 634 287	(1 634 287)	(1 213 458)
Lapse and surrenders rate	+10%	(611 468)	(611 468)	611 468	454 015

Notes to the Financial Statements (continued)

4 GROUP FINANCIAL RISK MANAGEMENT (continued)

4.8 Insurance risk (continued)

4.8.1 Life insurance risks (continued)

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 ZWL	Investment contract liabilities without DPF ZWL	Insurance contract liabilities with DPF ZWL	Insurance contract liabilities without DPF ZWL	Total Insurance and investment contract liabilities ZWL
As at 31 December 2019					
Pensions	541 259 109	45 639 383	54 987 181	9 770 716	651 656 389
Individual life	69 318 039	-	109 910	27 397 356	96 825 305
Group life	-	-	-	337 357	337 357
Total	**610 577 148**	**45 639 383**	**55 097 091**	**37 505 429**	**748 819 051**
As at 31 December 2018					
Pensions	97 721 675	28 010 257	15 150 568	16 681 087	157 563 587
Individual life	11 071 571	-	102 931	12 882 203	24 056 705
Group life	-	-	-	156 081	156 081
Total	**108 793 246**	**28 010 257**	**15 253 499**	**29 719 371**	**181 776 373**

Health insurance risk

Health insurance claims development table

Treatment year	Before First half 2016 ZWL	First half 2017 ZWL	Second half 2017 ZWL	First half 2018 ZWL	Second half 2018 ZWL	First half 2019 ZWL	Second half 2019 ZWL
At end of treatment half	45 631 939	27 978 820	49 250 534	29 703 243	52 684 672	31 652 931	76 567 290
One half later	45 631 939	27 978 820	49 250 534	29 703 243	52 684 672	31 652 931	-
Two halves later	45 631 939	27 978 820	49 250 534	29 703 243	52 684 672	-	-
Three halves later	45 631 939	27 978 820	49 250 534	29 703 243	-	-	-
Four halves later	45 631 939	27 978 820	49 250 534	-	-	-	-
Five halves later	45 631 939	27 978 820	-	-	-	-	-
Six halves later	45 631 939	-	-	-	-	-	-
Current estimate of cumulative claims incurred	**45 631 939**	**27 978 820**	**49 250 534**	**29 703 243**	**52 684 672**	**31 652 931**	**76 567 290**

Notes to the Financial Statements (continued)

4 GROUP FINANCIAL RISK MANAGEMENT (continued)

4.8 Insurance risk (continued)

4.8.1 Health insurance risks (continued)

Treatment year	Before First half 2016 ZWL	First half 2017 ZWL	Second half 2017 ZWL	First half 2018 ZWL	Second half 2018 ZWL	First half 2019 ZWL	Second half 2019 ZWL
At end of treatment half	41 281 488	24 810 652	46 736 503	27 176 483	49 679 188	25 193 129	54 364 783
One half later	44 032 339	28 453 089	49 388 012	29 713 705	54 004 034	28 557 419	
Two halves later	44 081 580	28 502 220	49 404 676	29 747 932	54 015 571		
Three halves later	44 090 153	28 507 229	49 408 659	29 756 344			
Four halves later	44 092 145	28 507 975	49 409 511				
Five halves later	44 092 302	28 508 520					
Six halves later	44 092 994						
Cumulative payments to date	**44 092 994**	**28 508 520**	**49 409 511**	**29 756 344**	**54 015 571**	**28 557 419**	**54 364 783**
Outstanding claims as at 31 December 2019	**1 538 945**	**(529 700)**	**(158 977)**	**(53 101)**	**(1 330 899)**	**3 095 512**	**22 202 507**
Less IBNR 31 December 2019							-
Outstanding claims 31 December 2019							**22 202 507**

4.8.2 Short term insurance risks

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 of claims, 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 Group purchases reinsurance as part of its risks transfer programme. Reinsurance ceded is placed on both a 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.

The Group principally issues the following types of general insurance contracts: fire, engineering, motor, guarantee, marine, miscellaneous accident, aviation and agriculture. 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, 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 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.

4 GROUP FINANCIAL RISK MANAGEMENT (continued)

4.8 Insurance risk (continued)

4.8.2 Short term Insurance risk (continued)

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.

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 2019 were broadly similar to those in recent previous years. Given that large proportions of the Group's business are renewed short-term contracts, where the proportion of the risk that is reinsured is the same over time, 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).

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.

The concentration of insurance risk by type of contract and by territory in relation to risk accepted is summarised below, with reference to the premiums:

Notes to the Financial Statements (continued)

4 GROUP FINANCIAL RISK MANAGEMENT (continued)

4.8 Insurance risk (continued)

4.8.2 Short term Insurance risk (continued)

	INFLATION ADJUSTED		HISTORICAL COST	
	2019	2018	2019	2018
	ZWL	ZWL	ZWL	ZWL
Type of contract				
Motor	270 916 651	193 655 526	118 160 090	24 050 204
Engineering	186 492 871	19 655 515	81 338 723	2 441 031
Fire	180 780 989	111 431 690	78 847 490	13 838 773
Health	306 360 625	506 438 539	133 618 952	62 894 927
Other	204 207 984	273 048 256	89 065 156	33 910 038
Life:				
- Savings business	100 800 966	224 157 164	43 964 264	27 838 222
- Risk business	46 239 180	126 055 408	20 167 183	15 654 902
	1 295 799 266	**1 454 442 098**	**565 161 858**	**180 628 097**
By territory				
Local	1 076 921 858	1 055 018 585	442 137 377	169 847 773
Regional	218 877 408	399 423 513	123 024 481	10 780 324
	1 295 799 266	**1 454 442 098**	**565 161 858**	**180 628 097**

The Group has reinsured 29% (2018: 13%) of the premium underwritten

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

The insurance claim liabilities are sensitive to the certain assumptions. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.

The analysis below is performed for reasonably possible movements in the key assumption 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 ZWL	Change in profit before income tax ZWL	Change in equity ZWL
December 2019				
Increase in IBNR	15%	1 727 342	(259 101)	(192 383)
Decrease in IBNR	15%	1 727 342	259 101	192 383
December 2018				
Increase in IBNR	15%	1 781 588	(267 238)	(198 424)
Decrease in IBNR	15%	1 781 588	267 238	198 424

A liability adequacy assessment was done on the impact of the 15% change in assumption. The liability is adequate.

4 GROUP FINANCIAL RISK MANAGEMENT (continued)

4.8 Insurance risk (continued)

4.8.2 Short term Insurance risk (continued)

Exposure relating to catastrophe events

The Group sets out the total aggregate exposure that it is prepared to accept in Zimbabwe and Botswana 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$125 000 (2018:US$150,000). 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. All underlying policies have reporting conditions.

The majority of the Group's insurance contracts are classified as short term, meaning that any claim is settled within a year after the loss date.

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.

The table below indicates the claims development of the Group for the period 2014 to date. The presentation of the claims development is based on the actual date of the event that caused the claim (accident year basis).

Property and casualty claims development table

Accidental year	2014 ZWL	2015 ZWL	2 016 ZWL	2 017 ZWL	2 018 ZWL	2 019 ZWL	Total ZWL
Gross cumulative incurred claims							
Year incurred							
0	3 050 948	2 801 862	2 211 474	2 528 235	2 608 394	16 532 629	-
1	3 319 941	2 761 474	3 304 617	2 807 746	3 706 271	-	-
2	3 609 349	2 906 976	3 554 885	2 931 201	-	-	-
3	3 668 015	3 019 575	3 569 982	-	-	-	-
4	3 706 286	3 040 262	-	-	-	-	-
5	3 706 286	-	-	-	-	-	-
Current estimate of cumulative claims incurred	**3 706 286**	**3 040 262**	**3 569 982**	**2 931 201**	**3 706 271**	**16 532 629**	**33 486 631**
Gross cumulative paid claims							
Year paid							
0	2 256 360	2 954 897	1 345 389	1 480 410	847 295	12 580 984	-
1	3 658 868	3 866 503	3 208 075	2 929 290	1 945 172	-	-
2	3 964 623	4 026 948	3 513 106	2 929 290	-	-	-
3	4 023 288	4 143 718	3 528 203	-	-	-	-
4	4 061 774	4 164 405	-	-	-	-	-
5	4 061 774	-	-	-	-	-	-
Cumulative payments to date	**4 061 774**	**4 164 405**	**3 528 203**	**2 929 290**	**1 945 172**	**12 580 984**	**29 209 828**
Current estimate of cumulative claims incurred less payments to date	**(355 488)**	**(1 124 143)**	**41 779**	**1 911**	**1 761 099**	**3 951 645**	**4 276 804**

Notes to the Financial Statements (continued)

4 GROUP FINANCIAL RISK MANAGEMENT (continued)

4.8 Insurance risk (continued)

4.8.2 Short term Insurance risk (continued)

Claims development

Accidental year	2014 ZWL	2015 ZWL	2 016 ZWL	2 017 ZWL	2 018 ZWL	2 019 ZWL	Total ZWL
Net cumulative claims incurred							
0	3 050 948	2 801 862	2 211 474	2 528 235	2 608 394	30 939 117	-
1	3 319 941	2 761 474	3 304 617	2 807 746	3 842 526	-	-
2	3 609 349	2 906 976	3 554 885	2 828 533	-	-	-
3	3 668 015	3 019 575	3 603 571	-	-	-	-
4	3 706 286	3 019 575	-	-	-	-	-
5	3 706 286	-	-	-	-	-	-
Cumulative claims incurred to date	**3 706 286**	**3 019 575**	**3 603 571**	**2 828 533**	**3 842 526**	**30 939 117**	**47 939 608**
Cumulative claims paid							
0	1 946 430	1 903 826	1 229 993	1 475 919	848 994	21 778 988	-
1	3 319 941	2 752 771	2 782 759	2 766 497	2 083 126	-	-
2	3 609 349	2 898 272	3 015 868	2 788 375	-	-	-
3	3 668 015	3 010 872	3 064 554	-	-	-	-
4	3 706 286	3 010 872	-	-	-	-	-
5	3 706 286	-	-	-	-	-	-
Current estimate of cumulative claims paid	**3 706 286**	**3 010 872**	**3 064 554**	**2 788 375**	**2 083 126**	**21 778 988**	**36 432 201**
Current estimate of cumulative claims incurred less payments to date	-	**8 703**	**539 017**	**40 158**	**1 759 400**	**9 160 129**	**11 507 407**

The was no claims development table for FMRE Property and Casualty (Proprietary) Limited which is domiciled in Botswana because of the absence of sufficient historical information.

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.

There were no changes made to the objectives, processes, or policies during the year ended 31 December 2019 (2018: none).

The subsidiaries were capitalised as follows:

As at 31 December 2019 Company	Capital employed ZWL	Capital regulatory ZWL
First Mutual Reinsurance Company Limited	26 704 596	3 000 000
FMRE Property and Casualty (Proprietary) Limited	74 516 222	1 500 000
NicozDiamond Insurance Limited	158 692 373	1 500 000
First Mutual Life Assurance Company (Private) Limited	195 506 599	3 000 000
First Mutual Microfinance (Private) Limited	1 086 137	25 000

Notes to the Financial Statements (continued)

4 GROUP FINANCIAL RISK MANAGEMENT (continued)

4.9 Capital management policies (continued)

As at 31 December 2018 Company	Capital employed ZWL	Capital regulatory ZWL
First Mutual Reinsurance Company Limited	10 468 619	5 000 000
FMRE Property and Casualty (Proprietary) Limited	3 569 537	3 000 000
TristarInsurance Company Limited	3 149 936	2 500 000
First Mutual Life Assurance Company (Private) Limited	16 449 953	5 000 000
NicozDiamond Insurance Limited	14 746 174	2 500 000

The operations of the Group are subject to regulatory requirements which impose certain restrictive provisions such as capital adequacy to minimise the risk of default and insolvency to meet unforeseen liabilities as these arise. SI 95 of 2017 Insurance(Amendment) Regulations Section 2 defines capital as the amount of the insurers' total admissible assets in excess of the amount of its liabilities including contingent and prospective liabilities. It is the Company's objective to retain a positive capital ratio to support the development of the business. The Group manages its capital structure and makes adjustments to it, in light of changes in the economic conditions.

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 individual businesses are aggregated into segments with similar economic characteristics.

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:

Life and pensions business (life assurance)
The insurance segment comprises life assurance and reassurance.

Health insurance
This relates to the medical insurance business.

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, funeral services, microlending and wealth management.

Revenue from external customer for each product and service has not been included in the segmental analysis because it is not practical and cost effective due to the wide range of products and services offered by the Group. There is also no revenue from a single customer that represents 10% or more across all subsidiaries.

5 SEGMENT INFORMATION (continued)

Segmental analysis INFLATION ADJUSTED As at 31 December 2019	Life assurance ZWL	Property and casualty ZWL	Health ZWL	Property ZWL	Other ZWL	Gross figures ZWL	Consolidation entries ZWL	Total consolidated ZWL
Net premium earned	186 751 706	394 962 625	361 654 813	-	-	943 369 144	6 109 845	949 478 989
Rental income	-	-	-	62 722 845	-	62 722 845	(10 238 059)	52 484 786
Investment income and fair value adjustment on investment property	616 402 480	18 642 031	114 411 793	495 646 227	90 903 131	1 336 005 662	(1 204 210 115)	131 795 547
Fee income and other income	145 067 388	16 228 941	4 284 653	8 909 072	(52 640 850)	121 849 204	(232 034 943)	(110 185 739)
Total income	**948 221 574**	**429 833 597**	**480 351 259**	**567 278 144**	**38 262 281**	**2 463 946 855**	**(1 440 373 273)**	**1 023 573 583**
Depreciation	(2 991 292)	(2 151 918)	(743 411)	(119 772)	(4 940)	(6 011 333)	-	(6 011 333)
Total expenses	(220 235 297)	(379 382 264)	(347 707 615)	(35 501 434)	(29 602 783)	(1 012 429 392)	409 499 932	(602 929 460)
Deferred acquisition costs	-	7 647 511	-	-	-	7 647 511	-	7 647 511
Total assets	1 022 896 558	650 579 922	126 630 764	1 423 747 995	599 722 290	3 823 577 529	(1 418 675 635)	2 404 901 894
Movement in insurance contract liabilites	174 048 587	-	-	-	-	174 048 587	-	174 048 587
Movement in investment contract liabilites	128 340 584	-	-	-	-	128 340 584	-	128 340 584
Total liabilities	804 148 789	363 831 130	57 853 686	257 344 746	7 689 922	1 490 868 273	45 738 127	1 536 606 400
Cash flows generated from / (utilised in) operating activities	668 903 534	71 757 710	129 804 340	53 250 257	(6 289 150)	917 426 691	(825 374 117)	92 052 574
Cash flows generated from / (utilised in) investing activities	(396 007 833)	(20 234 396)	(133 573 947)	(46 746 428)	31 554 346	(565 008 258)	455 505 545	(109 502 713)
Cash generated from / (utilised in) financing activities	-	(2 887 326)	-	(22 419 799)	(49 960 707)	(75 267 832)	64 575 270	(10 692 562)
Profit before income tax	78 776 285	61 428 220	(423 655)	661 877 274	10 180 494	811 838 618	(395 432 328)	416 406 289
Income tax (expense) / credit	(7 324 111)	(15 817 767)	-	(316 971 466)	(21 999)	(340 135 343)	(48 635 349)	(388 770 692)

Notes to the Financial Statements (continued)

5 SEGMENT INFORMATION (continued)

Segmental analysis

As at 31 December 2018	Life assurance ZWL	Property and casualty ZWL	Health ZWL	Property ZWL	Other ZWL	Gross figures ZWL	Consolidation entries ZWL	Total consolidated ZWL
Net premium earned	267 268 331	161 440 634	390 675 224	-	-	819 384 189	426 602 028	1 245 986 217
Rental income	-	-	-	49 889 294	-	49 889 294	1 270 931	51 160 225
Investment income and fair value adjustment on investment property	187 856 230	5 681 388	34 868 400	39 165 418	123 646 296	391 217 732	(473 319 800)	(82 102 068)
Fee income and other income	44 211 069	4 945 969	1 305 801	2 715 149	29 353 066	82 531 054	(458 081 291)	(375 550 237)
Total income	**499 335 630**	**172 067 991**	**426 849 425**	**91 769 861**	**152 999 362**	**1 343 022 269**	**(503 528 132)**	**839 494 137**
Depreciation	(2 378 302)	(1 804 596)	(889 460)	(197 354)	(3 925 124)	(9 194 836)	-	(9 194 836)
Total expenses	(449 074 820)	(165 951 269)	(319 902 917)	(25 361 774)	(25 829 487)	(986 120 267)	(21 799 249)	(1 007 919 516)
Deferred acquisition costs	-	23 998 356	-	-	-	23 998 356	-	23 998 356
Total assets	1 299 381 440	490 524 331	240 738 978	923 796 310	549 253 664	3 503 694 723	(1 056 641 370)	2 447 053 353
Movement in insurance contract liabilities	129 396 504	-	-	-	-	129 396 504	-	129 396 504
Movement in investment contract liabilities	2 211 493	-	-	-	-	2 211 493	-	2 211 493
Total liabilities	1 163 038 143	269 920 276	80 694 033	111 151 379	5 259 878	1 630 063 709	28 652 304	1 658 716 013
Cash flows generated from/(utilised in) operating activities	203 856 571	21 869 044	39 559 468	16 228 670	(1 916 696)	279 597 057	54 820 865	334 417 922
Cash flows generated from/(utilised in) investing activities	(120 688 253)	(6 166 681)	(40 708 302)	(14 246 548)	9 616 575	(172 193 209)	(202 471 079)	(374 664 288)
Cash generated from/(utilised in) financing activities	-	(879 948)	-	(6 832 709)	(15 226 140)	(22 938 797)	10 051 994	(12 886 803)
Profit/(loss) before income tax	50 260 807	5 071 329	66 744 683	55 134 249	127 169 875	304 380 943	(471 476 366)	(167 095 423)
Income tax expense	(4 400 599)	(988 432)	-	(31 444 451)	(104 172)	(36 937 654)	(9 262 150)	(46 199 804)

Geographical concentration of gross premium written

	Life Insurance ZWL	Property and Casualty ZWL	Health ZWL	31 December 2019 ZWL	31 December 2018 ZWL
Zimbabwe	147 040 146	623 521 087	306 360 625	1 076 921 858	1 055 018 585
Other countries	-	218 877 408	-	218 877 408	399 423 513
Total	**147 040 146**	**842 398 495**	**306 360 625**	**1 295 799 266**	**1 454 442 098**

Notes to the Financial Statements (continued)

5 SEGMENT INFORMATION (continued)

Segmental analysis HISTORICAL COST As at 31 December 2019	Life assurance ZWL	Property and casualty ZWL	Health ZWL	Property ZWL	Other ZWL	Gross figures ZWL	Consolidation entries ZWL	Total consolidated ZWL
Net premium earned	63 550 211	197 707 497	133 618 952	-	-	394 876 660	(1 485 109)	393 391 551
Rental income	-	-	-	23 547 654	-	23 547 654	(259 229)	23 288 426
Investment income and fair value adjustment on investment property	768 324 543	166 411 938	40 932 731	1 247 244 204	444 290 468	2 667 203 885	(1 179 020 214)	1 488 183 671
Fee income and other income	1 631 116	13 718 939	17 328 739	12 398 959	13 914 918	58 992 671	(3 613 735)	55 378 936
Total income	**833 505 870**	**377 838 374**	**191 880 422**	**1 283 190 817**	**458 205 386**	**3 144 620 870**	**(1 184 378 287)**	**1 960 242 584**
Depreciation	(1 184 513)	(852 132)	(294 381)	(47 428)	(327 292)	(2 705 746)	332 782	(2 372 964)
Total expenses	(678 527 108)	(184 240 182)	(143 794 733)	(16 095 144)	6 241 609	(1 016 415 558)	(7 967 291)	(1 024 382 849)
Deferred acquisition costs	-	7 647 511	-	-	-	7 647 511	-	7 647 511
Total assets	999 655 387	613 921 254	105 866 712	1 419 372 542	535 899 517	3 674 715 412	(1 366 807 492)	2 307 907 920
Movement in insurance contract liabilities	(568 050 201)	-	-	-	-	(568 050 201)	-	(568 050 201)
Movement in investment contract liabilities	(28 847 283)	-	-	-	-	(28 847 283)	-	(28 847 283)
Total liabilities	804 148 789	354 008 063	58 002 905	258 599 870	7 776 628	1 482 536 255	(23 081 548)	1 459 454 707
Cash flows generated from / (utilised in) operating activities	12 505 168	193 746 936	35 950 344	12 615 365	(119 952)	254 697 861	(61 837 737)	192 860 124
Cash flows generated from / (utilised in) investing activities	(29 223 057)	(18 705 309)	3 824 353	1 090 917	(11 860 914)	(54 874 009)	49 482 219	(5 391 791)
Cash generated from / (utilised in) financing activities	11 942 870	(3 276 680)	-	(91 667)	(3 607 298)	4 967 225	(9 033 376)	(4 066 151)
Profit before income tax	170 424 206	194 543 457	48 085 690	1 267 094 467	443 591 681	2 123 739 501	(1 190 425 468)	933 314 033
Income tax (expense) / credit	(4 823 631)	(32 156 720)	-	(236 552 063)	(35 885)	(273 568 299)	(1 564 739)	(275 133 038)

Notes to the Financial Statements (continued)

5 SEGMENT INFORMATION (continued)

Segmental analysis

As at 31 December 2018	Life assurance ZWL	Property and casualty ZWL	Health ZWL	Property ZWL	Other ZWL	Gross figures ZWL	Consolidation entries ZWL	Total consolidated ZWL
Net premium earned	43 027 612	25 990 378	62 894 927	-	-	131 912 917	21 935 481	153 848 398
Rental income	-	-	-	8 031 693	-	8 031 693	(347 061)	7 684 632
Investment income and fair value adjustment on investment property	30 243 033	914 648	5 613 475	6 305 253	19 905 856	62 982 265	(21 864 923)	41 117 342
Fee income and other income	7 117 554	796 253	210 221	437 113	4 725 559	13 286 700	(6 681 566)	6 605 134
Total income	**80 388 199**	**27 701 279**	**68 718 623**	**14 774 059**	**24 631 415**	**216 213 575**	**(6 958 069)**	**209 255 506**
Depreciation	(333 846)	(253 314)	(124 855)	(27 703)	(550 976)	(1 290 694)	-	(1 290 694)
Total expenses	(72 296 696)	(26 716 547)	(51 501 271)	(4 083 000)	(4 158 297)	(158 755 811)	(25 731 261)	(184 487 072)
Deferred acquisition costs	-	1 654 021	-	-	-	1 654 021	1 279 656	2 933 677
Total assets	209 187 826	78 969 666	38 756 644	148 722 258	88 424 520	564 060 914	(171 784 334)	392 276 580
Movement in insurance contract liabilities	(3 526 129)	-	-	-	-	(3 526 129)	-	(3 526 129)
Movement in investment contract liabilities	(34 661 364)	-	-	-	-	(34 661 364)	-	(34 661 364)
Total liabilities	187 237 876	43 454 550	12 990 958	17 894 295	846 789	262 424 468	(2 802 142)	259 622 326
Cash flows generated from/ (utilised in) operating activities	32 818 933	3 520 704	6 368 691	2 612 659	(308 569)	45 012 418	(16 229 508)	28 782 910
Cash flows generated from/ (utilised in) investing activities	(19 429 640)	(992 776)	(6 553 642)	(2 293 556)	1 548 175	(27 721 439)	9 858 708	(17 862 731)
Cash generated from/ (utilised in) financing activities	-	(141 663)	-	(1 100 000)	(2 451 261)	(3 692 924)	1 618 273	(2 074 651)
Profit before income tax	8 091 503	816 435	10 745 248	8 876 080	20 473 118	49 002 384	(24 187 284)	24 815 100
Income tax expense	(708 454)	(159 128)	-	(5 062 252)	(16 771)	(5 946 605)	(1 224 667)	(7 171 272)

Geographical concentration of gross premium written

	Life Insurance ZWL	Property and Casualty ZWL	Health ZWL	31 December 2019 ZWL	31 December 2018 ZWL
Zimbabwe	64 131 447	244 386 978	133 618 952	442 137 377	169 847 773
Other countries	-	123 024 481	-	123 024 481	10 780 324
Total	**64 131 447**	**367 411 459**	**133 618 952**	**565 161 858**	**180 628 097**

6 GROUP - PROPERTY, PLANT AND EQUIPMENT

INFLATION ADJUSTED Year ended 31 December 2018	Land and buildings ZWL	Office equipment ZWL	Motor vehicles ZWL	Office furniture ZWL	Total ZWL
Cost					
As at 1 January 2018	17 960 335	36 109 042	31 566 567	11 562 776	97 198 720
Additions	-	10 462 091	3 173 015	567 931	14 203 037
Disposals	-	(706 254)	-	(145 668)	(851 922)
As at 31 December 2018	**17 960 335**	**45 864 879**	**34 739 582**	**11 985 039**	**110 549 835**
Accumulated depreciation					
As at 1 January 2018	14 389 110	24 873 753	26 241 310	6 795 151	72 299 324
Charge for the year	1 614 209	2 134 632	4 912 036	533 959	9 194 836
Depreciation on disposals	-	(61 504)	-	(131 011)	(192 515)
	16 003 319	**26 946 881**	**31 153 346**	**7 198 099**	**81 301 645**
Net book amount					
As at 31 December 2018	**1 957 016**	**18 917 998**	**3 586 236**	**4 786 940**	**29 248 190**
Year ended 31 December 2019					
Cost					
As at 1 January 2019	17 960 335	45 864 879	34 739 582	11 985 039	110 549 835
Additions	-	7 628 131	16 099 920	4 170 290	27 898 341
Disposals	-	(623 153)	-	(6 710)	(629 863)
As at 31 December	**17 960 335**	**52 869 857**	**50 839 502**	**16 148 619**	**137 818 313**
Accumulated depreciation					
As at 1 January 2019	16 003 319	26 946 881	31 153 347	7 198 098	81 301 645
Charge for the year	615 079	2 838 262	2 098 546	459 446	6 011 333
Depreciation on disposals	-	(523 712)	-	(6 690)	(530 402)
As at 31 December	**16 618 398**	**29 261 431**	**33 251 893**	**7 650 854**	**86 782 576**
Net book amount					
As at 31 December	**1 341 937**	**23 608 426**	**17 587 609**	**8 497 765**	**51 035 737**

Notes to the Financial Statements (continued)

6 GROUP - PROPERTY, PLANT AND EQUIPMENT (continued)

HISTORICAL COST Year ended 31 December 2018	Land and buildings ZWL	Office equipment ZWL	Motor vehicles ZWL	Office furniture ZWL	Total ZWL
Cost					
As at 1 January 2018	9 452 647	4 193 227	3 665 724	1 342 748	18 654 346
Additions	-	1 214 929	368 472	65 952	1 649 353
Disposals	-	(82 015)	-	(16 916)	(98 931)
As at 31 December 2018	**9 452 647**	**5 326 141**	**4 034 196**	**1 391 784**	**20 204 768**
Accumulated depreciation					
As at 1 January 2018	1 670 961	2 888 509	3 047 319	789 099	8 395 888
Charge for the year	187 453	470 815	570 419	62 007	1 290 694
Depreciation on disposals	-	(7 142)	-	(15 214)	(22 356)
	1 858 414	**3 352 182**	**3 617 738**	**835 892**	**9 664 226**
Net book amount					
As at 31 December 2018	**7 594 233**	**1 973 959**	**416 458**	**555 892**	**10 540 542**
Year ended 31 December 2019					
Cost					
As at 1 January 2019	9 452 647	5 326 141	4 034 196	1 391 784	20 204 768
Additions	-	3 633 706	4 906 648	1 270 947	9 811 301
Disposals	-	(189 865)	-	(2 045)	(191 910)
As at 31 December 2019	**9 452 647**	**8 769 982**	**8 940 844**	**2 660 686**	**29 824 159**
Accumulated depreciation					
As at 1 January 2019	1 858 414	3 352 182	3 617 738	835 892	9 664 226
Charge for the year	187 453	855 933	639 558	140 022	1 822 966
Depreciation on disposals	-	(159 609)	-	(2 038)	(161 647)
As at 31 December 2019	**2 045 867**	**4 048 506**	**4 257 296**	**973 876**	**11 325 545**
Net book amount					
As at 31 December 2019	**7 406 780**	**4 721 476**	**4 683 548**	**1 686 810**	**18 498 614**

Notes to the Financial Statements (continued)

6 GROUP - PROPERTY, PLANT AND EQUIPMENT (continued)

INFLATION ADJUSTED Year ended 31 December 2018	Office equipment ZWL	Motor vehicles ZWL	Office furniture ZWL	Total ZWL
Cost				
As at 1 January 2018	2 949 557	924 619	414 556	4 288 732
Additions	202 649	-	161 701	364 350
As at 31 December 2018	**3 152 206**	**924 619**	**576 257**	**4 653 082**
Accumulated depreciation				
As at 1 January 2018	2 724 987	780 431	295 177	3 800 595
Charge for the year	148 958	17 848	50 610	217 416
	2 873 945	**798 279**	**345 787**	**4 018 011**
Net book amount				
As at 31 December 2018	**278 261**	**126 340**	**230 470**	**635 071**
Year ended 31 December 2019				
Cost				
As at 1 January 2019	3 152 206	924 619	576 257	4 653 082
Additions	234 900	-	-	234 900
As at 31 December	**3 387 106**	**924 619**	**576 257**	**4 887 982**
Accumulated depreciation				
As at 1 January 2019	2 873 945	798 279	345 785	4 018 009
Charge for the year	203 508	-	35 092	238 600
As at 31 December	**3 077 453**	**798 279**	**380 877**	**4 256 609**
Net book amount				
As at 31 December	**309 653**	**126 340**	**195 380**	**631 373**
Current	-	-	-	-
Non current	309 653	126 340	195 380	631 373
Total	**309 653**	**126 340**	**195 380**	**631 373**

6 GROUP - PROPERTY, PLANT AND EQUIPMENT (continued)

HISTORICAL COST Year ended 31 December 2018	Office equipment ZWL	Motor vehicles ZWL	Office furniture ZWL	Total ZWL
Cost				
As at 1 January 2018	342 523	107 373	48 141	498 037
Additions	23 533	-	18 778	42 311
At 31 December 2018	**366 056**	**107 373**	**66 919**	**540 348**
Accumulated depreciation				
As at 1 January 2018	316 444	90 629	34 278	441 351
Charge for the year	17 298	2 073	5 877	25 248
	333 742	**92 702**	**40 155**	**466 599**
Net book amount				
At 31 December 2018	**32 314**	**14 671**	**26 764**	**73 749**
Year ended 31 December 2019				
Cost				
As at 1 January 2019	366 056	107 373	66 919	540 348
Additions	89 072	-	-	89 072
As at 31 December	**455 128**	**107 373**	**66 919**	**629 420**
Accumulated depreciation				
As at 1 January 2019	333 742	92 702	40 155	466 599
Charge for the year	27 347	-	4 074	31 421
As at 31 December	**361 089**	**92 702**	**44 229**	**498 020**
Net book amount				
As at 31 December	**94 039**	**14 671**	**22 690**	**131 400**

6.1 RIGHT OF USE ASSETS

This note provides information for leases where the Group is a lessee. For leases where Group is lessor, refer to note 7 on investment properties. The Group leases an office space in Gaborone, Botswana with the original lease period ending on 31 July 2020 with an option to extend by 5 years. The extension option has been taken into account in the calculation of the lease liability as the Directors intend to extend the lease period, as the location is important for the business.

The Company leases office space in Harare, Zimbabwe and holiday home in Juliasdale, Zimbabwe from First Mutual Properties Limited, a subsidiary of the Group. The remaining lease periods vary from 1.5 years for office space and 8 years for the holiday home. The related lease liabilities and right of use assets are eliminated at consolidation.

6 GROUP - PROPERTY, PLANT AND EQUIPMENT (continued)

6.1 RIGHT OF USE ASSETS (continued)

i Lease assets

	INFLATION ADJUSTED		HISTORICAL COST	
	Group 2019 ZWL Buildings	Group 2018 ZWL Buildings	Group 2019 ZWL Buildings	Group 2018 ZWL Buildings
As at 1 January	22 471 380	-	3 617 997	-
Depreciation charge	(3 515 583)	-	(549 997)	-
As at 31 December	**18 955 797**	-	**3 068 000**	-

	Company 2019 ZWL Buildings	Company 2018 ZWL Buildings	Company 2019 ZWL Buildings	Company 2018 ZWL Buildings
As at 1 January	2 448 872	-	394 245	-
Modifications	2 354 304	-	968 368	-
Depreciation charge	(1 173 048)	-	(332 782)	-
As at 31 December	**3 630 128**	-	**1 029 831**	-

ii Lease liabilities

	INFLATION ADJUSTED		HISTORICAL COST	
	Group 2019 ZWL	Group 2018 ZWL	Group 2019 ZWL	Group 2018 ZWL
As at 1 January	3 617 997	-	3 617 997	-
Repayment	(313 991)		(313 991)	
Closing net book amount	**3 304 006**	-	**3 304 006**	-
Of which are :				
Current lease liabilities	402 871	-	402 871	-
Non-Current lease liabilties	2 901 135	-	2 901 135	-
	3 304 006	-	**3 304 006**	-

Lease liabilities	Company 2019 ZWL	Company 2018 ZWL	Company 2019 ZWL	Company 2018 ZWL
As at 1 January	394 245	-	394 245	-
Modifications	968 368	-	968 368	-
Payments	(300 938)		(300 938)	
Closing net book amount	**1 061 675**	-	**1 061 675**	-
Of which are :				
Current lease liabilities	682 815		682 815	
Non-Current lease liabilties	378 860		378 860	
	1 061 675	-	**1 061 675**	-

Notes to the Financial Statements (continued)

6 GROUP - PROPERTY, PLANT AND EQUIPMENT (continued)

6.1 RIGHT OF USE ASSETS (continued)

iii **Amounts recognised in the statement of profit or loss**

The profit or loss show the followiing amounts with respect to leases

	INFLATION ADJUSTED		HISTORICAL COST	
	Group 2019 ZWL	Group 2018 ZWL	Group 2019 ZWL	Group 2018 ZWL
Depreciation charge of right of use asset	3 515 583	-	549 997	-
Interest expense (included under finance costs)	673 023	-	366 984	-
	Company 2019 ZWL	Company 2018 ZWL	Company 2019 ZWL	Company 2018 ZWL
Depreciation charge of right of use asset	1 173 048	-	332 782	-
Interest expense (included under finance costs)	194 445	-	74 410	-

7 INVESTMENT PROPERTY

	INFLATION ADJUSTED		HISTORICAL COST	
	Group ZWL	Group ZWL	Group ZWL	Group ZWL
As at 1 January	901 505 702	1 174 683 825	145 170 000	136 432 500
Total additions	9 296 000	21 397 712	1 808 699	2 485 217
Additions to properties under development	8 448 903	19 074 342	1 496 363	2 215 371
Improvements to existing properties	847 097	2 323 370	312 336	269 846
Disposals *	(4 217 763)	-	(1 319 795)	-
Transfer to associate	-	(5 071 427)	-	(589 017)
Fair value adjustments	506 592 397	(289 504 408)	1 267 517 432	6 841 300
As at 31 December	**1 413 176 336**	**901 505 702**	**1 413 176 336**	**145 170 000**

The was no investment property that was encumbered as at 31 December 2019 (2018: ZWL12.7 million).

* The Group sold one residential unit known as 6 Stour Vinona in July 2019 through capital recycling initiative.

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;

INFLATION ADJUSTED 31 December 2019	Level 1 ZWL	Level 2 ZWL	Level 3 ZWL	Total ZWL	Total gain/ (loss) in the period in the statement of comprehensive income ZWL
CBD retail	-	-	140 730 000	140 730 000	69 684 428
CBD offices	-	-	210 825 873	210 825 873	158 851 520
Office parks	-	-	427 091 443	427 091 443	45 814 507
Suburban retail	-	-	67 209 020	67 209 020	22 237 801
Industrial	-	-	85 500 000	85 500 000	29 523 839
Commercial lodge	-	-	1 423 000	1 423 000	531 565
Residential	-	-	68 670 000	68 670 000	25 195 381
Land*	-	-	411 720 000	411 720 000	154 753 356
Total	-	-	**1 413 169 336**	**1 413 169 336**	**506 592 397**

7 **INVESTMENT PROPERTY (continued)**

7.1 Fair value hierarchy (continued)

	Level 1 ZWL	Level 2 ZWL	Level 3 ZWL	Total ZWL	Total gain/ (loss) in the period in the statement of comprehensive income ZWL
31 December 2018					
CBD retail	-	-	129 168 000	129 168 000	(12 675 471)
CBD offices	-	-	195 925 501	195 925 501	(12 400 706)
Office parks	-	-	207 786 601	207 786 601	(82 392)
Suburban retail	-	-	71 787 600	71 787 600	(22 972 888)
Industrial	-	-	72 222 300	72 222 300	-
Commercial lodge	-	-	621 000	621 000	5 501 231
Residential	-	-	70 794 000	70 794 000	(84 068 757)
Land*	-	-	153 200 700	153 200 700	(162 805 425)
Total	-	-	**901 505 702**	**901 505 702**	**(289 504 408)**

HISTORICAL COST 31 December 2019	Level 1 ZWL	Level 2 ZWL	Level 3 ZWL	Total ZWL	Total gain/ (loss) in the period in the statement of comprehensive income ZWL
CBD retail	-	-	140 730 000	140 730 000	174 353 637
CBD offices	-	-	210 825 873	210 825 873	397 453 795
Office parks	-	-	427 091 443	427 091 443	114 630 000
Suburban retail	-	-	67 209 020	67 209 020	55 640 000
Industrial	-	-	85 500 000	85 500 000	73 870 000
Commercial lodge	-	-	1 430 000	1 430 000	1 330 000
Residential	-	-	68 670 000	68 670 000	63 040 000
Land*	-	-	411 720 000	411 720 000	387 200 000
Total	-	-	**1 413 176 336**	**1 413 176 336**	**1 267 517 432**
31 December 2018					
CBD retail	-	-	20 800 000	20 800 000	299 535
CBD offices	-	-	31 550 000	31 550 000	293 042
Office parks	-	-	33 460 000	33 460 000	1 947
Suburban retail	-	-	11 560 000	11 560 000	542 874
Industrial	-	-	11 630 000	11 630 000	-
Commercial lodge	-	-	100 000	100 000	(130 000)
Residential	-	-	11 400 000	11 400 000	1 986 635
Land*	-	-	24 670 000	24 670 000	3 847 267
Total	-	-	**145 170 000**	**145 170 000**	**6 841 300**

* This consists of land earmarked for future developments.

Gains recorded in statement of comprehensive income for recurring fair value measurements categorised within level 3 of the fair value hierarchy amount to ZWL0.51 million (2018: loss of ZWL0.29 million) and are presented in the consolidated statement of comprehensive income in line item; 'fair value adjustments – investment property'.

7 INVESTMENT PROPERTY (continued)

7.1 Fair value hierarchy (continued)

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.

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 categorized 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

7 INVESTMENT PROPERTY (continued)

7.1 Fair value hierarchy (continued)

Class of Property		Fair Value 31 December 2019 ZWL	Fair Value 31 December 2018 ZWL	Valuation Technique	Key unobservable Inputs	2019 Range	2018 Range
CBD retail		140 730 000	20 800 000	Income capitalisation	Rental per square metre	ZWL10.00-ZWL25.00	ZWL10.00-ZWL25.00 (ZWL18.00)
					Prime yield	7.00%-8.00%	7.00%-8.00% (7.50%)
					Void rate	10%	0.00%-40.00% (20.00%)
CBD offices		210 825 873	31 550 000	Income capitalisation	Rental per square metre	ZWL7.00-ZWL12.00	ZWL7.00-ZWL12.00 (ZWL10.00)
					Prime yield	8.00%-10.00%	8.00%-9.00% (9.00%)
					Void rate	10.00%-65.00%	0.00%-100.00%(50.00%)
Office parks		427 091 443	33 460 000	Income capitalisation	Rental per square metre	ZWL7.00-ZWL12.00	ZWL7.00-ZWL12.00 (ZWL10.00)
					Prime yield	7.00%-8.00%	5.00%-15.00% (10.00%)
					Void rate	10.00%-15.00%	0.00%-100.00%(50.00%)
Suburban retail		67 209 020	11 560 000	Income capitalisation	Rental per square metre	ZWL3.00-ZWL15.00	ZWL10.00-ZWL25.00 (ZWL17.50)
					Prime yield	7.00%-8.00%	7.00%-13.00% (10.00%)
					Void rate	0%	0.00%-3.00% (1.50%)
Industrial		85 500 000	11 630 000	Income capitalisation	Rental per square metre	ZWL1.50-ZWL4.00	ZWL1.50-ZWL4.00 (ZWL3.00)
					Prime yield	11.00%-13.00%	11.00%-13.00%(12.00%)
					Void rate	10.00%-100.00%	40.00%-60.00%(50.00%)
Commercial lodge		1 430 000	100 000				
Land							
	- Residentail	670 000	60 000	Market comparable	Rate per square metre	ZWL15.00-ZWL35.00	ZWL50.00-ZWL80.00 (ZWL65.00)
	- Commercial	411 050 000	24 610 000	Market comparable	Rate per square metre	ZWL40.00-ZWL85.00	
	Residential	68 670 000	11 400 000	Market comparable	Comparable transacted properties prices	ZWL110 000 ZWL220 000	(2 Bed Flats: ZWL45,000 to ZWL55,000) (3 Bed Flats: ZWL80,000 - ZWL110,000) (3 Bed Houses ZWL100,000-ZWL110,000)**
Total		**1 413 176 336**	**145 170 000**				

**Other relates to residential property valued at ZWL0.33 million which has been valued based on market comparable method (main space equivalent).

7 INVESTMENT PROPERTIES (continued)

7.1 Fair value hierarchy (continued)

Descriptions and definitions

Below are 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.

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 meter; 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.

Analysis of property portfolio

Sector	Lettable space m2 31 December 2019 ZWL	31 December 2018 ZWL	% of portfolio 31 December 2019 ZWL	31 December 2018 ZWL
Industrial	32 518	32 518	27%	27%
CBD offices	25 770	25 770	21%	21%
Office parks	20 327	20 327	17%	17%
Suburban retail	7 723	7 723	6%	6%
CBD retail	37 113	36 069	29%	29%
Total	**123 451**	**122 407**	**100%**	**100%**

Notes to the Financial Statements (continued)

7 INVESTMENT PROPERTIES (continued)

7.1 Fair value hierarchy (continued)

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 2019. Investment property is stated based on a desktop valuation. Knight Frank Zimbabwe are specialists 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.

Valuation process

The Group's valuation policies and procedures for property are determined by a management committee. Each year, the committee decides, after advising the Audit and Actuarial Committee, 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.

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;
- 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, vacancy rate and prime yield).

As at each year-end, all properties are valued by external valuers. At each reporting date, the internal Valuation Department analyses the movements in each property value. For this analysis, the internal 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 discusses the valuations with the internal Valuation Department, they present the valuation results with the Group's external valuers to the Audit and Actuarial 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.

Yield rate risk and sensitivity

The rental rate yield represents the net income expected in year zero divided by the current property values (historic 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 tax, investments property, and deferred taxation are affected through the impact on the fluctuating yield rate as follows:

7 **INVESTMENT PROPERTIES (continued)**

7.1 **Fair value hierarchy (continued)**

Sensitivity analysis.	Increase in yield 10% ZWL	Decrease in yield 10% ZWL
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

As at 31 December 2019, if the average yield was 10% higher holding other variables constant, investment property value will decrease to ZWL12 550 001 and deferred tax liabilities will decrease by ZWL3 231 625. As at 31 December 2019, if the average yield rate was 10% lower holding other variables constant, investment property value will increase by ZWL15 172 511 and the deferred tax liabilities will increase by ZWL3 906 922.

8 INTANGIBLE ASSETS - SOFTWARE	INFLATION ADJUSTED Group 2019 ZWL	INFLATION ADJUSTED Group 2018 ZWL	HISTORICAL COST Group 2019 ZWL	HISTORICAL COST Group 2018 ZWL
Cost				
Year ended 31 December 2019				
As at 1 January 2019	19 495 211	19 457 684	2 263 966	2 259 608
Additions	2 025 170	37 527	2 025 171	4 358
As at 31 December	**21 520 381**	**19 495 211**	**4 289 137**	**2 263 966**
Accumulated amortisation and impairment losses				
Year ended 31 December 2019				
As at 1 January 2019	11 767 250	9 948 028	1 366 523	1 155 258
Charge for the year	1 268 972	1 819 223	229 141	211 265
As at 31 December	**13 036 222**	**11 767 251**	**1 595 664**	**1 366 523**
Carrying amount				
As at 31 December	**8 484 159**	**7 727 960**	**2 693 473**	**897 443**

Intangible assets refer to the short-term insurance business, Premia system and the HIP system in the Health insurance business. 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 recognized in statement of comprehensive income. As at 31 December 2019, these assets were tested for impairment, and management determined that no impairment is required in respect of these intangibles (2018: ZWLnil).

9 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Shareholding 2019	percentage 2018	INFLATION ADJUSTED Company 2019 ZWL	INFLATION ADJUSTED Company 2018 ZWL	HISTORICAL COST Company 2019 ZWL	HISTORICAL COST Company 2018 ZWL
Investment in subsidiaries (note 9.1)			566 412 297	525 217 680	505 609 494	77 143 625

9.1 INVESTMENT IN SUBSIDIARIES

	Shareholding 2019	percentage 2018	INFLATION ADJUSTED Company 2019 ZWL	INFLATION ADJUSTED Company 2018 ZWL	HISTORICAL COST Company 2019 ZWL	HISTORICAL COST Company 2018 ZWL
First Mutual Life Assurance Company (Private) Limited	100%	100%	202 339 878	151 327 146	195 506 599	22 226 831
First Mutual Health Company (Private) Limited	80%	80%	57 683 312	140 514 727	47 863 806	20 638 710
First Mutual Microfinance (Private) Limited	100%	100%	2 857 969	1 361 662	350 265	200 000
First Mutual Reinsurance Company Limited	100%	100%	28 388 753	69 697 999	26 704 596	10 237 196
FMRE Property and Casualty (Proprietary) Limited	100%	100%	81 189 458	27 798 396	74 516 222	4 083 010
First Mutual Wealth Management (Private) Limited	100%	100%	3 036 104	5 633 515	1 975 633	827 447
NicozDiamond Insurance Company Limited	100%	100%	190 916 823	123 437 587	158 692 373	18 130 431
First Mutual Funeral Services (Private) Limited*	0%	100%	-	5 446 648	-	800 000
			566 412 297	**525 217 680**	**505 609 494**	**77 143 625**

* During the year, the Company transferred 100% of its shareholding in First Mutual Funeral Services (Private) Limited to First Mutual Life Assurance Company (Private) Limited at the carrying amount. The subsidiary was transferred because the businesses are complimentary and are better managed together.

Summarised financial information of subsidiary companies

Statement of comprehensive income as at 31 December 2019	Total revenue ZWL	Total expenses ZWL	Profit/(loss) before income tax ZWL
First Mutual Life Assurance Company (Private) Limited	849 343 959	678 527 108	170 816 851
First Mutual Health Company (Private) Limited	191 880 422	143 794 733	48 085 689
First Mutual Microfinance (Private) Limited	668 564	3 547 596	(2 879 032)
First Mutual Reinsurance Company (Private) Limited	52 945 091	40 215 853	12 729 238
FMRE Property and Casualty (Proprietary) Limited	99 094 528	76 242 800	22 851 728
First Mutual Wealth Management (Private) Limited	5 452 871	4 328 148	1 124 723
NicozDiamond Insurance Company Limited	227 136 762	67 781 529	159 355 233

Statement of financial position as at 31 December 2019	Total assets ZWL	Total liabilities ZWL	Total equity ZWL
First Mutual Life Assurance Company (Private) Limited	999 655 387	804 148 789	195 506 598
First Mutual Health Company (Private) Limited	105 866 712	58 002 905	47 863 807
First Mutual Microfinance (Private) Limited	8 785 117	7 698 979	1 086 138
First Mutual Reinsurance Company (Private) Limited	131 601 167	104 896 571	26 704 596
FMRE Property and Casualty (Proprietary) Limited	195 909 835	121 393 613	74 516 222
First Mutual Wealth Management (Private) Limited	3 543 074	1 567 441	1 975 633
NicozDiamond Insurance Company Limited	286 410 251	127 717 879	158 692 372

Notes to the Financial Statements (continued)

9 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

9.1 INVESTMENT IN SUBSIDIARIES (continued)

Statement of comprehensive income as at 31 December 2018	**Total revenue ZWL**	**Total expenses ZWL**	**Profit/(loss) before income tax ZWL**
First Mutual Life Assurance Company (Private) Limited	80 713 253	72 414 011	8 299 242
First Mutual Health Company (Private) Limited	68 718 623	57 390 991	11 327 632
First Mutual Microfinance (Private) Limited	-	-	-
First Mutual Reinsurance Company (Private) Limited	16 027 096	15 668 681	358 415
FMRE Property and Casualty (Proprietary) Limited	5 853 944	4 800 690	1 053 254
First Mutual Wealth Management (Private) Limited	1 447 353	1 371 735	75 618
TristarInsurance Company (Private) Limited	4 439 941	5 211 540	(771 599)
NicozDiamond Insurance Company Limited	27 894 101	26 406 309	1 487 792
First Mutual Funeral Services (Private) Limited	22 054	352 898	(330 844)

Statement of financial position as at 31 December 2018	**Total assets ZWL**	**Total liabilities ZWL**	**Total equity ZWL**
First Mutual Life Assurance Company (Private) Limited	209 436 984	187 005 586	22 431 398
First Mutual Health Company (Private) Limited	38 756 644	12 408 574	26 348 070
First Mutual Microfinance (Private) Limited	199 647	-	199 647
First Mutual Reinsurance Company (Private) Limited	21 691 521	11 535 813	10 155 708
FMRE Property and Casualty (Proprietary) Limited	7 988 936	4 043 185	3 945 751
First Mutual Wealth Management (Private) Limited	1 066 665	270 997	795 668
TristarInsurance Company (Private) Limited	6 651 782	4 308 566	2 343 216
NicozDiamond Insurance Company Limited	39 224 049	18 919 040	20 305 009
First Mutual Funeral Services (Private) Limited	1 785 351	716 494	1 068 857

10 INVESTMENT IN ASSOCIATES

Investment in associates

A part of the acquisition of NicozDiamond Insurance Company Limited ("NDIL"), the Group acquired three associates; United General Insurance Limited ("UGI"), incorporated and domiciled in Malawi, involved in short-term insurance, Diamond Seguros ("DS"), incorporated and domiciled in Mozambique, involved in short-term insurance and Clover Leaf Panel Beaters (Private) Limited, incorporated and domiciled in Zimbabwe, involved in panel beating. The Acquisition of the short-term insurance associates through NDIL enhances the Group's penetration in the regional market. Management is currently reviewing the performance and strategic fit of the foreign associates with a view to increase shareholding. Set out below are the associates as at 31 December 2019 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

	INFLATION ADJUSTED		**HISTORICAL COST**	
	Group 2019 ZWL	**Group 2018 ZWL**	**Group 2019 ZWL**	**Group 2018 ZWL**
Reconciliation of the carrying amount				
As at 1 January	12 420 085	16 593 178	1 491 033	1 992 014
Recapitalisation	21 466 251	-	11 300 570	-
Disposal	-	(6 477 360)	-	(699 672)
Share of associates other comprehensive income	105 972	944 311	105,972	152 025
Share of associates profit	(4 237 834)	1 359 956	(2 545 704)	46 666
Share of associates profit	1 194 538	2 593 274	373 293	311 323
Impairment allowance	(5 432 372)	(1 233 318)	(2 918 997)	(264 657)
As at 31 December	**29 754 474**	**12 420 085**	**10 351 871**	**1 491 033**

Notes to the Financial Statements (continued)

10 INVESTMENT IN ASSOCIATES (continued)

Name of entity	Country of incorporation	% of ownership through NDIL 2019	% of ownership through NDIL 2018	Method of measurement	Carrying amount 31-Dec-19	Carrying amount 31-Dec-18
United General Insurance Company Limited ("UGI")	Malawi	34%	34%	Equity method	1 306 748	1 047 412
Diamond Seguros Insurance Company Limited ("DS")	Mozambique	27%	27%	Equity method	5 760 679	-
Clover Leaf Panel Beaters (Private) Limited ("CLPB")	Zimbabwe	45%	45%	Equity method	657 312	443 621
Haemotology Centre (Private) Limited ("HC")*	Zimbabwe	34%	0%	Equity method	2 627 132	-
					10 351 871	**1 491 033**

* During the year, the Group acquired the Haemotology Centre (Private) Limited through First Mutual Health Company (Private) Limited, a subsidiary of the Group.

The tables below provide summarised financial information of the associates.

Summarised statements of financial position of the associates

	HC 2019	UGI 2019	UGI 2018	DS 2019	DS 2018	CLPB 2019	CLPB 2018
Non-current assets	1 884 103	923 841	2 377 565	478 571	34 336	18 352 987	1 926 018
Current assets	6 050 370	3 068 859	7 422 601	67 428 283	2 456 415	2 918 966	618 945
Current liabilities	65 018	(2 548 128)	(6 717 812)	(58 060 742)	(93 347)	(2 349 962)	(1 102 810)
Non-current liabilities	142 495	-	-	(34 100)	(2 266 174)	(1 059 445)	(456 328)
Total equity	7 726 959	1 444 572	3 082 354	9 812 012	131 230	17 862 546	985 825

Summarised statement comprehensive income of the associates

	HC 2019	UGI 2019	UGI 2018	DS 2019	DS 2018	CLPB 2019	CLPB 2018
Total revenue	213 676	40 503 959	1 363 002	19 702 494	2 261 511	7 685 546	3 041 413
Total expenses	(715 058)	(39 996 581)	(580 973)	(20 469 825)	(2 193 090)	(7 210 677)	(2 878 390)
Profit before income tax	837 179	507 378	782 029	(767 331)	68 421	474 869	163 023

Reconciliation of carrying amounts of the associates

	HC 2019	UGI 2019	UGI 2018	DS 2019	DS 2018	CLPB 2019	CLPB 2018
As at 1 January	-	3 082 354	2 474 674	131 230	181 970	985 825	972 982
Profit for the year	1 018 175	449 340	175 661	(797 781)	(68 421)	474 869	12 036
Other comprehensive income	-	311 682	432 019	-	17 681	-	807
As at 31 December	**1 018 175**	**3 843 376**	**3 082 354**	**(666 551)**	**131 230**	**1 460 694**	**985 825**
Group's share of %	34%	34%	34%	51%	27%	45%	45%
Group's share of net assets	346 180	1 306 748	1 047 012	(339 941)	35 432	657 312	443 621
Impairment	(2 918 997)	-	-	-	(35 432)	-	-
Additions or capitalisation	5 199 949	-	-	6 100 620	-	-	-
Carrying amount	**2 627 132**	**1 306 748**	**1 047 012**	**5 760 679**	**-**	**657 312**	**443 621**

Notes to the Financial Statements (continued)

11 CLASSIFICATION OF FINANCIAL ASSETS

The Group's financial instruments are summarised by category as follows:	Group 2019 ZWL	Group 2018 ZWL	Company 2019 ZWL	Company 2018 ZWL
INFLATION ADJUSTED				
Financial assets				
Financial assets at fair value through profit or loss (note 11.1)	348 766 929	650 246 274	15 238 066	30 949 545
Debt securities at amortised cost (note 11.2)	9 416 077	311 953 057	-	-
Total financial assets	**358 183 006**	**962 199 331**	**15 238 066**	**30 949 545**
Insurance, tenant and other receivables				
Insurance receivables (note 14.1)	165 988 237	201 264 867	-	-
Rental receivables (note 14.2)	4 582 165	4 522 806	-	-
Other receivables excluding prepayments (note 14.4)	28 996 147	10 925 568	1 486 793	1 130 309
Total insurance, tenant and other receivables	**199 566 549**	**216 713 241**	**1 486 793**	**1 130 309**
Cash and balances with banks (note 15)	279 515 881	274 016 450	4 820 757	23 884 965
Total financial instruments	**837 265 436**	**1 452 929 022**	**21 545 616**	**55 964 819**
HISTORICAL COST				
Financial assets				
Financial assets at fair value through profit or loss (note 11.1)	348 766 929	104 709 545	15 238 066	4 982 577
Debt securities at amortised cost (note 11.2)	9 416 077	29 799 120	-	-
Total financial assets	**358 183 006**	**134 508 665**	**15 238 066**	**4 982 577**
Insurance, tenant and other receivables				
Insurance receivables (note 14.1)	165 988 237	30 404 873	-	-
Rental receivables (note 14.2)	4 582 165	616 150	-	-
Other receivables excluding prepayments (note 14.4)	28 996 147	1 720 267	1 486 793	181 969
Total insurance, tenant and other receivables	**199 566 549**	**32 741 290**	**1 486 793**	**181 969**
Cash and balances with banks (note 15)	279 515 881	61 083 891	4 820 757	3 845 248
Total financial instruments	**837 265 436**	**228 333 846**	**21 545 616**	**9 009 794**

11.1 Financial assets at fair value through profit or loss

	Group 2019 ZWL	Group 2018 ZWL	Company 2019 ZWL	Company 2018 ZWL
INFLATION ADJUSTED				
Fair value				
As at 1 January	650 246 274	343 209 281	30 949 545	14 222 843
Purchases	271 989 094	199 624 704	5 209 606	10 848 994
Disposals	(157 588 993)	(7 684 212)	-	-
Fair value gain on unquoted investments	859 339	128 920	-	-
Fair value gain / (loss) on quoted equities	(416 738 785)	114 967 581	(20 921 085)	5 877 708
As at 31 December	**348 766 929**	**650 246 274**	**15 238 066**	**30 949 545**
HISTORICAL COST				
Fair value				
As at 1 January	104 709 545	55 267 195	4 982 577	2 289 740
Purchases	84 731 805	32 145 685	5 209 606	1 746 583
Disposals	(49 093 144)	(1 237 393)	-	-
Fair value gain on unquoted investments	859 339	20 760	-	-
Fair value gain on quoted equities	207 559 384	18 513 298	5 045 883	946 254
As at 31 December	**348 766 929**	**104 709 545**	**15 238 066**	**4 982 577**

Notes to the Financial Statements (continued)

11 CLASSIFICATION OF FINANCIAL ASSETS (continued)

11.2 Debt securities at amortised cost

	Group 2019 ZWL	Group 2018 ZWL	Company 2019 ZWL	Company 2018 ZWL
INFLATION ADJUSTED				
As at 1 January	311 953 057	412 361 934	-	-
Purchases	132 236 116	674 219 336	-	-
Maturities of investments	(434 773 096)	(774 628 213)	-	-
As at 31 December	**9 416 077**	**311 953 057**	-	-
Current	-	-	-	-
Non current	9 416 077	311 953 057	-	-
Total	**9 416 077**	**311 953 057**	-	-
HISTORICAL COST				
At 1 January	29 799 120	39 390 615	-	-
Purchases	41 195 052	64 404 379	-	-
Maturities of investments	(61 578 095)	(73 995 874)	-	-
As at 31 December	**9 416 077**	**29 799 120**	-	-
Current	-	-	-	-
Non current	9 416 077	29 799 120	-	-
Total	**9 416 077**	**29 799 120**	-	-

Impairment and risk exposure

Note 4.3 sets out information about the impairment of financial assets and the Group's exposure to credit risk.

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 as on note 2.11.

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

	Level 1 ZWL	Level 2 ZWL	Level 3 ZWL	Total fair value ZWL
As at 31 December				
Financial assets designated at fair value through profit or loss	310 756 051	-	38 010 878	348 766 929
As at 31 December 2018				
Financial assets designated at fair value through profit or loss	104 709 545	-	-	104 709 545

During the year there were no transfers of financial assets between levels 1, 2 and 3 (2018: ZWL 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 approximates their fair values because of their short term in nature.

11 CLASSIFICATION OF FINANCIAL ASSETS (continued)

11.3 Determination of fair value and fair values hierarchy (continued)

Unquoted equity investments valuation

Level 3 is made up of unquoted equity investments, held through Zimbabwe Agricultural Fund, in Zimbabwe Crocodiles (Private) Limited, a crocodile breeding and skin processing company domiciled in Zimbabwe, and Mangwana Opportunities (Private) Limited, an investment fund domiciled in Zimbabwe with investments in different companies.

i) Zimbabwe Crocodiles (Private) Limited

The discounted cashflow ("DCF") approach was used for the valuation of the investment in Zimbabwe Crocodiles (Private) Limited. The DCF approach to business valuation uses the economic principle of expectation to determine the value of a business. To do so, one estimates the future returns the business owners can expect to receive from the business. These returns are then matched to the risk associated with receiving them fully and on time.

The returns are estimated as either a single value or a stream of income expected to be received by the business owners in the future. The risk is then quantified by means of the discount rate. The discounting models account for the time value of money directly and determine the value of the business enterprise as the present value of the projected income stream.

ii) Mangwana Opportunities (Private) Limited

The value of Mangwana Opportunities was a sum of parts of the underlying investments valued using the DCF approach.

Valuation process

The Group engaged an independent consultant to assist in determining the fair values of the unlisted equities as at 31 December 2019.

Management provides the independent consultant with prior periods' audited financials statements, future projected cashflows and other non-financial strategic information and they perform the following:
- determine the free cashflows of the business;
- determine the discount rate;
- calculation of the terminal value of the investment; and
- calculation of the fair value of investment as at the reporting date.

As part of the engagement, the independent consultant provides the determined valuations for discussions.

11 CLASSIFICATION OF FINANCIAL ASSETS (continued)

11.3 Determination of fair value and fair values hierarchy (continued)

Valuation inputs and relationship to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements as at 31 December 2019:

Description	Fair value at 31 December 2019 ZWL	Fair value at 31 December 2018 ZWL	Key inputs	Range of inputs (actual rate used) 2019	Range of inputs (actual rate used) 2018	Relationship of inputs to fair value
Zimbabawe Crocodiles (Private) Limited	14 062 579	-	Earnings growth	6.5% - 7.5% (7%)	-	Increase by 5 basis points changes value by +ZWL323 463. Decrease by 5 basis point changes value by -ZWL309 409.
			Discounting factor	26.5% - 27.5% (27%)	-	Increase by 5 basis points changes value by -ZWL409 312. Decrease by 5 basis point changes value by +ZWL420 219.
Mangwana Opportunities (Private) Limited	23 948 299	-	Earnings growth	1.5% - 2.5% (2%)	-	Increase by 5 basis points changes value by +ZWL245 869. Decrease by 5 basis point changes value by -ZWL245 869.
			Discounting factor	21.4% - 22.4% (21.9%)	-	Increase by 5 basis points changes value by -ZWL1 873 832. Decrease by 5 basis point changes value by +ZWL2 052 086.

	INFLATION ADJUSTED Group 2019 ZWL	INFLATION ADJUSTED Group 2018 ZWL	HISTORICAL COST Group 2019 ZWL	HISTORICAL COST Group 2018 ZWL
12 DEFERRED ACQUISITION COSTS				
As at 1 January	23 998 356	21 930 892	2 933 677	2 680 940
Net movement	338 171	2 067 464	4 713 834	252 737
As at 31 December	**24 336 527**	**23 998 356**	**7 647 511**	**2 933 677**
Current	24 336 527	23 998 356	7 647 511	2 933 677
Non current	-	-	-	-
Total	**24 336 527**	**23 998 356**	**7 647 511**	**2 933 677**

	Group 2019 ZWL	Group 2018 ZWL	Company 2019 ZWL	Company 2018 ZWL
13 INVENTORY				
INFLATION ADJUSTED				
Consumables	12 995 371	5 498 806	131 081	246 096
HISTORICAL COST				
Consumables	6 308 622	804 119	131 081	39 619

There was no write-off of inventories during the year ended 31 December 2019 (2018: $nil). The cost of inventory recognised as an expense included in the income statement was $2 579 749 (2018: $803 660).

Notes to the Financial Statements (continued)

		Group 2019 ZWL	Group 2018 ZWL	Company 2019 ZWL	Company 2018 ZWL
14	**INSURANCE, TENANT AND OTHER RECEIVABLES**				
	INFLATION ADJUSTED				
	Insurance receivables (note 14.1)	165 988 237	201 264 867	-	-
	Tenant receivables (note 14.2)	4 582 165	4 522 806	-	-
	Amounts due from group companies (note 14.3)	-	-	3 680 295	6 728 710
	Other receivables (note 14.4)	37 777 237	20 352 627	1 715 519	1 546 042
	Total	**208 347 639**	**226 140 300**	**5 395 814**	**8 274 752**
	Current	208 347 639	226 140 300	5 395 814	8 274 752
	Non current	-	-	-	-
	Total	**208 347 639**	**226 140 300**	**5 395 814**	**8 274 752**
	HISTORICAL COST				
	Insurance receivables (note 14.1)	165 988 237	30 404 873	-	-
	Tenant receivables (note 14.2)	4 582 165	616 150	-	-
	Amounts due from group companies (note 14.3)	-	-	3 680 295	1 083 257
	Other receivables (note 14.4)	37 777 237	3 204 589	1 715 519	248 898
	Total	**208 347 639**	**34 225 612**	**5 395 814**	**1 332 155**
	Current	208 347 639	34 225 612	5 395 814	1 332 155
	Non current	-	-	-	-
	Total	**208 347 639**	**34 225 612**	**5 395 814**	**1 332 155**
14.1	**Insurance receivables**				
	INFLATION ADJUSTED				
	Due from cedants	186 448 692	104 318 196	-	-
	Due from policyholders under the direct and health business	2 136 031	13 295 249	-	-
	Due from agents, brokers and intermediaries	4 342 486	51 640 359	-	-
	Retrocession on IBNR	2 754 293	45 071 974	-	-
	Retrocession recoveries	-	8 034 477	-	-
	Gross insurance receivables	**195 681 502**	**222 360 255**	-	-
	Allowance for expected credit losses	(29 693 265)	(21 095 388)	-	-
	Net insurance receivables	**165 988 237**	**201 264 867**	-	-
	Current	165 988 237	201 264 867	-	-
	Non current	-	-	-	-
	Total	**165 988 237**	**201 264 867**	-	-

		Group 2019 ZWL	Group 2018 ZWL	Company 2019 ZWL	Company 2018 ZWL
14	**INSURANCE, TENANT AND OTHER RECEIVABLES (continued)**				
14.1	**Insurance receivables**				
	HISTORICAL COST				
	Due from cedants	186 448 692	15 759 241	-	-
	Due from policyholders under the direct and health business	2 136 031	2 008 499	-	-
	Due from agents, brokers and intermediaries	4 342 486	7 801 255	-	-
	Retrocession on IBNR	2 754 293	6 808 976	-	-
	Retrocession recoveries	-	1 213 760	-	-
	Gross insurance receivables	**195 681 502**	**33 591 731**	-	-
	Allowance for expected credit losses	(29 693 265)	(3 186 858)	-	-
	Net insurance receivables	**165 988 237**	**30 404 873**	-	-
	Current	165 988 237	30 404 873	-	-
	Non current	-	-	-	-
	Total	**165 988 237**	**30 404 873**	-	-

Impairment and risk exposure

Note 4.3 sets out information about the impairment of financial assets and the group's exposure to credit risk.

Allowance for credit losses reconciliation

		INFLATION ADJUSTED		HISTORICAL COST	
		Group 2019 ZWL	Group 2018 ZWL	Group 2019 ZWL	Group 2018 ZWL
	As at 1 January	21 095 388	17 452 038	3 186 858	2 636 461
	Charge for the year	8 597 877	4 157 883	26 506 407	628 127
	Receivables written off during the year as uncollectible	-	(514 533)	-	(77 730)
	As at 31 December	**29 693 265**	**21 095 388**	**29 693 265**	**3 186 858**
14.2	**Tenant receivables**				
	Tenant cost recoveries	1 812 763	3 514 892	1 812 763	478 840
	Rental receivables	5 137 933	12 862 004	5 137 933	1 752 214
	Gross tenant receivables	**6 950 696**	**16 376 896**	**6 950 696**	**2 231 054**
	Allowance for expected credit losses	(2 368 531)	(11 854 090)	(2 368 531)	(1 614 904)
	Tenant receivables	**4 582 165**	**4 522 806**	**4 582 165**	**616 150**
	Current	4 582 165	4 522 806	4 582 165	616 150
	Non current	-	-	-	-
	Total	**4 582 165**	**4 522 806**	**4 582 165**	**616 150**

14 INSURANCE, TENANT AND OTHER RECEIVABLES (continued)

14.2.1 Impairment and risk exposure

Note 4.3 sets out information about the impairment of financial assets and the Group's exposure to credit risk.

Movements in the allowance for credit losses of tenant receivables were as follows:

	INFLATION ADJUSTED		HISTORICAL COST	
	Group 2019 ZWL	Group 2018 ZWL	Group 2019 ZWL	Group 2018 ZWL
As at 1 January	11 854 090	15 416 844	1 614 904	1 902 790
Charge for the year	(9 485 559)	339 886	753 627	54 732
Utilised during the year	-	(3 902 640)	-	(342 618)
As at 31 December	**2 368 531**	**11 854 090**	**2 368 531**	**1 614 904**
Allowance relating to existing tenants	1 699 393	9 237 758	1 699 393	1 140 150
Allowance relating to previous tenants	669 138	2 616 332	669 138	474 754
Total	**2 368 531**	**11 854 090**	**2 368 531**	**1 614 904**

14.3 Amounts due from group companies

	INFLATION ADJUSTED		HISTORICAL COST	
	Group 2019 ZWL	Group 2018 ZWL	Group 2019 ZWL	Group 2018 ZWL
First Mutual Health Company (Private) Limited	-	430 001	-	69 226
First Mutual Life Assurance (Private) Limited	1 755 602	4 036 411	1 755 602	649 823
First Mutual Reinsurance (Private) Limited	16 678	-	16 678	-
FMRE Property and Casualty (Proprietary) Limited	295 545	493 564	295 545	79 459
First Mutual Insurance Company Limited	1 104 506	513 987	1 104 506	82 747
First Mutual Properties Limited	138 658	-	138 658	-
First Mutual Wealth Management (Private) Limited	369 306	1 254 747	369 306	202 002
Total	**3 680 295**	**6 728 710**	**3 680 295**	**1 083 257**
Current	3 680 295	6 728 710	3 680 295	1 083 257
Non current	-	-	-	-
Total	**3 680 295**	**6 728 710**	**3 680 295**	**1 083 257**

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.

		Group 2019 ZWL	Group 2018 ZWL	Company 2019 ZWL	Company 2018 ZWL
14	**INSURANCE, TENANT AND OTHER RECEIVABLES (continued)**				
14.4	**Other receivables**				
	INFLATION ADJUSTED				
	Sundry debtors	15 538 974	1 290 408	362 788	672 654
	Tax credits - withholding tax	-	1 041 577	-	-
	Staff debtors	14 645 293	12 133 297	1 124 005	457 655
	Total	**30 184 267**	**14 465 282**	**1 486 793**	**1 130 309**
	Allowance for expected credit losses	(1 188 120)	(3 539 715)	-	-
	Other receivables excluding prepayments	**28 996 147**	**10 925 567**	**1 486 793**	**1 130 309**
	Prepayments	8 781 090	9 427 060	228 726	415 733
	Total other receivables	**37 777 237**	**20 352 627**	**1 715 519**	**1 546 042**
	Current	23 131 944	20 352 627	1 498 641	1 546 042
	Non current	14 645 293	-	216 878	-
	Total	**37 777 237**	**20 352 627**	**1 715 519**	**1 546 042**
	HISTORICAL COST				
	Sundry debtors	15 538 974	203 179	362 788	108 291
	Tax credits - withholding tax	-	164 000	-	-
	Staff debtors	14 645 293	1 910 428	1 124 005	73 678
	Other receivables excluding prepayments	**30 184 267**	**2 277 607**	**1 486 793**	**181 969**
	Allowance for expected credit losses	(1 188 120)	(557 340)	-	-
	Other receivables excluding prepayments	**28 996 147**	**1 720 267**	**1 486 793**	**181 969**
	Prepayments	8 781 090	1 484 322	228 726	66 929
	Total other receivables	**37 777 237**	**3 204 589**	**1 715 519**	**248 898**
	Current	23 131 944	1 910 623	1 498 641	32 021
	Non current	14 645 293	1 293 966	216 878	216 877
	Total	**37 777 237**	**3 204 589**	**1 715 519**	**248 898**

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

The non-current relates to staff loans which are payable within a period of 1 - 5 years.

Impairment and risk exposure

Note 4.3 sets out information about the impairment of financial assets and the Group's exposure to credit risk.

Movements in the allowance for expected credit losses of other receivables were as follows:

		Group 2019 ZWL	Group 2018 ZWL	Company 2019 ZWL	Company 2018 ZWL
14	**INSURANCE, TENANT AND OTHER RECEIVABLES (continued)**				
14.4	**Other receivables**				
	Allowance for credit losses reconciliation				
	As at 1 January	3 539 715	753 981	557 340	121 414
	Charge for the year	(2 351 595)	44 134	630 780	7 107
	Receivables written off during the year as uncollectible	-	2 741 600	-	428 819
	As at 31 December	**1 188 120**	**3 539 715**	**1 188 120**	**557 340**
15	**CASH AND BALANCES WITH BANKS**				
	INFLATION ADJUSTED				
	Money market investments with original maturities less than 90 days	67 314 043	192 069 596	-	13 465 442
	Cash at bank and on hand	212 201 838	81 946 854	4 280 757	10 419 523
	Cash and balances with banks	**279 515 881**	**274 016 450**	**4 280 757**	**23 884 965**
	HISTORICAL COST				
	Money market investments with original maturities less than 90 days	67 314 043	42 816 255	-	2 167 806
	Cash at bank and on hand	212 201 838	18 267 636	4 820 757	1 677 442
	Cash and balances with banks	**279 515 881**	**61 083 891**	**4 820 757**	**3 845 248**

All cash and balances with banks are classified as current.

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.

16 **SHARE CAPITAL**

Due to the change in currency highlighted on note 2.1.3 (a), the Company redenominated the share capital from USD to ZWL on a 1:1 basis, in line with the Registrar of Deeds, Companies and Intellectual Property circular issued on 5 July 2019.

		Group 2019 ZWL	Group 2018 ZWL	Company 2019 ZWL	Company 2018 ZWL
16.1	**Authorised**				
	1 000 000 000 ordinary shares with a nominal value of ZWL0.001 each	1 000 000	1 000 000	1 000 000	1 000 000
16.2	**Issued and fully paid**				
	INFLATION ADJUSTED				
	723 443 577 (2018: 720 731 498) ordinary shares with a nominal value of ZWL0,0086 each	6 194 499	6 188 170	6 194 499	6 188 170
	HISTORICAL COST				
	723 443 577 (2018: 720 731 498) ordinary shares with a nominal value of ZWL0,001 each	723 443	720 731	723 443	720 731

16	SHARE CAPITAL (continued)	Group 2019 ZWL	Group 2018 ZWL	Company 2019 ZWL	Company 2018 ZWL
16.2.1	**Reconciliation of the issued capital**				
	INFLATION ADJUSTED				
	As at 1 January	6 188 170	6 187 746	6 188 170	6 187 746
	Acquisition of NDIL through share swap	-	146 314	-	146 314
	Share options exercised during the year	6 329	47 220	6 329	47 220
	Subtotal	**6 194 499**	**6 381 280**	**6 194 499**	**6 381 280**
	NDIL mandatory offer	-	(193 110)	-	(193 110)
	As at 31 December	**6 194 499**	**6 188 170**	**6 194 499**	**6 188 170**
	HISTORICAL COST				
	As at 1 January	720 731	718 563	720 731	718 563
	Acquisition of NDIL through share swap	-	16 990	-	16 990
	Share options exercised during the year	2 712	7 603	2 712	7 603
	Subtotal	**723 443**	**743 156**	**723 443**	**743 156**
	NDIL mandatory offer	-	(22 425)	-	(22 425)
	As at 31 December	**723 443**	**720 731**	**723 443**	**720 731**
16.3	**Unissued shares**				
	279 268 502 unissued shares, under the control of directors	**276 557**	**279 269**	**276 557**	**279 269**

16.4 Share based payments

a) Employee share option scheme.

The Group has a Share Option Scheme that was approved by shareholders. The 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.

Participants to whom options have been granted under the scheme are 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 2019 are as follows:

Date of grant	Exercise price ZWL	Number of shares
30 April 2014	0.065	7 073 114
30 April 2015	0.030	7 500 000
30 April 2016	0.022	5 085 742
10 August 2017	0.110	8 426 271

Under the Share Option Scheme, options were initially granted on 30 April 2014 at an estimated fair value of ZWL72 204. As at 31 December 2019, the Group recognized total expenses of ZWL123 474 (2018: ZWL328 625) in respect of the share options that were granted. The options granted mature in batches at every anniversary date and hence will be amortised over the exercisable periods.

16 SHARE CAPITAL (continued)

16.4 Share based payments (continued)

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

Grant date	**30 April 2019**	**30 April 2018**
Grant date share price (ZWL)	0.022	0.022
Exercise price of option (ZWL)	0.022	0.022
Risk-free interest rate	9.00%	9.00%
Annualized 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 is 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	**2019 Number of shares**	**2018 Number of shares**
As at 1 January	9 372 133	16 975 193
Options exercised during the year	(2 712 079)	(7 603 060)
As at 31 December	**6 660 054**	**9 372 133**
Exercisable	**703 662**	**3 454 091**

Reconciliation of shares exercised

2019 Exercise price	**2019 Number of shares exercised**	**2019 Cash received Total**	**2018 Exercise price**	**2018 Number of shares exercised**	**2018 Cash received Total**
0.065	-	-	0.065	991 133	64 424
0.030	131 828	3 955	0.030	2 629 109	78 873
0.022	1 074 921	23 648	0.022	2 683 509	59 037
0.117	1 505 330	176 124	0.117	1 299 309	152 019
	2 712 079	**203 727**		**7 603 060**	**354 353**

b) Share appreciation rights ("SAR")

On 27 June 2019, the shareholders of Company at the Annual General Meeting ("AGM") approved a SAR plan for Employees and Executive Directors of the Group ("Participants") as the Board (on the recommendation of the Human Resources and Governance Committee) shall determine from time to time. The plan has an operational period of 10 years and an initial 32 432 917 SAR were granted at inception.

The exercise of the Company's SAR entitles a participant to receive the gain for each SAR granted, where, "Gain" means an amount equal to the excess of the market value on the exercise date over the exercise price. As at the grant date, the share price amounted to ZWL21 cents.

A participant to whom SAR have been granted shall only be entitled to exercise the SAR in part as follows:

i) On the first anniversary of the date of grant, the participant shall be entitled to exercise up to one third (1/3) of the SAR granted on that particular occasion;

ii) On second anniversary of the date of grant, the participant shall be entitled to exercise an additional one third (1/3) of the SAR; and

iii) On the third anniversary of the date of grant, the Participant shall be entitled to exercise an additional one third (1/3) of the SAR awarded to the Participant under that grant.

Notes to the Financial Statements (continued)

16 **SHARE CAPITAL (continued)**

16.4 **Share based payments (continued)**

b) Share appreciation rights ("SAR") (continued)

The fair value of the SAR was determined using the Black-Scholes model as at 31 December 2019 with the following inputs:

	Group 31 December	Company 3 1
December		
	2019	**2019**
Share price at measurement date (ZWL cents)	31.05	31.05
Exercise Price (ZWL cents)	21.00	21.00
Risk-Free Interest Rate	15%	15%
Volatility	83%	83%
Dividend Yield	0.9%	0.9%
Carrying amount of liability - included under share based payment libility (ZWL)	5 017 934	2 843 184

There were no SAR granted in prior years, and none of the SAR had vested as at 31 December 2019.

	INFLATION ADJUSTED		HISTORICAL COST	
	Group	Group	Group	Group
	2019	2018	2019	2018
c) Expenses arising from share based transaction	**ZWL**	**ZWL**	**ZWL**	**ZWL**
Expense for the year recognised during the vesting period	2 581 665	2 829 877	327 201	328 625
Share appreciation rights	5 017 934	-	5 017 934	-
	7 599 599	**2 829 877**	**5 345 135**	**328 625**
	Company	**Company**	**Company**	**Company**
	2019	**2018**	**2019**	**2018**
	ZWL	**ZWL**	**ZWL**	**ZWL**
Expense for the year recognised during the vesting period	2 581 665	2 829 877	327 201	328 625
Share appreciation rights	1 319 670	-	1 319 670	-
	3 901 335	**2 829 877**	**1 646 871**	**328 625**

Notes to the Financial Statements (continued)

16 SHARE CAPITAL (continued)

16.5 Group - Non distributable reserves

INFLATION ADJUSTED	Change in functional currency ZWL	Foreign currency translation reserve ZWL	Revaluation reserve ZWL	Solvency reserve ZWL	Share based payment reserve ZWL	Re-denomination of share capital ZWL	Total ZWL
As at 1 January 2018	1 694 097	(554 170)	19 645 338	945 157	1 079 518	32 911 537	55 721 477
Other comprehensive income	-	(782 393)	-	-	-	-	(782 393)
Share based payments	-	-	-	-	2 829 877	-	2 829 877
As at 31 December 2018	**1 694 097**	**(1 336 563)**	**19 645 338**	**945 157**	**3 909 395**	**32 911 537**	**57 768 961**
As at 1 January 2019	1 694 097	(1 336 564)	19 645 338	945 157	3 909 396	32 911 537	57 768 961
Other comprehensive income	-	61 431 816	-	-	-	-	61 431 816
Share based payments	-	-	-	-	2 581 665	-	2 581 665
As at 31 December	**1 694 097**	**60 095 252**	**19 645 338**	**945 157**	**6 491 061**	**32 911 537**	**121 782 442**
Company - Non distributable reserves							
As at 1 January 2018	-	-	2 506 287	-	544 061	-	3 050 348
Share based payments	-	-	-	-	2 041 271	-	2 041 271
As at 31 December 2018	-	-	**2 506 287**	-	**2 585 332**	-	**5 091 619**
As at 1 January 2019	-	-	2 506 287	-	2 585 332	-	5 091 619
Share based payments					2 581 665		2 581 665
As at 31 December	-	-	**2 506 287**	-	**5 166 997**	-	**7 673 284**

HISTORICAL COST	Change in functional currency ZWL	Foreign currency translation reserve ZWL	Revaluation reserve ZWL	Solvency reserve ZWL	Share based payment reserve ZWL	Re-denomination of share capital ZWL	Total ZWL
As at 1 January 2018	196 730	(64 354)	2 281 350	109 758	125 361	3 821 911	6 470 756
Other comprehensive income	-	(125 958)	-	-	-	-	(125 958)
Share based payments	-	-	-	-	328 625	-	328 625
As at 31 December 2018	**196 730**	**(190 312)**	**2 281 350**	**109 758**	**453 986**	**3 821 911**	**6 673 423**
As at 1 January 2019	196 730	(190 312)	2 281 350	109 758	453 986	3 821 911	6 673 423
Other comprehensive income	-	61 431 816	-	-	-	-	61 431 816
Share based payments	-	-	-	-	123 474	-	123 474
As at 31 December	**196 730**	**61 241 504**	**2 281 350**	**109 758**	**577 460**	**3 821 911**	**68 228 713**
Company - Non distributable reserves							
As at 1 January 2018	-	-	291 047	-	63 180	-	354 227
Share based payments	-	-	-	-	328 625	-	328 625
As at 31 December 2018	-	-	**291 047**	-	**391 805**	-	**682 852**
As at 1 January 2019	-	-	291 047	-	391 805	-	682 852
Share based payments	-	-	-	-	123 474	-	123 474
As at 31 December	-	-	**291 047**	-	**515 279**	-	**806 326**

16 SHARE CAPITAL (continued)

16.5 Group - Non distributable reserves (continued)

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.

		INFLATION ADJUSTED		HISTORICAL COST	
		Group 2019 ZWL	Group 2018 ZWL	Group 2019 ZWL	Group 2018 ZWL
17	**INSURANCE AND INVESTMENT CONTRACT LIABILITIES**				
17.1	**Insurance contract**				
	Insurance contract with DPF	55 097 091	81 712 809	55 097 091	13 154 971
	Insurance contract without DPF	37 505 429	96 995 921	37 505 429	15 615 404
	Shareholder risk reserve	26 646 706	72 485 939	26 646 706	11 669 534
	Total insurance contract liabilities	**119 249 226**	**251 194 669**	**119 249 226**	**40 439 909**
	Current	-	-	-	-
	Non current	119 249 226	251 194 669	119 249 226	40 439 909
	Total	**119 249 226**	**251 194 669**	**119 249 226**	**40 439 909**
17.2	**Investment contract**				
	Investment contract with DPF	611 255 766	699 198 142	611 255 766	112 564 128
	Investment contract without DPF	45 639 382	173 979 971	45 639 382	28 010 256
	Total investment contract liabilities	**656 895 148 -**	**873 178 113**	**656 895 148**	**140 574 384**
	Current	-	-	-	-
	Non current	656 895 148	873 178 113	656 895 148	140 574 384
	Total	**656 895 148**	**873 178 113**	**656 895 148**	**140 574 384**

		INFLATION ADJUSTED		HISTORICAL COST	
		Group 2019 ZWL	Group 2018 ZWL	Group 2019 ZWL	Group 2018 ZWL
17	**INSURANCE AND INVESTMENT CONTRACT LIABILITIES (continued)**				
17.3	**Life insurance contract and investment contract with and without DPF liabilities**				
	Life insurance contract with DPF				
	As at 1 January	81 712 809	82 376 192	13 154 971	13 261 769
	Movement	(26 615 718)	(663 383)	41 942 120	(106 798)
	As at 31 December	**55 097 091**	**81 712 809**	**55 097 091**	**13 154 971**
	Life insurance contract without DPF				
	As at 1 January	96 995 921	74 429 801	15 615 404	11 982 477
	Movement	(59 490 492)	22 566 120	21 890 025	3 632 927
	As at 31 December	**37 505 429**	**96 995 921**	**37 505 429**	**15 615 404**
	Investment contract with DPF				
	Balance at 1 January	699 198 142	530 789 561	112 564 128	85 451 978
	Movement	(87 942 376)	168 408 581	498 691 638	27 112 150
	As at 31 December	**611 255 766**	**699 198 142**	**611 255 766**	**112 564 128**
17.4	**Total life insurance contract and investment contract with and without DPF liabilities**				
	As at 1 January	1 124 372 782	761 709 291	181 014 293	122 627 818
	Transfer from statement of comprehensive income	(348 228 408)	362 663 491	595 130 081	58 386 475
	As at 31 December	**776 144 374**	**1 124 372 782**	**776 144 374**	**181 014 293**
17.5	**Reconciliation of life insurance contract with and without DPF and investment contract with DPF liabilities**				
		878 352 925	782 546 489	141 334 503	110 696 224
	IFRS 9 Adjustment	-	(1 532 159)	-	(246 673)
	Movement in insurance contracts and investment contracts with DPF liabilities	(174 048 587)	129 396 504	568 050 201	36 226 073
	Premiums	43 873 057	124 025 447	43 873 056	27 759 655
	Claims	(17 583 931)	(68 652 333)	(17 583 931)	(11 052 821)
	Commissions	(928 672)	(3 759 083)	(928 672)	(605 201)
	Branch expenses	(915 773)	(2 921 419)	(915 773)	(470 339)
	Actuarial and other fees	(1 273 644)	(4 475 863)	(1 273 644)	(720 601)
	Investment income	(193 473 583)	87 053 374	548 625 206	21 647 164
	Tax	(3 746 041)	(1 873 619)	(3 746 041)	(331 784)
	Fees charged by the shareholder	(6 863 690)	(32 057 909)	(5 526 418)	(5 587 794)
	As at 31 December	**697 440 648**	**878 352 925**	**703 858 286**	**141 087 830**
17.6	**Reconciliation of shareholder risk reserve**				
	As at 1 January	72 485 939	42 225 081	11 669 534	11 931 594
	Movement in shareholder risk reserve	(45 839 233)	30 260 858	14 977 172	(262 060)
	As at 31 December	**26 646 706**	**72 485 939**	**26 646 706**	**11 669 534**

Notes to the Financial Statements (continued)

		INFLATION ADJUSTED		HISTORICAL COST	
		Group	Group	Group	Group
		2019	2018	2019	2018
17	**INSURANCE AND INVESTMENT CONTRACT LIABILITIES (continued)**	**ZWL**	**ZWL**	**ZWL**	**ZWL**
17.6.1	**Reconciliation of funeral cash plan liability**				
	As at 1 January	72 005 127	73 491 471	11 592 611	11 831 908
	Impact of correction policy status	-	(19 368 458)	-	(3 738 866)
	Alterations and data impact	5 615 981	(1 263 266)	5 615 981	(203 382)
	Exists	(1 112 751)	4 369 422	(1 112 751)	703 464
	Impact of time	2 643 543	16 809 969	2 643 543	2 706 355
	New entrants	395 364	(428 486)	395 364	(68 985)
	Reinstatement	1 903 487	3 985 881	1 903 487	641 715
	Change in assumptions:				
	- Return	(7 416 627)	-	(7 416 627)	-
	- Expense	9 285 288	(3 854 742)	9 285 288	(920 410)
	- Mortality	(2 552 674)	(5 716 938)	(2 552 674)	198 868
	- Lapse	(3 090 222)	1 235 228	(3 090 222)	381 679
	Inflation	1 649 882	2 370 721	1 649 882	-
	Valuation adjustments	213 343	374 325	213 343	60 265
	Correction of paid up policy expenses	(60 412 516)	-	-	-
		-	-	-	-
	Balance at 31 December before discretionary margins	**19 127 225**	**72 005 127**	**19 127 225**	**11 592 611**
	Discretionary margins	-	-	-	-
	As at 31 December	**19 127 225**	**72 005 127**	**19 127 225**	**11 592 611**
17.7	**Investment contact liabilities**				
	As at 1 January	173 979 971	127 089 576	28 010 256	20 461 042
	Net movement	(128 340 589)	46 890 395	17 629 126	7 549 214
	As at 31 December	**45 639 382**	**173 979 971**	**45 639 382**	**28 010 256**
17.7.1	**Investment contract liabilities**				
	As at 1 January	173 979 971	127 089 576	28 010 256	20 461 042
	Investments performance	(128 340 584)	(2 211 493)	28 847 283	7 065 356
	Net cash flows	(5)	49 101 888	(11 218 157)	483 858
	Premium	11 218 151	53 052 785	349 874	1 796 128
	Claims and policy benefits	(10 309 550)	(2 053 022)	(10 659 425)	(974 519)
	Investment expenses	(405 911)	(995 504)	(405 911)	(160 273)
	Other charges and transfers	(502 695)	(902 371)	(502 695)	(177 478)
	As at 31 December	**45 639 382**	**173 979 971**	**45 639 382**	**28 010 256**

All life assurance liabilities and investment contract liabilities with and without DPF as at 31 December 2019 and 31 December 2018 were actuarially determined using the Financial Soundness Valuation method.

The primary assumptions used in the gross premium valuation (excluding compulsory margins) are as follows:

- a mortality investigation was carried out for the year 2019 up to 31 October 2019 The mortality investigation revealed that the actual death outgo was lower than the projected death outgo using the SA56-62 mortality assumption;
- lapse assumptions were changed to reflect the 2019 experience;
- the long term lapse assumption was reduced from 7.5% to 7% for the funeral cash plan;
- expense assumptions of ZWL55 (2018: ZWL28) per policy was maintained;
- expense inflation assumption has been increased to 9% (2018: 5%);
- withdrawal rates are based on current experience; and
- the real investment return assumption was revised to 11.4% (2018: 7.4%)

Notes to the Financial Statements (continued)

17 INSURANCE AND INVESTMENT CONTRACT LIABILITIES (continued)

17.7.1 Investment contact liabilities without discretionary participation features (continued)

17.7 Change in assumptions from the prior year (continued)

These assumptions have been changed to more closely reflect the most recent experience which should be more representative of the current hyperinflationary environment. We expect long term inflation to be higher in a local currency regime, compared with the previous multi-foreign currency regime, and have accordingly increased the long-term inflation rate assumption from 5% to 9% as we continue to monitor the experience. In the short term, the inflation is expected to be more volatile.

	% p.a. 2019	% p.a. 2018
Investment - untaxed	11.4%	7.0%
Expense inflation	9.0%	4.0%

- A contingency reserve to cover for possible data problems of ZWL191 070 (2018: ZWL76 924) 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 negative and positive 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 relatively poor investment performance, there are funds available to declare a higher bonus than would otherwise have been.

Lapse assumptions

The lapse and surrender rates were higher than the previous assumptions and given the economic environment are seen as a true reflection of the future experience in the current market. Changes to the lapse assumptions were made to reflect the observed experience. The current economic environment is not believed to be favourable in terms of retention and as such, the actual lapse experience observed was used as the best estimate assumption.

Below are the lapse assumptions used for 2019 and 2018.

2019 Product	1st year	2nd year	3rd year	4th year	Subsequent
Funeral cash plan	14%	53%	33%	15%	12%
Wealth life plan	31%	26%	18%	30%	7%
Platinum plan	27%	10%	0%	0%	0%
Early harvest plan	24%	12%	33%	14%	12%

2018 Product					
Funeral cash plan	30%	21%	18%	15%	10%
Wealth life plan	25%	15%	6%	17%	7%
Platinum plan	20%	8%	2%	1%	0%
Early harvest plan	18%	14%	38%	25%	15%

Mortality assumptions

A mortality investigation was carried out for the 5 years ended 31 December 2019. The investigation showed that the SA56/62 mortality overestimates the death outgo . Assumptions have been changed to 65% of SA56-62 to allow for the actual experience which is lower than implied by SA56-62.

The drop in the mortality assumption was from 90% of the SA56-62 table to 65% of the SA56-62 table. The observed mortality experience was lower than the previous mortality assumption and hence the mortality assumption was lowered accordingly.

17 INSURANCE AND INVESTMENT CONTRACT LIABILITIES (continued)
17.7.1 Investment contact liabilities without discretionary participation features (continued)
17.7 Change in assumptions from the prior year (continued)

The detailed mortality assumptions used are as follows:

	2019	2018
Individual assurance (exc AIDS)	65% SA56-62	90% SA56-62
Annuities	PA(90)-5	PA(90)-5

Table showing AIDS assumption	2019	2018
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

d) Expense inflation
The expense inflation assumption was increased to 9% in 2019 (2018 - 5%) .

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 70.00% (2018: 69.60%).

	INFLATION ADJUSTED		HISTORICAL COST	
	Group 2019 ZWL	Group 2018 ZWL	Group 2019 ZWL	Group 2018 ZWL
Cash consideration paid to non-controlling shareholders	1 231 992	31 615 045	276 829	5 089 716
Carrying value of the additional interest in First Mutual Properties Limited	(2 390 383)	(52 170 804)	(537 120)	(8 398 994)
Difference recognised in retained profits	**(1 158 391)**	**(20 555 759)**	**(260 291)**	**(3 309 278)**

18 BORROWINGS

	Group 2019 ZWL	Group 2018 ZWL	Group 2019 ZWL	Group 2018 ZWL
Borrowings				
As at 1 January	293 328	6 924 374	91 665	1 191 665
Interest charged	2 734	326 857	441	52 634
Interest paid	(2 734)	(326 857)	(441)	(52 634)
Loan repayment	(293 328)	(6 832 709)	(91 665)	(1 100 000)
As at 31 December	-	**91 665**	-	**91 665**
Current	-	91 665	-	91 665
Non current	-	-	-	-
Total	-	**91 665**	-	**91 665**

Notes to the Financial Statements (continued)

19	FINANCIAL LIABILITIES	INFLATION ADJUSTED		HISTORICAL COST	
		Group 2019	Group 2018	Group 2019	Group 2018
19.1	**INSURANCE LIABILITIES-SHORT TERM**	ZWL	ZWL	ZWL	ZWL
	Outstanding claims (note 19.1.1)	41 583 948	52 706 869	41 583 948	7 994 779
	Reinsurance	141 188 683	56 403 658	141 188 683	8 555 522
	Losses incurred but not reported (note 19.1.2)	43 155 912	85 822 967	43 155 912	13 017 955
	Members savings liabilities (note 19.1.3)	7 637 893	36 433 195	7 637 893	5 526 326
	Premium received in advance	10 197 424	16 640 253	10 197 424	2 524 057
	Unearned premium reserve (note 19.1.4)	119 310 072	85 243 123	51 176 174	12 930 002
	Commissions	12 615 232	160 288	12 615 232	24 313
	Total	**375 689 164**	**333 410 353**	**307 555 266**	**50 572 954**
	Current	368 051 271	296 977 158	299 917 373	45 046 628
	Non current	7 637 893	36 433 195	7 637 893	5 526 326
	Total	**375 689 164**	**333 410 353**	**307 555 266**	**50 572 954**

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

19.1.1	**Outstanding claims**				
	As at 1 January	52 706 869	73 872 466	7 994 779	8 578 572
	Movement	(11 122 921)	(21 165 597)	33 589 169	(583 793)
	As at 31 December	**41 583 948**	**52 706 869**	**41 583 948**	**7 994 779**
19.1.2	**Losses incurred but not reported**				
	As at 1 January	85 822 967	101 236 558	13 017 955	11 756 276
	Movement	(42 667 055)	(15 413 591)	30 137 957	1 261 679
	As at 31 December	**43 155 912**	**85 822 967**	**43 155 912**	**13 017 955**
19.1.3	**Members savings liabilities**				
	As at 1 January	36 433 195	34 702 747	5 526 326	5 263 845
	Movement	(28 795 302)	1 730 448	2 111 567	262 481
	As at 31 December	**7 637 893**	**36 433 195**	**7 637 893**	**5 526 326**
	The member savings liabilities are analysed as follows:				
	Non current				
	Member savings liabilities due to active members	5 076 975	20 539 518	5 076 975	2 558 663
	Current				
	Members savings liabilities due to terminated members	2 560 918	15 893 677	2 560 918	2 967 663
	Total	**7 637 893**	**36 433 195**	**7 637 893**	**5 526 326**

Members 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.

19.1.4	**Unearned premium reserve**				
	As at 1 January	85 243 123	63 281 283	12 930 002	7 348 652
	Movement	34 066 949	21 961 840	38 246 172	5 581 350
	As at 31 December	**119 310 072**	**85 243 123**	**51 176 174**	**12 930 002**

		INFLATION ADJUSTED		HISTORICAL COST	
		Group	Group	Group	Group
		2019	2018	2019	2018
19	**FINANCIAL LIABILITIES (continued)**	ZWL	ZWL	ZWL	ZWL
19.2	**Insurance liabiities - life assurance payables**				
	Outstanding claims	2 606 481	9 263 006	2 606 481	1 235 388
	Losses incurred but not reported	1 088 011	5 131 481	1 088 011	684 375
	Commissions	384 250	2 618 147	384 250	349 177
		4 078 742	**17 012 634**	**4 078 742**	**2 268 940**
20	**OTHER PAYABLES**				
	Other payables	27 642 586	8 286 865	27 642 586	1 099 123
	Provisions	25 394 364	16 433 435	25 394 364	2 179 638
	Payroll and statutory payables	8 284 091	10 646 322	8 284 091	1 412 068
	Accrued expenses	5 749 189	9 144 810	5 749 189	1 212 916
	Trade payables	8 640 041	7 894 060	8 640 041	1 047 024
	Property business related liabilities	5 088 915	16 835 103	5 088 915	2 232 913
	Total	**80 799 186**	**69 240 595**	**80 799 186**	**9 183 682**
	Current	80 799 186	69 240 600	80 799 186	9 183 682
	Non current				
	Total	**80 799 186**	**69 240 600**	**80 799 186**	**9 183 682**

Trade and other payables are non-interest bearing and are normally on 30 day terms.

20.1	**Leave pay provision reconciliation**				
	As at 1 January	3 153 773	3 956 424	507 727	636 946
	Movement	(447 728)	(802 651)	2 198 319	(129 219)
	As at 31 December	**2 706 045**	**3 153 773**	**2 706 046**	**507 727**

Employee entitlement annual leave are recognised on an ongoing basis. The liability for annual leave as a result of services rendered by the employee is accrued up to the reporting date. Provision is made for leave pay when staff members accrue leave days. In the event the staff members leave the employment 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.

Other payables - Company

	INFLATION ADJUSTED		HISTORICAL COST	
	Company	Company	Company	Company
	2019	2018	2019	2018
	ZWL	ZWL	ZWL	ZWL
Provisions	1 884 959	316 702	1 884 959	50 986
Payroll and statutory payables	307 174	553 766	307 174	89 151
Accrued expenses	500 909	827 963	500 909	133 294
Trade payables	800 973	639 082	800 973	102 886
Amounts due to group companies (20.2)	333 826	273 638	333 826	44 053
Total	**3 827 841**	**2 611 151**	**3 827 841**	**420 370**

		INFLATION ADJUSTED		HISTORICAL COST	
		Company	Company	Company	Company
		2019	2018	2019	2018
20	**OTHER PAYABLES (continued)**	ZWL	ZWL	ZWL	ZWL
20.2	**Amounts due to group companies**				
	First Mutual Health Company (Private) Limited	326 243	-	326 243	-
	First Mutual Reinsurance (Private) Limited	7 583	-	7 583	-
	First Mutual Properties Limited	-	273 638	-	44 053
	Total	**333 826**	**273 638**	**333 826**	**44 053**

20.2.1 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.

		INFLATION ADJUSTED		HISTORICAL COST	
		Group	Group	Group	Group
21	**TAX**	2019	2018	2019	2018
		ZWL	ZWL	ZWL	ZWL
21.1	**Deferred tax**				
	As at 1 January	16 962 124	85 958 785	16 435 961	12 366 279
	Impact of adopting IFRS 9	-	3 553 541	-	511 223
	Recognised through statement of comprehensive income	273 747 937	24 735 072	265 256 305	3 558 459
	As at 31 December	**290 710 061**	**114 247 398**	**281 692 266**	**16 435 961**
	Current	18 169 379	7 140 462	17 605 766	1 027 248
	Non current	272 540 682	107 106 936	264 086 500	15 408 713
	Total	**290 710 061**	**114 247 398**	**281 692 266**	**16 435 961**
	Analysis of deferred tax				
	Arising on vehicles and equipment	1 898 340	746 037	1 839 452	107 327
	Arising on investment properties	292 396 541	114 910 175	283 326 431	16 531 310
	Arising on financial assets at fair value through profit or loss	18 520 429	7 278 423	17 945 927	1 047 095
	Arising from life business (schedule 8 Income Tax Act (Chapter 23:06))	21 708 696	8 531 394	21 035 295	1 227 351
	Arising from assessable losses	(1 573 793)	(618 492)	(1 524 974)	(88 978)
	Payables and provisions	(42 240 152)	(16 600 139)	(40 929 865)	(2 388 144)
	As at 31 December	**290 710 061**	**114 247 398**	**281 692 266**	**16 435 961**
21.2	**Net current income tax asset**				
	As at 1 January	**(3 957 584)**	**572 019**	**(566 767)**	**81 919**
	Tax asset	(4 298 170)	(3 702 121)	(621 598)	(530 182)
	Tax liability	340 586	4 274 140	54 831	612 101
	Charge for the year	32 108 351	16 527 835	9 876 733	3 101 591
	Paid during the year	(27 404 801)	(21 057 441)	(8 564 000)	(3 750 277)
	As at 31 December	**745 966**	**(3 957 587)**	**745 966**	**(566 767)**
	Disclosed as;				
	Income tax asset	(116 967)	(4 298 173)	(116 967)	(621 598)
	Income tax liability	862 933	340 586	862 933	54 831
	Total	**745 966**	**(3 957 587)**	**745 966**	**(566 767)**

		INFLATION ADJUSTED		HISTORICAL COST	
		Group 2019 ZWL	Group 2018 ZWL	Group 2019 ZWL	Group 2018 ZWL
21	**TAX (continued)**				
21.3	**Income tax expense**				
	Deferred tax expense	378 893 958	25 279 043	265 256 305	4 069 681
	Current income tax (credit)/expense	9 876 734	20 920 761	9 876 734	3 101 591
	Total	**388 770 692**	**46 199 804**	**275 133 039**	**7 171 272**
21.4	**Reconciliation of income tax expense**				
	Profit before income tax	416 406 289	(167 095 423)	933 314 033	24 815 100
	Standard tax rate 25.75% (2018: 25.75%)	107 224 620	39 691 133	240 328 363	6 389 888
	Financial assets at fair value through profit or loss taxed at different rate	39 782 475	1 149 964	4 748 557	185 133
	Investment property taxed at different rates	196 135 580	2 384 709	24 609 820	383 915
	Effect of expenses not deductible for tax purposes	45 628 017	2 973 998	5 446 299	212 336
	Tax charge for the year	**388 770 692**	**46 199 804**	**275 133 039**	**7 171 272**
22	**NET PREMIUM WRITTEN**				
	Pension and savings business	100 800 966	224 157 164	43 964 264	27 838 222
	Life assurance	46 239 180	126 055 408	20 167 183	15 654 902
	Health insurance	306 360 626	506 438 539	133 618 952	62 894 927
	Property and casualty	842 398 494	597 790 987	367 411 459	74 240 046
	Gross premium written	**1 295 799 266**	**1 454 442 098**	**565 161 858**	**180 628 097**
	Less: reinsurance	(312 253 328)	(184 681 613)	(163 872 559)	(23 942 366)
	Net premium written	**983 545 938**	**1 269 760 485**	**401 289 299**	**156 685 731**
23	**RENTAL INCOME**				
	Office	28 767 247	28 041 247	12 764 535	4 211 996
	Retail	15 270 253	14 884 877	6 775 681	2 235 815
	Industry	8 218 493	8 011 083	3 646 691	1 203 322
	Other	228 793	223 018	101 519	33 499
	Total rental income	**52 484 786**	**51 160 225**	**23 288 426**	**7 684 632**

All rental income earned is from investment property

Leasing arrangements

Some of the investment properties are leased to tenants under long-term operating leases with rentals payable monthly. Minimum lease payments receivable on leases of investment properties are as follows:

Minimum lease payments under non-cancellable operating leases of investment properties not recognised in the financial statements are receivable as follows:

Within 1 year	48 615 864	49 450 820	48 615 864	7 963 095
Later than one year but not later than 5 years	111 769 658	167 287 601	111 769 658	26 938 422
Later than 5 years	4 333 352	28 183 445	4 333 352	4 538 397
Total	**164 718 874**	**244 921 866**	**164 718 874**	**39 439 914**

		INFLATION ADJUSTED		HISTORICAL COST	
		Group	Group	Group	Group
		2019	2018	2019	2018
24	**INVESTMENT INCOME**	ZWL	ZWL	ZWL	ZWL
	Dividend received - cash	10 110 306	53 925 935	3 159 471	7 438 060
	Dividend received - scrip	-	38 358 314	-	5 290 802
	Fair value gain on unquoted equities at fair value through profit or loss	2 749 885	150 510	859 339	20 760
	Gain from disposal of quoted investments at fair value through profit or loss	40 979 972	-	12 806 241	-
	Capital guarantee fees	(29 949 626)	-	(9 359 258)	-
	Fair value gain on quoted equities at fair value through profit or loss	(416 738 785)	114 967 581	207 559 384	18 513 299
	Total investment income	**(392 848 248)**	**207 402 340**	**215 025 177**	**31 262 921**
25	**OTHER INCOME**				
25.1	**Fee income**				
	Insurance contracts	6 669 765	11 611 141	3 233 686	1 456 507
	Investment contracts	26 379 069	30 909 322	12 604 403	3 882 199
	Investment contracts with DPF	24 960 852	29 533 713	12 101 708	3 704 721
	Investment contracts without DPF	1 418 217	1 375 609	502 695	177 478
	Total fee income	**33 048 834**	**42 520 463**	**15 838 089**	**5 338 706**

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

25.2	**Other income**				
	Tenant interest	612 879	2 661 898	203 989	148 958
	Profit on disposal of vehicles and equipment	-	1 322 371	-	73 999
	Motor pool dividend income	1 835 870	804 245	611 047	45 005
	Net clinic fee income	794 555	2 019 395	264 458	113 004
	Bad debts recovered	1 835 870	67 245	611 047	3 763
	Exchange gains / (losses)	108 155 813	-	35 998 344	-
	Other fee income	5 564 155	15 756 069	1 851 962	881 699
	Total	**118 799 142**	**22 631 223**	**39 540 847**	**1 266 428**
26	**NET INSURANCE CLAIMS AND BENEFITS**				
	Insurance claims and loss adjustment expenses				
	Health insurance	244 859 407	408 311 688	110 373 154	48 979 188
	Life assurance	9 816 816	35 279 057	4 425 041	4 231 913
	Property and casualty	208 644 574	265 894 629	94 048 908	31 895 494
	Total insurance claims	**463 320 797**	**709 485 374**	**208 847 103**	**85 106 595**
	Less: insurance claims and loss adjustment expenses recovered from reinsurers	(48 868 942)	(49 186 669)	(15 271 544)	(7 443 621)
	Net total insurance claims expense	**414 451 855**	**660 298 705**	**193 575 559**	**77 662 974**
	Pensions benefits	38 615 958	63 817 278	17 583 931	11 052 821
	Net insurance claims and benefits	**453 067 813**	**724 115 983**	**211 159 490**	**88 715 795**

		INFLATION ADJUSTED		HISTORICAL COST	
		Group	Group	Group	Group
		2019	2018	2019	2018
27	**ACQUISITION OF INSURANCE AND INVESTMENT CONTRACTS EXPENSES**	**ZWL**	**ZWL**	**ZWL**	**ZWL**
27.1	**Net commission**				
	Commissions paid	173 103 073	128 371 979	86 111 501	16 046 068
	- Insurance contracts	173 103 073	123 530 241	86 111 501	15 440 867
	- investment contracts with DPF	-	4 841 738	-	605 201
	Commissions received	(106 813 748)	(50 756 958)	(53 135 349)	(6 344 450)
	Net commissions paid	**66 289 325**	**77 615 021**	**32 976 152**	**9 701 618**
27.2	**Other acquisition expenses**				
	Staff costs	5 708 672	12 197 830	2 839 824	1 524 688
	Office costs	1 583 516	3 383 531	787 733	422 930
	Communications	172 419	368 410	85 771	46 050
	Business travel	233 209	498 301	116 011	62 286
	Actuarial fees	1 454 459	3 107 771	723 532	388 461
	Other fees	2 050 289	4 380 893	1 019 933	547 597
	Total other acquisition expenses	**11 202 564**	**23 936 736**	**5 572 804**	**2 992 012**
	Total acquisition of insurance and investment contracts expenses	**77 491 889**	**101 551 757**	**38 548 956**	**12 693 630**

The Group has an agency 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.

		INFLATION ADJUSTED		HISTORICAL COST	
28	**ADMINISTRATION EXPENSES**	Group	Group	Group	Group
		2019	2018	2019	2018
	The profit before income tax is shown after charging:	**ZWL**	**ZWL**	**ZWL**	**ZWL**
	Staff costs (note 28.1)	136 631 082	139 604 339	64 085 576	19 770 024
	Directors' fees - FMHL	1 319 651	989 919	618 970	140 187
	-Group companies	3 840 059	3 354 645	1 801 145	475 067
	Property expenses (note 28.4)	14 175 121	14 897 170	6 648 713	2 109 658
	Depreciation of property, vehicles and equipment (note 6)	3 886 582	9 114 119	1 822 966	1 290 693
	Amortisation of intangible assets (note 8)	488 530	1 491 830	229 141	211 265
	Audit fees:	3 322 350	4 455 633	1 558 318	630 983
	Current	3 322 350	2 999 068	1 558 318	424 712
	Prior year	-	1 456 565	-	206 271
	IMT 2% tax	5 901 595	162 603	2 768 090	23 027
	Other costs (note 28.5)	135 968 311	103 483 436	63 774 709	14 654 774
	Total administration expenses	**305 533 281**	**277 553 694**	**143 307 628**	**39 305 678**

Notes to the Financial Statements (continued)

		INFLATION ADJUSTED		HISTORICAL COST	
28	**ADMINISTRATION EXPENSES (continued)**	**Group 2019 ZWL**	**Group 2018 ZWL**	**Group 2019 ZWL**	**Group 2018 ZWL**
28.1	**Staff costs**				
	Wages and salaries	35 200 882	66 378 838	16 510 656	9 400 218
	Non-pensionable allowances	14 623 815	13 732 948	6 859 168	1 944 787
	Allowances	9 552 277	13 648 387	4 480 409	1 932 812
	Social security and health insurance costs	2 168 669	4 025 861	1 017 195	570 121
	Defined contribution pension costs	3 403 867	6 912 207	1 596 553	978 870
	Long-term incentives	156 186	2 320 557	73 258	328 625
	Short-term incentives	23 696 564	2 965 794	11 114 660	420 000
	Motoring benefit	23 107 015	8 831 697	10 838 137	1 250 698
	Movement in leave pay provision	4 143 494	1 903 094	1 943 468	269 506
	Staff training	8 077 680	5 719 054	3 788 763	809 902
	Rationalisation costs	2 207 101	-	1 035 221	-
	Other staff costs	10 293 532	13 165 902	4 828 088	1 864 485
	Total staff costs	**136 631 082**	**139 604 339**	**64 085 576**	**19 770 024**

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.

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.

28.2 Rationalisation expenses

The rationalisation costs in 2019 were incurred to incorporate NicozDiamond Limited into the Group and were paid as lumpsums to the liad off staff.

		INFLATION ADJUSTED		HISTORICAL COST	
28.3	**Impairment allowances**	**Group 2019 ZWL**	**Group 2018 ZWL**	**Group 2019 ZWL**	**Group 2018 ZWL**
	Allowance for expected credit losses (note 28.3.1)	22 713 392	5 600 883	19 125 133	689 966
28.3.1	**Allowance for expected credit losses**				
	Insurance receivables (note 14.1)	20 677 678	5 098 897	17 411 021	628 127
	Tenant receivables (note 14.2)	1 801 755	444 294	1 517 114	54 732
	Other receivables (note 14.3)	233 959	57 692	196 998	7 107
	Total	**22 713 392**	**5 600 883**	**19 125 133**	**689 966**

28	ADMINISTRATION EXPENSES (continued)	INFLATION ADJUSTED Group 2019 ZWL	INFLATION ADJUSTED Group 2018 ZWL	HISTORICAL COST Group 2019 ZWL	HISTORICAL COST Group 2018 ZWL
28.4	**Property expenses**				
	Operating costs recoveries	5 479 685	4 300 260	2 570 197	608 980
	Maintenance costs	8 531 779	8 875 845	4 001 754	1 256 950
	Valuation fees	82 296	133 969	38 600	18 972
	Property security and utilities	81 361	1 587 096	38 162	224 756
	Total	**14 175 121**	**14 897 170**	**6 648 713**	**2 109 658**
	Property expenses arising from investment properties that generated rental income	14 093 760	13 310 074	6 610 551	1 884 902
	Property expenses arising from investment properties that did not generate rental income	81 361	1 587 096	38 162	224 756
	Total	**14 175 121**	**14 897 170**	**6 648 713**	**2 109 658**

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

28.5	**Other costs**				
	Marketing and corporate relationship management	23 074 006	17 992 810	10 822 654	2 893 301
	Information technology expenses	24 715 532	19 613 175	11 592 597	2 502 193
	Office costs	10 835 909	6 791 461	5 082 486	1 716 476
	Fees and other charges	3 779 893	2 878 109	1 772 925	529 240
	Actuarial fees	3 849 986	6 136 668	1 805 801	545 550
	Ipec fees	4 338 267	4 428 382	2 034 825	744 617
	Expensed VAT	3 195 352	4 357 726	1 498 751	754 687
	Bank charges	4 459 716	2 461 345	2 091 789	326 307
	Communication expenses	2 498 280	3 013 499	1 171 796	509 652
	Subscriptions	2 713 265	1 810 698	1 272 633	337 859
	Investor relations	1 358 775	2 005 199	637 321	269 258
	Administration travel	8 583 118	5 828 065	4 025 834	645 714
	Short-term and low value rent and rates	3 546 434	3 385 031	1 663 423	650 078
	Project costs	2 788 669	10 138 321	1 308 000	1 308 000
	Staff welfare	4 881 826	7 719 201	2 289 776	312 387
	Other expenses	31 349 283	4 923 746	14 704 098	609 455
	Total	**135 968 311**	**103 483 436**	**63 774 709**	**14 654 774**

29 EARNINGS/(LOSS) 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.

		INFLATION ADJUSTED		HISTORICAL COST	
		Group 2019 ZWL	Group 2018 ZWL	Group 2019 ZWL	Group 2018 ZWL
29.1	**Basic earnings per share**				
	(Loss)/profit attributable to ordinary equity holders of the Company	(77 327 246)	(220 128 219)	349 018 273	16 524 851
	Weighted average number of shares in issue	721 641 126	707 018 727	721 641 126	707 018 727
	Basic earnings per share (ZWL cents)	**(10.72)**	**(31.13)**	**48.36**	**2.34**
29.2	**Diluted earnings per share**				
	Profit attributable to ordinary equity holders of the company	(77 327 246)	(220 128 219)	349 018 273	16 524 851
	The following reflects the share data;				
	Weighted average number of shares in issue	721 641 126	707 018 727	721 641 126	707 018 727
	Effect of dilution of share option	703 662	1 891 407	703 662	1 891 407
	Weighted number of shares adjusted for the effects of dilution	722 344 788	708 910 134	722 344 788	708 910 134
	Diluted earnings per share (ZWL cents)	**(10.71)**	**(31.05)**	**48.32**	**2.33**

The share options are not dilutive as the exercise price is above the market price at 31 December 2019 and 31 December 2018.

30 COMMITMENTS

30.1 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 quarterly basis.

The Group anticipates to generate rental income of ZWL68 448 016 (2019: ZWL22 884 617) out of its existing operating leases in the next 12 months.

30.2 Capital commitments

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

	INFLATION ADJUSTED		HISTORICAL COST	
	Group 2019 ZWL	Group 2018 ZWL	Group 2019 ZWL	Group 2018 ZWL
Investment property	-	114 531	-	18 443

31 CONTINGENCIES

The Group and the Company do not have significant contingent liabilities that require disclosure as at 31 December 2019 (2018: US$nil).

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 66.22% (2018: 66.46%) directly in First Mutual Holdings Limited and 7.10% (2018: 10.59%) indirectly through Capital Bank as at 31 December 2019.

NSSA owns 84% (2018: 84%) of Capital Bank Limited, under liquidation.

32 RELATED PARTY DISCLOSURES (continued)

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):

	2019	2018
Subsidiaries and associates		
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	69.99%	69.60%
First Mutual Wealth Management (Private) Limited	100%	100%
NicozDiamond Insurance Limited	100%	100%
United General Insurance Limited**	46%	46%
Diamond Seguros***	24%	24%
Clover Leaf Pannel Beaters (Private) Limited	45%	45%
First Mutual Properties Limited is owned 69.99% by First Mutual Group as follows:		
First Mutual Holdings Limited - the company	3.09%	3.07%
First Mutual Life Assurance Company (Private) Limited - shareholders	17.67%	17.67%
First Mutual Life Assurance Company (Private) Limited - policyholders	41.25%	40.85%
First Mutual Reinsurance Company Limited	2.21%	2.21%
NicozDiamond Insurance Limited	0.35%	0.35%
First Mutual Health Company (Private) Limited - shareholders	5.33%	5.35%
First Mutual Properties Limited (treasury shares)	0.09%	0.10%
Total	**69.99%**	**69.60%**

* 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

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 2019:

	Relationship to First Mutual Holdings Limited	Purchases from related parties ZWL	Amount owed to related parties ZWL	Amount owed by related parties ZWL	Carrying amounts of investments in subsidiaries ZWL
First Mutual Microfinance (Private) Limited	subsidiary	-	-	-	350 265
First Mutual Life Assurance Company (Private) Limited	subsidiary	-	-	1 755 602	195 506 599
NicozDiamond Insurance Limited	subsidiary	48 043	-	1 104 506	158 692 373
First Mutual Reinsurance Company Limited	subsidiary	-	7 583	16 678	26 704 596
FMRE Property and Casualty (Proprietary) Limited	subsidiary	-	-	295 545	74 516 222
First Mutual Health Company (Private) Limited	subsidiary	-	326 243	-	47 863 806
First Mutual Properties Limited	subsidiary	-	-	138 658	-
First Mutual Wealth Management (Private) Limited	subsidiary	-	-	369 307	1 975 633
		48 043	**333 826**	**3 680 296**	**505 609 494**

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 2018

	Relationship to First Mutual Holdings Limited	Purchases from related parties ZWL	Amount owed to related parties ZWL	Amount owed by related parties ZWL	amounts of investments in subsidiaries ZWL
First Mutual Funeral Services (Private) Limited	subsidiary	-	-	-	800 000
First Mutual Microfinance (Private) Limited	subsidiary	-	-	-	200 000
First Mutual Life Assurance Company (Private) Limited	subsidiary	-	-	649 823	22 226 831
NicozDiamond Insurance Company Limited	subsidiary	14 461	-	82 747	18 130 431
First Mutual Reinsurance Company Limited	subsidiary	-	-	79 459	10 237 196
FMRE Property and Casualty (Proprietary) Limited	subsidiary	-	-	-	4 083 010
First Mutual Health Company (Private) Limited	subsidiary	-	-	69 226	20 638 710
First Mutual Properties Limited	subsidiary	-	44 053	-	-
First Mutual Wealth Management (Private) Limited	subsidiary	-	-	202 002	827 447
		14 461	**44 053**	**1 083 257**	**77 143 625**

		INFLATION ADJUSTED		HISTORICAL COST	
		Group 2019 ZWL	Group 2018 ZWL	Group 2019 ZWL	Group 2018 ZWL
32	**RELATED PARTY DISCLOSURES (continued)**				
32.3	**Compensation of key management:**				
	Key management personnel includes executive directors and senior management of the Group				
	Short term employment benefits	25 400 807	22 785 097	10 078 011	3 668 180
	Post-employment pension and medical benefits	2 286 873	1 973 330	923 457	317 687
	Share based payments:				
	- share options	2 581 665	2 829 877	327 201	328 625
	- share appreciation rights	5 017 934	-	5 017 934	-
	Total compensation paid to key management personnel	**35 287 279**	**27 588 304**	**16 346 603**	**4 314 492**
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 9 August 2017. No share options were granted in the current year. As at year end total share options granted but not exercised by executive members of the Board of Directors to purchase ordinary shares of the Group were as follows:

	2019 Number of shares	2018 Number of shares
Douglas Hoto	1 621 470	1 935 635
William Marere	946 459	946 459
Other key management	4 092 125	6 490 039
	6 660 054	**9 372 133**

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**	2019	2018
First Mutual Properties Limited	Zimbabwe	30.01%	29.34%

Notes to the Financial Statements (continued)

32 RELATED PARTY DISCLOSURES (continued)

32.6 Material partly-owned subsidiary (continued)

	INFLATION ADJUSTED		HISTORICAL COST	
	Group	Group	Group	Group
	2019	2018	2019	2018
Accumulated balances of material non-controlling interest	ZWL	ZWL	ZWL	ZWL
First Mutual Properties Limited	482 267 343	380 908 895	350 636 177	42 224 786
Profit allocated to non-controlling interest:				
First Mutual Properties Limited	104 962 843	6 832 992	309 162 721	1 118 977

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

	INFLATION ADJUSTED Group 2019 ZWL	INFLATION ADJUSTED Group 2018 ZWL	HISTORICAL COST Group 2019 ZWL	HISTORICAL COST Group 2018 ZWL
Revenue	58 108 522	65 760 899	23 995 974	8 076 571
Allowance for credit losses	(755 201)	(339 958)	(755 201)	(54 732)
Property expenses	(14 043 704)	(15 775 912)	(6 746 842)	(1 987 615)
Net property income	**43 309 617**	**49 645 029**	**16 493 931**	**6 034 224**
Employee related expenses	(20 422 230)	(29 060 561)	(4 476 165)	(1 541 059)
Other expenses	(305 131)	(336 534)	(4 378 315)	(2 048 644)
Net property income after other expenses	**22 582 256**	**20 247 934**	**7 639 451**	**2 444 521**
Fair value adjustments	485 406 599	(296 820 709)	1 246 885 795	6 265 127
Other income	20 997 831	2 438 390	12 009 128	296 946
Investment income	233 507	1 552 989	561 300	189 084
Finance costs	(4 181)	(444 338)	(1 205)	(52 634)
Profit before income tax	**529 216 012**	**(273 025 734)**	**1 267 094 469**	**9 143 044**
Income tax expense	(315 261 589)	(39 246 309)	(236 552 063)	(5 083 332)
Profit for the year	**213 954 423**	**(312 272 043)**	**1 030 542 406**	**4 059 712**
Other comprehensive (loss) / income	-	-	-	-
Total comprehensive income	**213 954 423**	**(312 272 043)**	**1 030 542 406**	**4 059 712**
Attributable to non-controlling interest	104 962 843	6 832 992	309 162 721	1 118 977
Dividends paid to non-controlling interest	(2 401 962)	(1 214 012)	(214 210)	(272 789)
Summarised statement of financial position as at 31 December				
Investment property	1 392 132 336	907 737 650	1 392 132 336	146 150 000
Property, plant and equipment	1 315 371	1 425 577	197 409	178 618
Financial assets	862 728	6 150 067	862 728	758 274
Inventories, cash and bank, current financial assets and other receivables (current)	23 919 025	19 315 045	23 822 582	2 335 405
Non-current liabilities (deferred tax only)	(251 267 340)	(103 899 720)	(250 991 096)	(16 710 582)
Long term liabilities	-	(1 287 704)	-	(91 665)
Trade and other payable (current)	(5 214 970)	(14 299 492)	(4 640 598)	(1 639 800)
Total equity	**1 161 747 150**	**815 141 423**	**1 161 383 361**	**130 980 250**
Summarised cash flow information for the year ending 31 December				
Operating	22 711 079	20 750 480	22 006 041	2 660 288
Investing	2 391 441	(19 849 347)	1 090 917	(2 341 186)
Financing	(3 996 323)	(15 258 314)	(821 667)	(1 830 000)
Net increase in cash and cash equivalents	**21 106 197**	**(14 357 181)**	**22 275 291**	**(1 510 898)**

33 SUBSEQUENT EVENTS

There were no material subsequent events requiring adjustments to be effected on the financial statements, however, there were non-adjusting events as detailed on 33.1 below.

33.1 EVENTS AFTER THE BALANCE SHEET 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 for the reported cases of "pneumonia"; 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 lockdown with effect from 30 March 2020. The lockdown period was extended by 14 days on 19 April 2019 and further indefinatly on 1 May 2020. As a result of the timing, these events are non-adjusting as they occurred after the reporting date.

As a result of the pandemic and lock-down, the Directors of the Company reassessed the ability of the Group to continue as a going concern. Note 34 details the assessments performed by the Directors.

34 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 and 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 lockdowns.

The lockdown 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.

Below is an analysis of the major sectors driving revenue of each segment of the Group:

Segment	Major business sectors	Impact of lock-down
Insurance	Mining Retail Manufacturing	Low impact Low impact Medium impact
Life assurance	Government Agriculture	Low impact Low impact
Health insurance	Non-govermental organisations Agriculture Mining	Low impact Low impact Low impact
Property	Office parks Food retail CBD offices Industrial	Low impact Low impact High impact Medium impact

Although, the Group does not expect to be materially impacted over the short-term, it is difficult to forecast the long-term impact on business, however, Directors are confident the steps taken to protect the Group from severe impact of the pandemic will yield positive results.

35 PROPOSED DIVIDEND ON ORDINARY SHARES

At a meeting held on 9 April 2020, the Board resolved that a final dividend of ZWL 2,500,000 being 0.35 ZWL cents per share be declared from the profits for the year ended 31 December 2019. 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 Zimbabwe Stock Exchange up to 26 May 2020 and ex-dividend as from 27 May 2020. This final dividend brings the total dividend for the year to 0.55 ZWL cents per share.

Top 20 Shareholders

as at 31 December 2019

Rank	Account name	Shares	%
1	NATIONAL SOCIAL SECURITY AUTHORITY	479,031,386	66.22
2	CAPITAL BANK CORPORATION LIMITED,	51,341,100	7.10
3	LHG MALTA HOLDINGS LIMITED	36,861,932	5.10
4	HERITAGE EXPEDITIONS PVT LTD	25,002,273	3.46
5	MEGA MARKET (PVT) LTD	17,934,644	2.48
6	STANBIC NOMINEES (PRIVATE) LIMITED	14,518,309	2.01
7	GUMBALL INVESTMENTS	4,531,232	0.63
8	ZISCO	4,220,237	0.58
9	GURAMATUNHU FAMILY TRUST	3,786,073	0.52
10	COLOSSUS INVESTMENTS (PVT) LTD	3,350,066	0.46
11	ZIMBABWE ASSOCIATION OF CHURCH RELATED HOSPITALS (ZACH) PENSION SCHEME	3,329,940	0.46
12	FIRST MUTUAL LIFE STAFF PENSION SCHEME	2,629,900	0.36
13	LOCAL AUTHORITIES PENSION FUND	2,323,701	0.32
14	COLNEST ZIMBABWE PENSION PLAN	1,281,135	0.18
15	MESSINA INVESTMENTS LIMITED	1,126,420	0.16
16	AUTUMN GOLD GROUP PENSION PLAN	1,113,163	0.15
17	LOXMILL	938,422	0.13
18	TFS NOMINEES (PVT)LTD .,	804,964	0.11
19	OLD MUTUAL LIFE ASS CO ZIM LTD	762,206	0.11
20	INSURANCE COUNCIL OF ZIMBABWE	720,000	0.10
	TOTAL	**655 607 103**	**90.62**
	Other Shareholders	**67 836 474**	**9.38**
	Total number of shares	**723 443 577**	**100.00**

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the seventeenth Annual General Meeting of First Mutual Holdings Limited is to be held at Ground Floor, First Mutual Park, 100 Borrowdale Road, Borrowdale, Harare on Wednesday 29 July 2020 at 11.30 for the purpose of transacting the business set out in this AGM Notice.

In light of the COVID-19 outbreak in Zimbabwe and the public health measures adopted by Government to combat the spread of the virus, all requisite steps will be taken to protect the health and safety of shareholders and attendees, including the following:

1. To ensure the required social distancing, the meeting will be held in the spacious and airy atrium at Ground Floor, First Mutual Park, 100 Borrowdale Road, Harare.
2. Entry to the venue will be restricted to the number permissible by law, and seating will be arranged appropriately.
3. Registration will commence 30 minutes before the meeting starts, and shareholders are encouraged to register early to avoid congestion at the registration desk.
4. As a means of limiting the number of non-shareholder attendees, on the day of the AGM access to the proceedings will be available via Facebook livestream and may be accessed on the First Mutual Holdings Limited Facebook page, under the name First Mutual Holdings Limited.
5. Temperature checks will be conducted at points of entry.
6. No-one will be permitted entry without a mask.
7. Alcohol based hand sanitisers will be placed in strategic locations to ensure attendees properly sanitise their hands as they arrive and leave the venue.
8. Attendees are encouraged to ask questions formally during the meeting and ensure minimal interactions before and after the formal proceedings.
9. Contact details of attendees will be collected to assist in contact tracing in the unlikely event of infections.
10. The company will ensure that the meeting venue is cleaned and sprayed with the recommended disinfectants before and after the meeting.
11. To reduce social contact, we regret that no refreshments will be provided after the meeting.

AGENDA

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 2019.

2. To re - elect the following Director, Mr Amos Manzai, who retires by rotation in terms of the Articles of Association of the Company, and being eligible, offers himself for re-election: -

   Mr Manzai has senior managerial and executive leadership experience acquired at Deloitte & Touche London and Zimbabwe. He has also served at the Zimbabwe Electricity Supply Authority as Deputy General Manager - Finance, at TA Holdings Ltd as Group Finance Director and at Stancard Chartered Bank Zimbabwe Limited as Executive Director- Finance & Administration. He is a Director at Perrenialform Investments Pvt Ltd, Evergid Services Pvt Ltd and Lidle Trading Services (Pvt) Ltd. He is also a Director of First Mutual Life Assurance Company (Private) Limited. He holds a BA Honours Economics Degree (Dunelim UK) and is a Chartered Accountant (Zimbabwe).

3. To re - elect the following Director, Mrs Memory Mukondomi, who retires by rotation in terms of the Articles of Association of the Company, and being eligible, offers herself for re-election: -

   Mrs Mukondomi is the Director Finance and Administration in the Ministry of Public Service Labour & Social Welfare. Prior to her current position, she was the Chief Internal Auditor in the Ministry of Industry and International Trade from 2005 to 2011. She was in the COMESA Audit Committee, having worked for the Auditor General from 1990 to 2005. She holds an MBA from NUST University and a BSC (Hons) Accounting and Finance from Chinhoyi University.

Notice of Annual General Meeting (continued)

4. To re - elect the following Director, Mr Oliver Mtasa, who retires by rotation in terms of the Articles of Association of the Company, and being eligible, offers himself for re-election: -

   Mr Mtasa is a Chartered Accountant. He holds a Bachelor of Accountancy (Honours) degree and a Master's degree in Business Administration from the University of Zimbabwe. He is a non-executive director of Art Corporation, a Partner at Crowe Horwath Welsa Chartered Accountants and sits on several other boards. He chairs the Board of First Mutual Reinsurance Company Limited and is a Director of First Mutual Wealth Management (Private) Limited.

5. To approve the Directors' remuneration for the financial year ended 31 December 2019.
   (NOTE: In terms of Section 3 of Practice Note 4 issued by the ZSE on 17th January 2020, the First Mutual Holdings Limited Directors' Remuneration Report shall be available for inspection by shareholders at the registered office of the Company.)

6. To confirm the remuneration of the outgoing Auditors, PricewaterhouseCoopers Chartered Accountants (PwC), for the past audit.

7. To appoint Ernst & Young Chartered Accountants (EY) as Auditors of the Company until the conclusion of the next Annual General Meeting.
   (NOTE: As PwC have served as auditors of the Company since 2015, they are being replaced by EY in terms of Section 191(11) of the Companies and Other Business Entities Act.)

8. To confirm the final dividend of RTGS$0.35 cents per share declared on 9 April 2020 and the interim dividend of RTGS$0.21 per share declared on 30 August 2019.

SPECIAL BUSINESS

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

9. **Loans to Executive Directors**

   AS AN ORDINARY RESOLUTION
   THAT the Company be and is hereby authorized 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.

10. **General Authority to Buy Back Shares**

    AS A SPECIAL RESOLUTION
    THAT the Company authorises in advance, in terms of section 129 of the Companies and other Business Entities Act [Chapter 24:31] 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 not be more than 5% (five per centum) above and 5% (five per centum) below the weighted average of the market price at which such ordinary shares are traded on the ZSE, as determined over the 5 (five) business days immediately preceding the date of purchase of such ordinary shares by the Company.

Notice of Annual General Meeting (continued)

(NOTES:

- *i. The Directors will only exercise the authority if they believe that to do so would be in the best interests of shareholders generally.*
- *ii. 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.*
- *iii. If the maximum number of shares that can be purchased pursuant to the authority is purchased, the Directors believe that 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; the assets of the Company and the Group will be in excess of the liabilities of the Company and the Group; there will be adequate ordinary capital and reserves in the Company for a period of 12 months after the date of this notice; and there will be adequate working capital in the Company and the Group for a period of 12 months after the date of this notice.*
- *iv. 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% (three per centum) of the number of ordinary shares in issue prior to the acquisition.* **)**

11. Adoption and Substitution of a New Memorandum and Articles of Association of the Company

AS A SPECIAL RESOLUTION

THAT the Company adopts a new Memorandum and Articles of Association compliant with the requirements of the new Companies and Other Business Entities Act [Chapter 24:31] and the new ZSE Listing Requirements [Statutory Instrument 134/2019].

12. Any Other Business

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

NOTES:

i) In terms of the Companies and Other Business Entities Act (Chapter 24:31) 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.

BY ORDER OF THE BOARD

S. F. Lorimer (Mrs.)

Group Company Secretary
HARARE

Registered Office
First Mutual Park
100 Borrowdale Road
Borrowdale
HARARE

Corporate Information

REGISTERED OFFICE AND HEAD OFFICE
First Mutual Park, 100 Borrowdale Road, Borrowdale, Harare, Zimbabwe

POSTAL ADDRESS
P O Box BW 178, Borrowdale,
Harare, Zimbabwe,
Telephone: +263(0) 242 886000-17
Email: info@firstmutualholdings.com

IMPORTANT CONTACT DETAILS
Group Company Secretary
+263 (0) 242 886047

Group Marketing
+263 (0) 242 850325

Group Audit and Risk Management
+263 (0) 242 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, microfinance, funeral services, property management and development, and wealth management.

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

SUSTAINABILITY ADVISORS
Institute for Sustainability Africa (INSAF)
22 Walter Hill Ave, Eastlea, Harare, Zimbabwe

TRANSFER SECRETARIES
First Transfer Secretaries (Private) Limited
1 Armagh Avenue, Eastlea, Harare.
Contact Details +263 (4) 782869/72
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
Atherstone & Cook, Praetor House, Josiah Chinamano Avenue, Harare, Zimbabwe

GRI Standards Content Index – 'Core'

GRI Standard	Disclosure	Page number(s)	Omission		
			Part Omitted	Reason	Explanation
GRI 101: Foundation 2016 General Disclosures					
GRI 102: General Disclosures 2016	**Organisational profile**				
	102-1 Name of the organisation	Cover page			
	102-2 Activities, brands, products, and services	6-9			
	102-3 Location of headquarters	176			
	102-4 Location of operations	9,176			
	102-5 Ownership and legal form	6-7			
	102-6 Markets served	9			
	102-7 Scale of the organisation	9,12-13			
	102-8 Information on employees and other workers	1,13,46			
	102-9 Supply chain	45			
	102-10 Significant changes to the organisation and its supply chain	-	No changes in supply chain during the year 2019		
	102-11 Precautionary Principle or approach	50-51			
	102-12 External initiatives	10,46			
	102-13 Membership of associations	10			
	Strategy				
	102-14 Statement from senior decision-maker	17-20			
	Ethics and integrity				
	102-16 Values, principles, standards, and norms of behaviour	1,28,30			
	Governance				
	102-18 Governance structure	29,31			
	Stakeholder engagement				
	102-40 List of stakeholder groups	41			
	102-41 Collective bargaining agreements	46			
	102-42 Identifying and selecting stakeholders	41			
	102-43 Approach to stakeholder engagement	41			
	102-44 Key topics and concerns raised	41-42			
	Reporting practice				
	102-45 Entities included in the consolidated financial statements	136-137			
	102-46 Defining report content and topic Boundaries	3,43			
	102-47 List of material topics	43			
	102-48 Restatements of information	3			
	102-49 Changes in reporting	-	No changes in reporting		
	102-50 Reporting period	43			
	102-51 Date of most recent report	43			
	102-52 Reporting cycle	43			
	102-53 Contact point for questions regarding the report	3			
	102-54 Claims of reporting in accordance with the GRI Standards	3			
	102-55 GRI content index	177			
	102-56 External assurance	3,54			

GRI Standards Content Index – 'Core' (continued)

GRI Standard	Disclosure	Page number(s) and/or URL(s)	Omission		
			Part Omitted	Reason	Explanation
Material Topics					
200 series (Economic topics)					
Economic Performance					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	43,44			
	103-2 The management approach and its components	44			
	103-3 Evaluation of the management approach	44			
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	44			
	201-3 Defined benefit plan obligations and other retirement plans	44			
Indirect Economic Impacts					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	43,47			
	103-2 The management approach and its components	47			
	103-3 Evaluation of the management approach	47			
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	47			
300 series (Environmental topics)					
Energy					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	43,45			
	103-2 The management approach and its components	45			
	103-3 Evaluation of the management approach	45			
GRI 302: Energy 2016	302-1 Energy consumption within the organisation	45			
	302-2 Energy consumption outside of the organisation	45			
Water					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	43,45			
	103-2 The management approach and its components	45			
	103-3 Evaluation of the management approach	45			
	303-3 Water withdrawal	45			
400 series (Social topics)					
Employment					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	43,46			
	103-2 The management approach and its components	46			
	103-3 Evaluation of the management approach	46			
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	46			
Labour/Management Relations					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	43,46			
	103-2 The management approach and its components	46			
	103-3 Evaluation of the management approach	46			
Occupational Health and Safety					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	43,46			
	103-2 The management approach and its components	46			
	103-3 Evaluation of the management approach	46			
GRI 403: Occupational Health and Safety 2016	403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	46			
Training and Education					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	43,46			
	103-2 The management approach and its components	46			
	103-3 Evaluation of the management approach	46-47			
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	46-47			
Diversity and Equal Opportunity					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	43,46			
	103-2 The management approach and its components	46			
	103-3 Evaluation of the management approach	46			
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	9,28,46			

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)

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 29 July 2020 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)

	ORDINARY BUSINESS	For	Against	Abstain
1	THAT the Audited Financial Statements and Reports of the Directors and Auditors for the financial year ended 31 December 2019 be adopted.			
2	THAT Mr A Manzai be re-elected as a director of the Company in terms of Article 106 of the Articles of Association.			
3	THAT Mrs M Mukondomi be re-elected as a director of the Company in terms of Article 106 of the Articles of Association.			
4	THAT Mr O Mtasa be re-elected as a director of the Company in terms of Article 106 of the Articles of Association.			
5	THAT the remuneration of the Directors be confirmed.			
6	THAT the remuneration of the outgoing Auditors, PricewaterhouseCoopers, for the past audit be confirmed.			
7	THAT Ernst & Young Chartered Accountants Zimbabwe be appointed as Auditors of the Company until the conclusion of the next Annual General Meeting.			
8	THAT the final dividend of RTGS$0.35 cents per share declared on 9 April 2020 and the interim dividend of RTGS$0.21 per share declared on 30 August 2019 be and are hereby confirmed.			
9	SPECIAL BUSINESS			
10	THAT the Company be authorised to make loans to Executive Directors in terms of Section 208 of the Companies and Other Business Entities Act [Chapter 24:31], subject to certain conditions.			
11	As a Special Resolution THAT the Company be authorised in terms of section 129 of the Companies Act [Chapter 24:31] to purchase its own shares, subject to certain conditions.			
12	As a Special Resolution THAT the Company adopts a new Memorandum and Articles of Association compliant with the requirements of the new Companies and Other Business Entities Act [Chapter 24:31] and the new ZSE Listing Requirements.			

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

Signed this ______________________________ day of ______________________________ 2020

Proxy Form

____

SIGNATURE OF SHAREHOLDER

NOTES:

1. Shareholders are encouraged to participate in the AGM electronically and to make use of proxy voting, as outlined in the AGM Notice.
2. In terms of section 171 of the Companies and Other Business Entities Act (Chapter 24:31), 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.
3. Unless otherwise instructed, the proxy will vote as he / she thinks fit.
4. This proxy form must be deposited at the Registered Office of the Company which is situated at First Floor, First Mutual Park, Borrowdale Road, Harare so as to be received by the Secretary not less than 48 hours before the meeting.
5. The proxy form must be signed and dated for it to be valid. Any alterations or corrections to this form must be initialled.
6. 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.
7. 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.

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FIRST MUTUAL
HOLDINGS LIMITED
Go Beyond

LIFE | HEALTH | INSURANCE | REINSURANCE | SAVINGS | PROPERTY

FIRST MUTUAL HOLDINGS LIMITED
First Mutual Park, 100 Borrowdale Road, Borrowdale, Harare, Zimbabwe
P O Box BW 178, Borrowdale, Harare | **Tel:** +263 (242) 886 000 - 17
E-mail: info@firstmutualholdings.com | **Website:** www.firstmutualholdings.com