

CHAIRMAN'S STATEMENT

It is my pleasure to present the Chairman's Statement on the performance of the FMHL Group for the half year ended 30 June, 2020.

ECONOMIC OVERVIEW

Covid-19 has had a huge and unanticipated impact on the political, social and economic structure of society across the globe. The severity of the pandemic is unprecedented in recent times and the Group has not been spared from its vagaries. When Government implemented the lockdown, the Group had to find new ways of doing business, mainly through technology, with its attendant costs and benefits.

Gross Domestic Product initially projected to grow at 3% was revised to contract by 4.5%. Negative performance is now also projected in the key industries of Mining, Agriculture, Manufacturing and Tourism. However, growth is anticipated in the Information and Communication technology, Health, and Foodstuff industries. There has been an upside on Diaspora remittances reflecting more funds finding their way into the country through formal channels as international borders remain closed to most human and vehicular traffic. Foreign currency availability remained a constraint for doing business. The Reserve Bank of Zimbabwe (RBZ) has moved from the interbank market, to a fixed exchange rate for the second quarter of 2020 to the current Dutch auction system which appears to be finding favour with industry, if the recent stability between the auction and alternative market rate is taken as a measure.

Inflation rate remained elevated due to the pass-through effect of alternative market exchange rates and forward pricing on most goods and services with the June year-on-year rate at 737.3% (June 2019: 175.66%).

The Zimbabwe Stock Exchange (ZSE) All Share Index gained 677.45% since the beginning of the year while the ZSE Top 10 Index was up 508.24% as of 28 June 2020. When trading on the local bourse was suspended by the Ministry of Finance on 28 June 2020, the market had experienced a 'bull run' on the back of investors seeking to hedge assets against hyperinflation. The markets reopened on 3 August 2020. The Group, however, believes that quoted equities remain a viable long-term asset class and will continue to diversify its real assets portfolio.

FINANCIAL HIGHLIGHTS

In October 2019 the Public Accountants and Auditors Board concluded that conditions for applying Financial Reporting in Hyperinflation Economies (International Accounting Standard (IAS) 29) had been met in Zimbabwe. The historical cost financial results have been restated to take account of changes in the purchasing power of the local currency during the year. Inflation adjusted financial results therefore represent the main financial statements with historical cost financials providing supplementary information.

Comprehensive income highlights

	Inflation adjusted		Historical cost	
	30 Jun 2020	30 Jun 2019	30 Jun 2020	30 Jun 2019
	ZWL000	ZWL000	ZWL000	ZWL000
Gross Premium Written (GPW)	1,514,788	1,637,962	983,836	157,597
Net Premium Earned	1,014,921	1,365,367	631,018	111,135
Rental income	65,751	45,932	38,755	6,638
Investment income	406,871	346,014	1,080,382	92,217
Profit before income tax	3,243,517	1,944,607	4,833,459	247,815
Profit for the period	2,315,274	1,615,698	3,406,054	201,689

Financial position highlights

	Inflation adjusted		Historical	
	30 Jun 2020	31 Dec 2019	30 Jun 2020	31 Dec 2019
	ZWL000	ZWL000	ZWL000	ZWL000
Total assets	11,209,890	6,300,641	10,962,644	2,307,908
	30-Jun-20	30-Jun-19	30-Jun-20	30-Jun-19
	ZWL000	ZWL000	ZWL000	ZWL000
Cash generated from operations	779,100	(269,597)	835,436	57,460

Share performance

	Inflation adjusted		Historical	
	30 Jun 2020	31 Dec 2019	30 Jun 2020	31 Dec 2019
	ZWL cents	ZWL cents	ZWL cents	ZWL cents
Market price per share (ZWL cents) *	370	81	370	31
Basic earnings per share (ZWL cents)	206	243	280	18

*Trading on the ZSE was suspended on 28 June 2020, hence the price is as at that date.

FINANCIAL PERFORMANCE

Statement of comprehensive income

Gross Premium Written ("GPW") at \$1.5 billion declined by 8% in inflation adjusted terms as the continuous revaluation of insurance policies to ensure clients have adequate cover fell below the growth in inflation.

Rental income for the period amounted to \$65.8 million and was ahead of prior year by 45%. The real growth, relative to prior year, was due to quarterly rental reviews and increases in occupancy rates in retail and residential properties.

The Group achieved investment income of \$407 million for the period under review compared to investment income of \$346 million in 2019. The growth was driven by fair value gains on listed equities.

Statement of financial position

The Group's total assets appreciated in value by 78% at 30 June 2020 compared to 31 December 2019. The increase is mainly attributable to the fair value adjustment on investment properties and listed equities as well as revaluation of net foreign currency denominated assets.

SUSTAINABILITY

Sustainability is a core value of the First Mutual Group. Sustainability provides considerable integrated thinking on how to manage economic, environmental and social impact through shared values with stakeholders. The Group will include a sustainability report in the current year annual report as for the year ended 31 December 2019. The report will be prepared in line with the Global Reporting Initiatives ("GRI") standards. 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 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 the 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 also provides support to cancer awareness programmes and has contributed to the national effort to mitigate the impact of COVID-19 on vulnerable members of the community. Donations of non-perishables goods and clothing have been made through our Employee Corporate Social Responsibility initiative.

OUTLOOK

The Ministry of Finance and Economic Development is projecting that the economy will contract by 4.5% in 2020 on account of the adverse effects of COVID-19 and negative impact of the 2019/20 drought on agricultural production. The Group intends to continue leveraging on its diverse business portfolio as well as regional footprint to sustain a positive growth trajectory into the future. Plans are well advanced to enhance the capital positions of the Group's businesses, in need, at home and in the region. Concerted efforts by both Monetary and Fiscal authorities should bring about price and exchange rate stability which support key growth industries as well as the economy at large. This should lay a foundation for business recovery and success.

DIRECTORATE

In line with the principles of good governance that require periodic rotation of directors and board revitalisation, Mr Oliver Mtasa stepped down as a director and Chairman of the Board with effect from 7 August 2020. Mrs Daphne Tomana, a non-executive member of the board resigned with effect from 1 August 2020. Mrs Tomana had served the Board since July 2018.

Mr Mtasa had been a board member since 2012 and Chairman of the FMHL Group since 2014. He oversaw significant growth in the Group both organic and through acquisition of a key SBU, including consolidation thereof. The Group will miss his wise and professional leadership. I would like to convey the Board's heartfelt appreciation and best regards to Mr Mtasa and Mrs Tomana for their dedication, professionalism, hard work and invaluable contribution to the Group.

I was appointed as Chairman of the FMHL Group Board with effect from 7 August 2020.

DIVIDEND

The Board resolved that an interim dividend of ZWL20 million, being ZWL2.76 cents (two point seven six Zimbabwe cents) per share be declared from the profits of the Group for the half year ended 30 June 2020. The dividend will be payable on or about 30 October 2020 to all shareholders of the Company registered on close of business on 16 October 2020. The shares of the company will be traded cum-dividend on the ZSE up to 13 October 2020 and ex-dividend as from 14 October 2020.

APPRECIATION

On behalf of the Board, I would like to extend my gratitude to our customers, regulators and other stakeholders for their support during the period under review. We especially appreciate the commendable efforts by employees in the current difficult COVID-19 environment. Finally, I wish to thank my fellow board members for their support, open and honest contributions.



Amos Manzai
Chairman
28 August, 2020

GROUP CHIEF EXECUTIVE OFFICER'S REVIEW OF OPERATIONS

The economic environment has remained turbulent, characterised by the COVID-19 pandemic. The health and safety of our customers and staff remains at the top of our minds. Notwithstanding the difficult circumstances, the Group has remained focused on delivering its promise on the core pillars of risk management, wealth creation and wealth management. Economic developments and policy pronouncements during the year, as highlighted in the Chairman's statement, had an impact on the operations of the Group but, through initiatives such as product innovation, service excellence and strategic partnerships, we were able to mitigate against the loss of value for our customers.

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 23% to \$435.9 million in the period to June 2020 due to sub-inflationary increases in premium rates as most clients were not in a position to sustain full increases aligned to inflation. The claims ratio declined from 71.36% to 66.55%, reflecting lower usage by members due to the COVID-19 induced national lockdown which has led to member reduction in procuring medical services. Membership increased marginally from 144,215 in December 2019 to 145,380 in June 2020.

LIFE AND PENSIONS BUSINESS

First Mutual Life Assurance Company (Private) Limited

GPW decreased by 55% to \$147.4 million in the period to June 2020 reflecting the below inflation adjustments to basic salaries that drive the Employee Benefits (pensions and group life assurance) division. Revenue growth was also negatively affected by the slow pace in increasing life cover amounts in the individual life division. Fee income on insurance and investment contracts increased by 73% to \$72.7 million due to the inflation driven growth in the value of non-monetary assets.

INSURANCE

NicozDiamond Insurance Company Limited

GPW declined by 22% to \$498.6 million in the period to June 2020. The decrease was mainly due to the decline in USD denominated business after promulgation of Statutory Instruments 141 and 142 of 2019 in June 2019 which resulted in all business being written in ZWL which could not fully match the inflation trends. Efforts are continuously made to ensure clients are adequately covered through the quarterly review of the sums insured. The claims ratio was 48% (2019: 51%) due to a lower claims' growth relative to income.

REINSURANCE

First Mutual Reinsurance Company Limited - Zimbabwe

GPW decreased by 56% to \$104.6 million at 30 June 2020. 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 revision of premiums. The claims ratio deteriorated to 48% in 2020 from 39% in 2019.

FMRE Property and Casualty (Proprietary) Limited Botswana

GPW grew by 41% to \$357 million in 2020. The growth was 51% in Botswana Pula terms, at BWP97.6 million, driven by improved local and international treaty participation and growth of specialist lines of business under the casualty segment. The claims ratio increased to 40% in 2020 from 29% in 2019, aligning with long term industry trends.

PROPERTY AND WEALTH MANAGEMENT

First Mutual Properties Limited

Revenue declined by 15% to \$68.3 million in 2020. The decrease was due to below inflation rental review rates. There was, however, an improvement in occupancy rates from 76.64% in June 2019 to 88.52% at the end of June 2020. Independent investment property valuations as at 30 June 2020 resulted in significant increases in the portfolio value.

First Mutual Wealth Management (Private) Limited

Investment fees decreased by 39% to \$9 million in inflation adjusted terms mainly due to the below inflation performance in quarter one of 2020 of some components of funds under management such as quoted equities. This had a negative impact on monthly fee income at the beginning of the year. During the period, 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.

The integration of sustainability in our operations is expected to continue with setting measurable targets, improving systems and developing capacity across the Group. During the current year, the Group will be rolling out sustainable renewable energy to power our offices at First Mutual Park and other offices across the country thereafter.

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 which will migrate towards online platforms in response to current physical distancing measures.

CORONAVIRUS PANDEMIC

The COVID-19 pandemic is still unfolding and therefore requires continuous monitoring and assessment. There has been global disruption in supply chains and increase in cost of doing business due to the pandemic. Group will retain resources to respond as necessary to the impact of the pandemic.

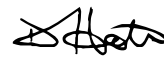
We express our sympathy for the victims of the pandemic and their families. First Mutual is doing everything it can to protect the health of its clients, staff members and their families by adhering to the safety measures as detailed by the World Health Organisation (WHO).

LOOKING AHEAD

In the short term, the economy is expected to continue 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 strive to ensure that our businesses achieve operating profits in a volatile environment. Continued efforts are being made to enhance our regional footprint with a view to increasing our foreign currency earning potential.

APPRECIATION

I would like to thank all our stakeholders for the continued trust you have placed in our Group. We remain a reliable partner to you - even in these challenging times, therefore your support is critical, and we will continue to work to exceed your expectations.



Douglas Hoto
Group Chief Executive Officer
28 August, 2020

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

ASSETS	Note	INFLATION ADJUSTED		HISTORICAL		INFLATION ADJUSTED		HISTORICAL	
		REVIEWED	AUDITED	UNAUDITED	AUDITED	UNAUDITED	AUDITED	UNAUDITED	AUDITED
		GROUP	GROUP	GROUP	GROUP	COMPANY	COMPANY	COMPANY	COMPANY
		30-Jun-20	31-Dec-19	30-Jun-20	31-Dec-19	30-Jun-20	31-Dec-19	30-Jun-20	31-Dec-19
Property, plant and equipment	5	148,398	133,709	26,372	18,499	1,503	1,654	219	131
Investment property	6	7,679,597	3,702,403	7,679,597	1,413,176				
Right of use of assets - IFRS 16	7	47,295	49,663	1,802	3,068	10,878	9,511	2,860	1,030
Intangible assets		7,150	22,228	895	2,693				
Investment in subsidiaries	8	-	-	-	-	2,159,927	1,483,953	2,413,890	505,609
Investment in associates		104,970	77,954	66,916	10,352				
Financial assets:									
- Equity securities at fair value through profit or loss	9	1,576,740	913,740	1,576,740	348,767	119,091	39,922	119,091	15,238
- Debt securities at amortised cost	10	20,199	24,669	20,199	9,416				
Deferred acquisition costs		79,919	63,760	57,803	7,648				
Income tax asset		(298)	306	(298)	117				
Inventory		22,153	34,047	8,853	6,309	343	343	343	131
Insurance, tenant and other receivables	11	642,425	545,853	642,425	208,348	4,863	14,137	4,283	5,396
Cash and balances with banks	12	881,340	732,308	881,340	279,516	12,277	12,630	12,277	4,821
TOTAL ASSETS		11,209,890	6,300,641	10,962,644	2,307,908	2,308,883	1,562,150	2,552,963	532,356
EQUITY AND LIABILITIES									
Equity attributable to equity holders of the parent									
Share capital		16,229	16,229	723	723	16,229	16,229	723	723
Share premium		875,820	875,820	39,045	39,045	875,820	875,820	39,045	39,045
Non-distributable reserves		457,451	319,060	302,772	68,229	20,270	20,103	922	806
Retained profits		1,284,823	(199,747)	2,410,673	389,819	1,380,733	633,730	2,496,441	485,572
Total equity attributable to equity holders of the parent		2,634,323	1,011,361	2,753,214	497,817	2,293,051	1,545,882	2,537,132	526,147
Non-controlling interests		2,091,671	1,263,500	1,733,167	350,636	-	-	-	-
Total equity		4,725,994	2,274,861	4,486,381	848,453	2,293,051	1,545,882	2,537,132	526,147
Liabilities									
Life insurance contracts with and without DPF and investment contracts with DPF liabilities	13	3,173,321	1,844,050	3,173,321	703,858	-	-	-	-
Investment contract liabilities without DPF	14	321,369	119,572	321,369	45,639	-	-	-	-
Shareholder risk reserves	15	31,359	69,812	31,359	26,647	-	-	-	-
Lease liability - IFRS 16	7	9,404	8,656	9,404	3,304	3,107	2,781	3,107	1,062
Share based payment liability		28,664	13,147	28,664	5,018	9,928	3,457	9,928	1,320
Insurance contract liabilities - short term	16	950,618	984,274	950,618	307,555	-	-	-	-
Insurance liabilities - life assurance		4,986	10,686	4,986	4,079	-	-	-	-
Other payables	17	252,192	211,687	252,192	80,799	2,796	10,029	2,796	3,828
Deferred income tax	18	1,689,760	761,636	1,682,128	281,692	-	-	-	-
Current income tax liabilities		22,222	2,261	22,222	863	-	-	-	-
Total liabilities		6,483,896	4,025,780	6,476,264	1,459,455	15,831	16,268	15,831	6,209
TOTAL EQUITY AND LIABILITIES		11,209,890	6,300,641	10,962,644	2,307,908	2,308,883	1,562,150	2,552,963	532,356

STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 30 JUNE 2020

INCOME	Note	INFLATION ADJUSTED		HISTORICAL	
		REVIEWED	UNAUDITED	UNAUDITED	UNAUDITED
		30-Jun-20	30-Jun-19	30-Jun-20	30-Jun-19
		ZWL000	ZWL000	ZWL000	ZWL000
Gross premium written	19	1,514,788	1,637,962	983,836	157,597
Reinsurance	19	(377,131)	(192,465)	(269,676)	(40,465)
Net premium written	19	1,137,657	1,445,497	714,160	117,131
Unearned premium reserve		(122,736)	(80,130)	(83,142)	(5,996)
Net premium earned		1,014,921	1,365,367	631,018	111,135
Rental income		65,751	45,932	38,755	6,638
Fair value adjustments - investment property	6	3,977,159	1,269,904	6,266,402	302,702
Investment income	20	406,871	346,017	1,080,382	92,217
Interest income	20	60,283	2,247	5,987	1,712
Fee income:					
- Insurance contracts		71,747	39,639	54,503	1,089
- Investment contracts		996	2,327	654	2,332
Other income		62,874	57,881	14,867	1,022
Foreign currency exchange gain		82,620	(26,758)	135,900	(821)
Monetary gain - IAS29		118,028	2,100,742	-	-
Total income		5,861,248	5,203,300	8,228,469	518,025
EXPENDITURE					
Pension benefits	21	(16,524)	(58,567)	(10,217)	(6,611)
Insurance claims and loss adjustment expenses	21	(521,216)	(707,407)	(310,755)	(54,035)
Insurance claims and loss adjustment expenses recovered from reinsurers	21	43,936	65,965	28,512	4,646
Net insurance benefits and claims	21	(493,804)	(700,010)	(292,461)	(56,000)
Movement in insurance contract liabilities		(1,329,271)	(1,864,835)	(2,478,529)	(150,704)
Movement in shareholder risk reserve		38,453	(30,261)	(4,712)	(3,817)
Investment gain on investment contract liabilities		(384,239)	(126,330)	(278,849)	(15,087)
Acquisition of insurance and investment contracts expenses		(85,410)	(80,704)	(50,882)	(6,800)
Administration expenses		(350,585)	(445,776)	(272,473)	(35,757)
Impairment allowances		(14,099)	(8,156)	(18,263)	(1,731)
Finance cost		(540)	-	(540)	-
Total expenditure		(2,619,494)	(3,256,073)	(3,396,711)	(269,897)
Profit before share of (loss)/profit of associate		3,241,754	1,947,228	4,831,758	248,128
Share of profit of associate		1,762	(2,621)	1,701	(313)
Profit before income tax		3,243,517	1,944,607	4,833,459	247,815
Income tax expense		(928,243)	(328,909)	(1,427,542)	(46,127)
Profit for the period		2,315,274	1,615,698	3,406,916	201,689
Other comprehensive income/(loss)					
Other comprehensive income/(loss) to be reclassified to statement of comprehensive income in subsequent period					
Exchange gain/(loss) on translating foreign operations		138,224	264,682	234,427	31,613
Other comprehensive income/(loss) to be reclassified to statement of comprehensive income in subsequent periods		138,224	264,682	234,427	31,613
Total comprehensive profit for the period		2,453,498	1,880,381	3,640,343	233,302
Profit attributable to:					
Non-controlling interest		828,171	273,047	1,382,531	72,469
Equity holders of the parent		1,487,103	1,342,652	2,023,386	129,220
Profit for the period		2,315,274	1,615,698	3,406,916	201,689
Comprehensive income attributable to:					
Non-controlling interest		828,171	273,047	1,382,531	72,469
Equity holders of the parent		1,625,327	1,607,234	2,257,813	160,833
Total comprehensive income for the period		2,453,498	1,880,381	3,640,343	233,302
Basic earnings per share (ZWL cents)		205.56	186.14	279.69	17.91
Diluted earnings per share (ZWL cents)		205.36	185.87	279.42	17.89
Headline earnings per share (ZWL cents)		201.90	176.01	277.73	16.55
Diluted headline earnings per share (ZWL cents)		201.71	175.76	277.46	16.53

STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30 JUNE 2020

INFLATION ADJUSTED	Share		Non-distributable reserves	Retained Earnings	Total equity for parent	Non-controlling interest	Total equity
	capital	premium					
	ZWL000	ZWL000					
As at 1 January 2019	16,212	874,711	151,350	25,154	1,067,427	353,530	1,420,957
Reclassification of revaluation reserve*	-	-	(51,468)	51,468	-	-	-
Profit for the period	-	-	-	1,487,103	1,487,103	828,171	2,315,274
Other comprehensive (loss)/income	-	-	138,224	-	138,224	-	138,224
Total comprehensive (loss)/income	-	-	86,756	1,538,571	1,625,327	828,171	2,453,498
Transactions with shareholders in their capacity as owners							
Acquisition of non-controlling interest	-	-	-	2,378	2,378	(4,856)	(2,478)
Dividend declared and paid	-	-	-	(17,700)	(17,700)	(1,793)	(19,493)
As at 30 June 2019	16,212	874,711	238,106	1,548,403	2,677,432	1,175,052	3,852,484
As at 1 January 2020	16,229	875,820	319,060	(199,747)	1,011,361	1,263,500	2,274,861
Profit for the period	-	-	-	1,487,103	1,487,103	828,171	2,315,274
Other comprehensive income	-	-	138,224	-	138,224	-	138,224
Total comprehensive income	-	-	138,224	1,487,103	1,625,327	828,171	2,453,498
Transactions with shareholders in their capacity as owners							
Share based payments	-	-	167	-	167	-	167
Dividend declared and paid	-	-	-	(2,532)	(2,532)	-	(2,532)
As at 30 June 2020	16,229	875,820	457,451	1,284,823	2,634,323	2,091,671	4,725,994
HISTORICAL							
	Share capital	Share premium	Non-distributable reserves	Retained profits	Total equity for parent	Non-controlling interest	Total equity
	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000
As at 1 January 2019	721	38,844	6,673	44,191	90,429	42,225	132,654
Profit for the year	-	-	-	129,221	129,221	72,469	201,690
Other comprehensive (loss)/income	-	-	31,613	-	31,613	-	31,613
Total comprehensive (loss)/income	-	-	31,613	129,221	160,834	72,469	233,303
Transactions with shareholders in their capacity as owners							
Acquisition of non-controlling interest	-	-	-	284	284	(580)	(296)
Dividend declared and paid	-	-	-	(2,114)	(2,114)	(214)	(2,328)
As at 30 June 2019	721	38,844	38,286	171,582	249,433	113,900	363,333
As at 1 January 2020	723	39,045	68,229	389,819	497,817	350,636	848,453
Profit for the period	-	-	-	2,023,386	2,023,386	1,382,531	3,406,916
Other comprehensive income	-	-	234,427	-	234,427	-	234,427
Total comprehensive income	-						

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2019 (continued)

2.3 Inflation adjusted (continued)

Date	CPI	Conversion factor
30 June 2019	172.61	8.37
31 December 2019	551.63	2.62
30 June 2020	1,445.21	1

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

3 Functional and presentation currency

These financial statements are prepared using the Zimbabwe Dollar ("ZWL") which is the Group and Company's functional and presentation currency.

4 Independent auditor's review conclusion

The Group's inflation adjusted interim financial statements from which these abridged results have been extracted have been reviewed by the Group's external auditors, Ernst & Young Chartered Accountants (Zimbabwe), who have issued an adverse review conclusion as a result of non-compliance with International Accounting Standard 21, "The Effects of Changes in Foreign Exchange Rates" in prior and current year and International Accounting Standard 8, "Accounting Policies, Changes in Accounting Estimates and Errors"; and valuation of investment property, due to lack of market evidence to support property valuation inputs. The auditor's review conclusion on the Group's inflation adjusted interim financial statements is available for inspection at the Company's registered office. The engagement partner for this review is Mr Fungai Kuipa (PAAB Practicing Certificate Number 335).

	INFLATION ADJUSTED		HISTORICAL		INFLATION ADJUSTED		HISTORICAL	
	REVIEWED GROUP	AUDITED GROUP	REVIEWED GROUP	AUDITED GROUP	UNAUDITED COMPANY	AUDITED COMPANY	UNAUDITED COMPANY	AUDITED COMPANY
	30-Jun-20	31-Dec-19	30-Jun-20	31-Dec-19	30-Jun-20	31-Dec-19	30-Jun-19	31-Dec-19
	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000
5 Property, vehicles and equipment								
At 1 January	133,709	76,628	18,499	10,541	1,654	1,664	131	74
Additions	26,444	73,091	14,159	9,811	125	614	103	89
Disposals	(11,891)	(1,650)	(6,359)	(192)	-	-	-	-
Depreciation charge and disposal	136	(14,360)	73	(1,661)	(276)	(624)	(16)	(31)
At 30 June and 31 December	148,398	133,709	26,372	18,499	1,503	1,654	219	131

6 Investment property

At 1 January	3,702,403	2,361,869	1,413,176	145,170	-	-	-	-
Additions	36	24,355	19	1,809	-	-	-	-
Disposals	-	(11,050)	-	(1,320)	-	-	-	-
Transfer to associate	-	-	-	-	-	-	-	-
Fair value adjustments	3,977,159	1,327,230	6,266,402	1,267,517	-	-	-	-
At 30 June and 31 December	7,679,597	3,702,403	7,679,597	1,413,176	-	-	-	-

The Group's fair values of its investment properties are based on valuations performed by Knight Frank an accredited independent valuer. Knight Frank is a specialist in valuing these types of investment properties and has recent experience in the location and category of the investment properties being valued. The valuations are based upon assumptions on future rental income, anticipated maintenance costs, future development costs and the appropriate discount rate. Where the market information is available, the valuers make use of market information from transactions of similar properties. Significant judgements were applied in the current year as a result of the uncertainties resulting from the hyperinflationary economic environment, currency shifts, excessive market volatility lack of recent transactions conducted in ZWL.

7 Leases

Right of use of assets								
As at 1 January	49,663	58,873	3,068	3,618	9,511	6,414	1,030	394
Modification	(619)	-	(331)	-	2,362	6,170	2,362	969
Depreciation charge for the year	(1,748)	(9,211)	(935)	(550)	(995)	(3,073)	(532)	(333)
At 30 June and 31 December	47,295	49,663	1,802	3,068	10,878	9,511	2,860	1,030
Lease liability								
Current	1,903	1,055	1,123	403	1,998	1,789	1,998	683
Non-current	7,301	7,600	8,257	2,901	1,108	992	1,109	379
At 30 June and 31 December	9,404	8,655	9,404	3,304	3,107	2,781	3,107	1,062

8 Investment in subsidiaries

First Mutual Microfinance (Private) Limited	-	-	-	-	1,171	7,488	-	350
First Mutual Life Assurance Company (Private) Limited	-	-	-	-	767,462	530,113	1,091,015	195,507
First Mutual Health Company (Private) Limited	-	-	-	-	267,076	151,125	235,083	47,864
First Mutual Reinsurance Company (Private) Limited	-	-	-	-	179,406	74,376	179,267	26,704
FMRE Property & Casualty (Proprietary) Limited	-	-	-	-	295,479	212,710	289,131	74,516
First Mutual Wealth Management (Private) Limited	-	-	-	-	10,555	7,954	6,958	1,976
NicozDiamond Insurance Limited	-	-	-	-	638,778	500,186	702,298	158,692
Total	-	-	-	-	2,159,927	1,483,953	2,413,890	505,609

9 Financial assets at fair value through profit or loss

At 1 January	913,740	1,703,591	348,767	104,710	39,922	81,085	15,238	4,983
Purchases	473,924	712,589	253,435	84,732	263	13,649	147	5,210
Disposals	(217,795)	(412,870)	(109,808)	(49,093)	(3,512)	-	(3,512)	-
Fair value gain on unquoted investments	6,572	2,251	3,515	859	-	-	-	-
Fair value gain on quoted equities	400,299	(1,091,821)	1,080,832	207,559	82,418	(54,811)	107,218	5,046
At 30 June and 31 December	1,576,740	913,740	1,576,740	348,767	119,091	39,922	119,091	15,238

10 Debt securities at amortised cost

At 1 January	24,669	817,291	9,416	29,799	-	-	-	-
Purchases	23,748	346,448	12,700	41,195	-	-	-	-
Maturities	(28,219)	(1,139,069)	(1,917)	(61,578)	-	-	-	-
At 30 June and 31 December	20,199	24,669	20,199	9,416	-	-	-	-

11 Insurance, tenant and other receivables

Insurance receivables	516,819	434,875	516,819	165,988	-	-	-	-
Tenant receivables	33,252	12,005	33,252	4,582	-	-	-	-
Amounts due from Group companies	-	-	-	-	2,346	9,642	2,346	3,680
Other receivables	92,354	98,973	92,354	37,778	2,517	4,495	1,937	1,716
Total	642,425	545,853	642,425	208,348	4,863	14,137	4,283	5,396

12 Cash and balances with banks

Money market investments with original maturities less than 90 days	264,544	176,357	264,544	67,314	-	-	-	-
Cash at bank and on hand	616,796	555,951	616,796	212,202	12,277	12,630	12,277	4,821
Cash and balances with banks	881,340	732,308	881,340	279,516	12,277	12,630	12,277	4,821

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2019 (continued)

	INFLATION ADJUSTED		HISTORICAL		INFLATION ADJUSTED		HISTORICAL	
	REVIEWED GROUP	AUDITED GROUP	REVIEWED GROUP	AUDITED GROUP	UNAUDITED COMPANY	AUDITED COMPANY	UNAUDITED COMPANY	AUDITED COMPANY
	30-Jun-20	31-Dec-19	30-Jun-20	31-Dec-19	30-Jun-20	31-Dec-19	30-Jun-19	31-Dec-19
	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000
13 Life insurance contracts and investment contracts with Discretionary Participating Features ("DPF") liabilities								
At 1 January	1,844,050	34,745	703,858	13,262	-	-	-	-
Movement	1,329,271	1,809,305	2,469,462	690,597	-	-	-	-
At 30 June and 31 December	3,173,321	1,844,050	3,173,321	703,858	-	-	-	-
14 Investment contract liabilities without DPF								
At 1 January	119,572	455,814	45,639	28,010	-	-	-	-
Movement	201,796	(336,242)	275,729	17,629	-	-	-	-
At 30 June and 31 December	321,369	119,572	321,369	45,639	-	-	-	-
15 Shareholder risk reserve								
At 1 January	69,812	39,551	26,647	22,830	-	-	-	-
Movement	(38,453)	30,261	4,712	3,817	-	-	-	-
At 30 June and 31 December	31,359	69,812	31,359	26,647	-	-	-	-
16 Insurance contract liabilities - short term								
Outstanding claims	97,766	108,946	97,766	41,584	-	-	-	-
Reinsurance	460,081	369,902	460,081	141,189	-	-	-	-
Losses incurred but not reported	129,258	113,065	129,258	43,156	-	-	-	-
Members savings pot	19,793	20,011	19,793	7,638	-	-	-	-
Premium received in advance	4,631	26,716	4,631	10,197	-	-	-	-
Unearned premium reserve	205,826	312,582	205,826	51,176	-	-	-	-
Commissions	33,263	33,051	33,263	12,615	-	-	-	-
Total	950,618	984,274	950,618	307,555	-	-	-	-
17 Other payables								
Other payables	246,624	198,355	246,624	75,710	1,510	9,154	1,510	3,494
Provisions	55,527	72,421	55,527	27,643	-	-	-	-
Payroll and statutory payables	34,676	66,531	34,676	25,394	574	4,939	574	1,885
Accrued expenses	17,464	21,704	17,464	8,284	535	804	535	307
Trade payables	6,800	15,062	6,800	5,749	45	1,313	45	501
Trade payables	132,156	22,636	132,156	8,640	356	2,099	356	801
Property business related liabilities	5,569	13,333	5,569	5,089	-	-	-	-
Amounts due to group companies	-	-	-	-	1,286	875	1,286	334
Total	252,192	211,687	252,192	80,799	2,796	10,029	2,796	3,828
18 Deferred income tax								
At 1 January	761,636	44,439	281,692	16,436	-	-	-	-
Recognised through statement of comprehensive income	928,124	717,197	1,400,435	265,256	-	-	-	-
Total	1,689,760	761,636	1,682,128	281,692	-	-	-	-
19 Net premium written								
Pension and savings business	95,239	194,824	58,394	18,745	-	-	-	-
Life assurance	52,128	81,131	31,961	7,806	-	-	-	-
Health insurance	435,196	479,248	277,426	46,111	-	-	-	-
Property and casualty	931,505	882,760	616,055	84,935	-	-	-	-
Gross premium written	1,514,788	1,637,962	983,836	157,597	-	-	-	-
Less: Reinsurance	(377,194)	(192,465)	(269,676)	(40,465)	-	-	-	-
Net premium written	1,137,595	1,445,497	714,160	117,132	-	-	-	-
20 Investment income								
Dividend received	643	13,549	1,708	3,611	-	-	-	-
Fair value gain on unquoted equities at fair value through profit or loss	6,572	(90)	3,515	(24)	-	-	-	-
Gain from disposal of quoted investments at fair value through profit or loss	14,408	20,269	38,258	5,402	-	-	-	-
Capital guarantee fees	(15,051)	(4,551)	(43,931)	(1,213)	-	-	-	-
Fair value gain on quoted equities at fair value through profit or loss	400,299	316,840	1,080,832	84,441	-	-	-	-
Total investment income before interest income	406,871	346,017	1,080,382	92,217	-	-	-	-
Interest income	60,283	2,247	5,987	1,712	-	-	-	-
Total investment income	467,154	348,264	1,086,369	93,929	-	-	-	-
21 Net insurance claims and benefits								
Insurance claims and loss adjustment expenses:								
Health insurance	288,356							

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019 (continued)

24. Going concern

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

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

SEGMENTAL RESULTS AND ANALYSIS

FOR THE HALF YEAR ENDED 30 JUNE 2020

INFLATION ADJUSTED

	Life	Property and Casualty	Health	Property	Other	Gross Figures	Consolidation Entries	Total Consolidated
As at 30 June 2020	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000
Net Premium Earned	145,976	436,794	435,916	-	-	1,018,686	(3,765)	1,014,921
Rental income	-	4,867	-	69,313	-	74,180	(8,429)	65,751
Fair value adjustments on investment property	-	257,057	-	3,501,063	-	3,758,120	219,038	3,977,159
Investment income	2,150,643	144,613	161,903	(779)	751,455	3,207,834	(2,704,681)	467,154
Other income and fee income	1,551,995	67,408	76,936	15,392	45,007	1,756,738	(1,402,473)	336,265
Total income	3,848,614	910,738	674,755	3,584,988	796,462	9,815,558	(3,954,310)	5,861,248
Total expenses	(3,277,510)	(403,779)	(375,805)	(49,731)	(56,704)	(4,163,529)	1,544,035	(2,619,494)
Deferred acquisition costs	-	79,919	-	-	-	79,919	-	79,919
Total assets	4,790,783	2,373,162	466,927	7,302,605	2,375,700	17,309,177	(6,099,287)	11,209,890
Movement in insurance contract liabilities	(1,329,271)	-	-	-	-	(1,329,271)	-	(1,329,271)
Movement in investment contract liabilities	(384,239)	-	-	-	-	(384,239)	-	(384,239)
Total liabilities	3,554,932	1,258,833	633,499	1,514,208	478,267	7,439,739	(955,843)	6,483,896
Cash flows from operating activities	58,919	131,935	78,602	37,543	44,810	351,809	(394,132)	(42,323)
Cash flows generated from/ (utilised in) investing activities	(103,657)	(266,841)	(60,029)	(20,047)	55,347	(395,227)	129,262	(265,965)
Cash generated from/ (utilised in) financing activities	3,709	118,450	(1,407)	-	(33,098)	87,653	(92,452)	(4,799)
Profit before income tax	498,361	503,315	304,016	3,576,823	734,284	5,616,799	(2,373,283)	3,243,517
Income tax expense	(3,558)	(205,967)	(12,409)	(827,162)	(176,228)	(1,225,325)	297,082	(928,243)
As at 30 June 2019								
Net premium earned	220,726	326,363	386,068	-	-	933,157	432,210	1,365,367
Rental income	-	-	-	56,180	-	56,180	(10,248)	45,932
Fair value adjustments on investment property	-	338,587	-	2,195,809	-	2,534,396	(1,264,492)	1,269,904
Investment income	1,700,295	119,083	156,634	90,549	1,175,552	3,242,113	(2,893,848)	348,264
Other income and fee income	54,639	(28,082)	22,187	12,015	33,080	93,840	2,079,993	2,173,832
Total income	1,975,660	755,952	564,889	2,354,553	1,208,632	6,859,686	(1,656,385)	5,203,300
Total expenses	(1,596,793)	(307,106)	(331,110)	(31,983)	(26,466)	(2,293,458)	(962,614)	(3,256,073)
Deferred acquisitions costs	-	63,760	-	-	-	63,760	-	63,760
Total assets	3,592,756	2,076,927	638,141	3,572,152	1,909,550	11,789,526	(5,488,885)	6,300,641
Movement in insurance contract liabilities	(1,864,835)	-	-	-	-	(1,864,835)	-	(1,864,835)
Movement in investment contract liabilities	(126,330)	-	-	-	-	(126,330)	-	(126,330)
Total liabilities	3,049,954	1,217,842	183,066	447,590	12,450	4,910,901	(885,122)	4,025,780
Cash flows from operating activities	116,864	33,901	114,587	20,370	(23,962)	261,760	(535,210)	(273,450)
Cash flows generated from/ (utilised in) investing activities	(90,256)	(31,849)	(56,833)	(1,072)	29,597	(150,413)	964,205	813,792
Cash generated from/ (utilised in) financing activities	5,601	-	-	(770)	(17,700)	(12,869)	(4,594)	(17,462)
Profit/(loss) before income tax	362,809	452,454	233,779	2,322,570	1,182,174	4,553,786	(2,609,179)	1,944,607
Income tax expense	(4,237)	(87,175)	-	(288,536)	(201)	(380,148)	51,240	(328,909)

SEGMENTAL RESULTS AND ANALYSIS

FOR THE HALF YEAR ENDED 30 JUNE 2020 (continued)

HISTORICAL

	Life	Property and Casualty	Health	Property	Other	Gross Figures	Consolidation Entries	Total Consolidated
As at 30 June 2020	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000
Net premium earned	92,707	264,726	277,426	-	-	634,858	(3,840)	631,018
Rental income	-	3,035	-	41,410	-	44,445	(5,690)	38,755
Fair value adjustments on investment property	-	476,126	-	5,806,271	-	6,282,397	(15,995)	6,266,402
Investment income	3,639,627	245,488	188,632	(19)	2,018,047	6,091,776	(5,005,407)	1,086,369
Other income and fee income	60,567	27,984	65,628	56,243	33,957	244,379	(38,454)	205,925
Total income	3,792,901	1,017,358	531,686	5,903,905	2,052,004	13,297,856	(5,069,385)	8,228,469
Total expenses	(3,425,048)	(671,873)	(308,790)	(46,016)	(53,953)	(4,505,681)	1,108,970	(3,396,711)
Deferred acquisition costs	-	57,803	-	-	-	57,803	-	57,803
Total assets	4,710,075	2,298,408	424,013	7,299,539	2,608,797	17,340,832	(6,378,188)	10,962,644
Movement in insurance contract liabilities	(2,439,252)	-	-	-	-	(2,439,252)	(39,278)	(2,478,529)
Movement in investment contract liabilities	(278,849)	-	-	-	-	(278,849)	-	(278,849)
Total liabilities	3,619,060	1,636,891	733,499	1,512,513	115,315	7,617,277	(1,141,014)	6,476,264
Cash flows from operating activities	1,165	498,361	126,517	2,834	10,876	639,752	(355,245)	284,507
Cash flows generated from/ (utilised in) investing activities	(19,189)	(99,915)	(7,943)	(31,234)	(52,345)	(210,626)	48,547	(162,079)
Cash generated from/ (utilised in) financing activities	123	63,342	(1,407)	-	(66,543)	(4,485)	741	(3,744)
Profit before income tax	936,285	773,390	276,691	5,869,889	2,005,872	9,862,129	(5,028,671)	4,833,459
Income tax expense	(40,777)	(142,090)	(67,789)	(1,248,292)	(481,409)	(1,980,358)	552,861	(1,427,542)
As at 30 June 2019								
Net premium earned	26,363	38,981	46,111	-	-	111,455	(320)	111,135
Rental income	-	-	-	6,828	-	6,828	(191)	6,638
Fair value adjustments on investment property	-	36,000	-	273,062	-	309,062	(6,360)	302,702
Investment income	203,079	54,751	18,714	1	9,032	285,578	(191,649)	93,929
Other income and fee income	5,380	(3,356)	2,899	1,446	4,234	10,602	(6,980)	3,622
Total income	234,822	126,377	67,723	281,337	13,266	723,525	(205,499)	518,025
Total expenses	(190,717)	(37,516)	(39,802)	(3,873)	(7,463)	(279,372)	9,475	(269,897)
Deferred acquisitions costs	-	7,648	-	-	-	7,648	-	7,648
Total assets	429,110	584,860	276,218	850,376	240,134	2,380,700	(72,791)	2,307,908
Movement in insurance contract liabilities	(148,919)	-	-	-	-	(148,919)	(1,785)	(150,704)
Movement in investment contract liabilities	(15,087)	-	-	-	-	(15,087)	-	(15,087)
Total liabilities	364,279	693,775	151,865	138,154	119,203	1,467,275	(7,820)	1,459,455
Cash flows from operating activities	53,958	(277,139)	37,438	42,613	(4,834)	(147,964)	204,964	56,999
Cash flows generated from/ (utilised in) investing activities	(10,780)	(3,804)	(6,788)	(128)	3,535	(17,965)	31,556	13,591
Cash utilised in financing activities	669	-	-	(92)	(2,114)	(1,537)	(549)	(2,086)
Profit before income tax	43,333	52,976	27,921	277,464	5,688	407,382	(159,567)	247,815
Income tax (expense)/credit	(506)	10,412	-	(34,471)	(1,365)	(336,072)	289,945	(46,127)



Ernst & Young
Chartered Accountants (Zimbabwe)
Registered Public Auditors
Angwa City
Cnr Julius Nyerere Way /
Kwame Nkrumah Avenue
P O Box 62 or 702
Harare
Zimbabwe

Tel: +263 24 2750905-14 or 2750979-83
Fax: +263 24 2750707 or 2773842
Email: admin@zw.ey.com
www.ey.com

INDEPENDENT AUDITOR'S REVIEW CONCLUSION

To the Shareholders of First Mutual Holdings Limited

Introduction

We have reviewed the accompanying inflation adjusted interim condensed consolidated financial results of First Mutual Holdings Limited and its subsidiaries ("the Group"), as set out on pages 11 to 22, which comprise the inflation adjusted Interim Condensed Consolidated Statement of Financial Position as at 30 June 2020 and the related inflation adjusted Interim Condensed Consolidated Statement of Comprehensive Income, the inflation adjusted Interim Condensed Statement of Changes in Equity and the inflation adjusted Interim Condensed Statement of Cash Flows for the six-month period then ended and explanatory notes.

Management is responsible for the preparation and presentation of this inflation adjusted Interim Condensed Consolidated financial information in accordance with the Internal Financial Reporting Standards. Our responsibility is to express a review conclusion on this Interim Condensed Consolidated financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for adverse review conclusion

Non-compliance with IFRS: International Accounting Standard (IAS) 21- The Effects of Changes in Foreign Exchange Rates: in the prior period and inappropriate application of IAS 8- Accounting Policies, Changes in Accounting Estimates and Errors (Applicable to local ZWL functional currency subsidiaries)

As explained in note 3 to the inflation adjusted Condensed Consolidated Interim Financial Statements, the Group changed its functional currency from the United States Dollar (US\$) to Zimbabwe Dollars (ZWL) on 23 February 2019 in order to comply with Statutory Instrument 33 of 2019 issued on the same date. We however believe that the change in currency occurred prior to that date. The inflation adjusted Condensed consolidated interim financial statements is presented in ZWL.

INDEPENDENT AUDITOR'S REVIEW CONCLUSION - CONTINUED

First Mutual Holdings Limited

Zimbabwe witnessed significant monetary and exchange control policy changes in 2016 and increasingly through to 2019. The Reserve Bank of Zimbabwe (RBZ) together with the Ministry of Finance and Economic Development promulgated a series of exchange control operational guidelines and compliance frameworks during this period. Specifically, there was a requirement for banks to separate out FCA RTGS Accounts from the FCA Nostro US\$ Accounts during October 2018. Although the rate was legally pegged at 1:1, multiple pricing practices and other transactions observed and reported publicly indicated exchange rates other than 1:1 between RTGS and the US\$ amounts. In February 2019 there was a Monetary Policy statement which introduced the RTGS Dollar (RTGS\$) and the interbank foreign exchange market. Furthermore, Statutory Instrument 142 of 2019 specified that for all domestic transactions, the Zimbabwe Dollar or ZWL (which comprises RTGS\$, Bond notes and Bond Coins) was the sole legal tender effective 24 June 2019.

These events triggered the need for the Group to assess whether there was a change in functional currency (from US\$ to RTGS\$/ZWL) and to determine an appropriate spot rate as required by IAS 21. We believe that events in the market and subsequent promulgation of the RTGS\$ and ZWL as formal currencies supports that there was a change in functional currency from US\$ to ZWL on 1 October 2018, and that transactions in the market indicated a different rate between the two currencies despite the legal 1:1 RTGS\$/ZWL: US\$ exchange rate nor the interbank rate thereafter. Management however applied the 22nd of February 2019 as the date of change in functional currency and continued to use exchange rates which were not compliant with IAS21, consequently resulting in non-compliance with IAS29 as well. The predecessor auditor therefore issued an adverse opinion in 31 December 2019.

Management has not restated the opening balances to resolve these matters which resulted in the adverse audit report in the prior period in accordance with IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, further, some of the matters are continuing as discussed below. In addition, there was a consequential impact of the application of IAS 29 in the prior period. Had the correct base numbers and start date been used the outcome would have been materially different. Consequently:

- All corresponding numbers remain misstated on the consolidated inflation adjusted Statement of Profit or Loss and other Comprehensive Income, consolidated inflation adjusted Statement of Financial Position, the consolidated inflation adjusted Statement of Changes in Equity, and the consolidated inflation adjusted Statement of Cash Flows; this also impacts comparability of the current year's figures.
- As opening balances enter into the determination of cash flows and performance, our current year opinion is modified in respect of the impact of this matter on the consolidated inflation adjusted Statement of Cash Flows, the Statement of Profit or Loss and Other Comprehensive Income and the Statement of Changes in Equity.

Furthermore, notwithstanding that IAS 29 - Financial Reporting in Hyperinflationary Economies has been applied from 1 Jan 2018 to 30 June 2020 it is noted that its application was based on inappropriate numbers as a result of the non-compliance with IAS 21 / IAS 8 as described above.

In addition to the impact on the corresponding numbers, current year performance and cash flows the matter continues to impact the balances on the Statement of Financial Position as some of these still comprise of amounts from opening balances.

INDEPENDENT AUDITOR'S REVIEW CONCLUSION - CONTINUED

First Mutual Holdings Limited

Whilst this matter might not affect all accounts in the Statement of Financial Position, the specific accounts and the portions affected by this matter have not been identified / quantified here. This is due to the further matters requiring modification (which have been discussed below) and which result in virtually all amounts being incorrectly stated.

Exchange rates used (Non-compliance with IAS 21) (Applicable to local ZWL functional currency subsidiaries)

As outlined in Note 3 to the interim consolidated inflation adjusted financial statements, for the year ended 30 June 2020, the Group translated foreign denominated transactions and balances using the interbank rate up to 23 June and the auction rate thereafter. In view of the continued distortions in the foreign exchange market during the year, the Group could not establish spot exchange rates that meet the requirements of IAS 21.

Had exchange rates contemplated by IAS 21 been available on the market, virtually all balances and amounts on the inflation adjusted financial statements would have been affected in a material manner except for Intangible Assets, Right of Use Assets, Deferred acquisition costs, Inventory, Share Capital, Share Premium, and Share based payment liability. However, owing to the lack of market wide information on spot rates available to the Group and the other matters discussed above it is not possible to quantify the impact of this on the Group's inflation adjusted financials for the period under consideration.

Consolidating Foreign Associates and Subsidiary with incorrect exchange rates.

Further to the issue noted above in respect of inappropriate spot rates, management have also used the interbank rate and auction rate as outlined on Note 3 to the interim consolidated financial statements to translate the foreign subsidiary and associate to group reporting currency on consolidation. The impact is misstatement of elements to the carrying amounts of the following accounts on the interim inflation adjusted Statement of Financial Position of the Group: ZWL220,841,083 included in Insurance, tenant and other receivables of ZWL642,425,000, ZWL 154,251,549 included in Cash and cash equivalents of ZWL881,340,000 ZWL75,018,379 Included in Investment in associates of ZWL104,970,000 and ZWL381,314,206 included in Life insurance contracts with and without DPF and investment contracts with DPF liabilities of ZWL3,173,321,000 and in the interim inflation adjusted Statement of Comprehensive Income ZWL245,336,305 included in Gross Written Premium of ZWL1,514,788,000 and ZWL 109,721,039 included in Reinsurance of ZWL377,131,000 The prior period balances would similarly have been affected in a material manner.

Valuation of investment properties

The Group's investment properties are carried at ZWL7 679 592 336 (2019: ZWL 3,702 293) as at 30 June 2020. These properties were valued in USD\$ using historical US\$ denominated inputs and converted to ZWL at the interbank rate both in prior year and at the auction rate as at 30 June 2020. We believe that applying a conversion rate to a USD valuation to calculate ZWL property values may not be an accurate reflection of market dynamics, as risks associated with currency trading do not always reflect the risks associated with property trading. Owing to the nature of the matter, we are unable to quantify the possible impact.

INDEPENDENT AUDITOR'S REVIEW CONCLUSION - CONTINUED

First Mutual Holdings Limited

There is therefore a disagreement with management on the conversion of the USD\$ valuation into ZWL\$ valuation. The prior year audit report was also modified due to this matter.

Consequential impact of the above matters on IAS 29 accounting

Furthermore, notwithstanding that IAS 29 - Financial Reporting in Hyperinflationary Economies has been applied from 1 Jan 2018 to 30 June 2020, it is noted that its application was based on prior and current periods' financial information which has been misstated as a result of matters described above. Had the correct base numbers and start date been used, virtually all elements of the financial statements would have been materially different.

The effects of the above departures from IFRS are material and pervasive to the interim condensed and separate consolidated financial information.

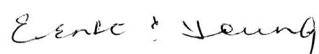
Other Matter

The Consolidated inflation adjusted financial statements of the prior period ended 31 December 2019 were audited by PricewaterhouseCoopers Chartered Accountants Zimbabwe and an adverse opinion was expressed on 06 July 2020. The basis of the adverse opinion was that financial statements had not been prepared in conformity with IFRS, in that the requirements of IAS 21 and IAS 29 had not been complied with. Furthermore, the audit report was modified due to the limitations arising in the valuation of investment property due to the application of significant unobservable inputs.

Adverse review conclusion

In view of the matters described in the preceding paragraphs, the inflation-adjusted interim condensed consolidated financial information is not prepared, in all material respects, in accordance with International Financial Reporting Standards.

The engagement partner on the review audit resulting in this review conclusion report on the interim condensed consolidated financial information is Mr Fungai Kuipa (PAAB Practicing Certificate Number 335).



Ernst & Young
Chartered Accountants (Zimbabwe)
Registered Public Auditors

Harare

29 September 2020