

Go Beyond

## Audited Abridged Financial Results

for the Year Ended 31 December 2015.

LIFE | HEALTH | INSURANCE | REINSURANCE | SAVINGS | PROPERTY

Bringing  
Economic dignity  
to our customers



### CHAIRMAN'S STATEMENT

#### ECONOMIC OVERVIEW

The local operating environment remained challenging with the Gross Domestic Product ("GDP") growth rate for 2015 being revised downwards in the National Budget to 1.5% mainly due to under performance in the key sectors of agriculture and mining. The annualised inflation rate stood at -2.5% in December 2015 compared to +0.8% recorded in December 2014, largely due to a weaker South African Rand and declining aggregate demand. This deflationary tendency also contributed to the low industry capacity utilisation and low uptake of insurance products. Despite the slowdown in GDP growth, the insurance sector recorded modest growth, with non-life insurance sector premiums for the nine months to 30 September 2015 remaining largely static at US\$153 million while the premiums for the life insurance sector grew by 9% to US\$244 million. The central bank reported that total banking sector deposits grew by 11.2% to US\$5.6bn in 2015 compared to US\$5.1bn in 2014. The loan to deposit ratio declined from 78.4% as at 31 December 2014 to 68.8% by the end of December 2015.

The Zimbabwe Stock Exchange ("ZSE") Industrial Index closed the year down 29.5% to 114.80 points while the Mining Index declined by 66.9% to 23.70 points. Total value traded in 2015 amounted to US\$228.6m, 49.5% below the US\$452.9m achieved in 2014, reflecting the decline in the level of foreign investor interest on the market. Bond and prescribed assets returns remained high relative to money market with most instruments near the 10% p.a. mark on average tenure of 2 years. Term deposit rates at first tier banks ranged from 0%-4% p.a. while second tier banks averaged 6% per annum. Property market returns were subdued owing to increasing voids and declining rental rates. Most property companies reluctantly accepted reduced rentals to enhance tenant sustainability leading to fair value losses on investment property.

The developments on the investment markets adversely affected the total assets in the life assurance sector which declined by 5% from US\$1.64 billion as at 30 September 2014 to US\$1.56 billion as at 30 September 2015. A combination of higher claims and losses from the equities and property markets impacted negatively on the performance of the insurance industry, with the non-life insurance sector experiencing a steep 78% drop in profitability while the life assurance sector increased profitability by 32%.

#### FINANCIAL RESULTS

The financial highlights for the year ended 31 December 2015 are shown below:

#### INCOME STATEMENT HIGHLIGHTS

	AUDITED 2015 US\$000	AUDITED 2014 US\$000	Change %
<b>Total gross premium written ("GPW")</b>	<b>116 095</b>	<b>115 329</b>	<b>1%</b>
GPW - Health insurance	52 481	50 192	5%
GPW - Life assurance and pensions	35 792	36 191	-1%
GPW - Property and casualty insurance and reinsurance	27 822	28 946	-4%
Net premium earned	106 604	104 675	2%
Technical result	22 523	16 884	33%
Operating profit/(loss)	3 069	(4 447)	169%
Loss before taxation	(3 718)	(3 733)	-0%
Profit/(loss) after tax for the year	131	(5 067)	103%

#### FINANCIAL POSITION HIGHLIGHTS

Investment property	122 027	127 797	-5%
Held to maturity investments			
- prescribed assets	14 730	7 473	97%
Financial assets at fair value through profit or loss	11 483	18 992	-40%
Total assets	209 019	213 339	-2%
Life insurance contract liabilities	90 743	88 172	3%

#### STATEMENT OF CASH FLOWS HIGHLIGHTS

Cash generated from operating activities	12 837	14 834	-13%
Cash and balances with banks	28 140	22 903	23%

#### FINANCIAL PERFORMANCE

##### Statement of comprehensive income

Gross premium written ("GPW") for the year ended 31 December 2015 at US\$116.1 million was 1% above the prior year figure of US\$115.3 million on the back of improved performance from the health insurance business.

Rental income decreased by 3% from US\$7.5 million in 2014 to US\$7.3 million in 2015, reflecting the current challenges faced by tenants and the resultant decline in occupancy levels and rentals per square metre. The average rental per square metre decreased from US\$7.86 in 2014 to US\$7.58 in 2015. The occupancy rate for the period was 79% compared to 80% in the prior year.

The operating profit, before the outturn on the investment portfolio, improved from a loss of US\$4.4 million in prior year to a profit of US\$3.1 million largely due to the US\$1.8 million increase in net premium earned, the US\$2.3 million reduction in net claims incurred the US\$2.3 million reduction in staff rationalisation expenses. Claims at US\$67.7 million declined by US\$2.3 million from prior year mainly due to reduced retrenchments in the life and pensions segment and lower claims incurred for the health insurance business.

The Group incurred investment losses of US\$4.7 million in 2015 compared to investment losses of US\$3.8 million in 2014 in line with the downward movement in the stock market. Investment property was independently revalued as at 31 December 2015 resulting in fair value losses of US\$6.6 million. The impairment of the investment in Rainbow Tourism Group Limited ("RTG") by US\$2.6 million also contributed to the negative investment outturn.

The Group achieved an overall profit for the year of US\$0.1 million compared to a loss for the year of US\$5.1 million in the previous year. The total comprehensive profit attributable to the equity holders of the parent company for the year was US\$0.2 million (loss of US\$6.5 million for 2014).

##### Statement of financial position

The Group's total assets declined by 2% from US\$213.3 million at 31 December 2014 to US\$209.0 million at 31 December 2015. The decline was mainly attributable to the fair value loss on investment property of US\$6.6 million, fair value losses of US\$7.3 million on the listed equity investments portfolio and the US\$2.6 million impairment of the investment in RTG. The decline in total assets was, however, mitigated by net new cash flows as reflected in the increase in money market and held to maturity investments.

#### Investment in associate - RTG

In line with its focus on the core insurance businesses, the Group reclassified its 20% interest in RTG from an investment in associate to a non-current asset held for sale. The carrying value of this asset was realigned to stock market prices resulting in an impairment of the asset by US\$2.6 million.

#### FIRST MUTUAL IN THE COMMUNITY

The First Mutual Foundation continues to provide children with multiple vulnerabilities (e.g. abandoned children, orphaned children, and child headed families) with educational support and necessary ancillary services to reintegrate them into formal school. To date the foundation assists 110 primary and secondary school children and further assists three university students studying medicine, risk insurance and commerce respectively. Schools attended by the First Mutual Foundation scholars are located throughout the country. The Group is also involved in conducting free health checks and wellness programmes primarily to corporate clients to promote healthier lifestyles.

#### DIRECTORATE

There were some changes to the Boards and Committees of the First Mutual Holdings Group following the re-constitution of the Board of the major shareholder and as part of a Group-wide initiative to manage costs. Mr Misheck Manyumwa, Mr James Matiza and Mr Israel Ndlovu resigned as Non-Executive Directors of the Board during the course of the year. Mrs Memory Mukondomi, Mr Robin Vela, Advocate Thembinkosi Magwaliba and Mr John Sekeso were appointed as Non-Executive Directors. Subsequent to year-end, Ms Thembelile Khumalo, Mr John Chikura and Advocate Thembinkosi Magwaliba resigned and Ms Eve Mkondo was appointed as a Non-Executive Director of the Board. I would like to extend my sincere thanks to the outgoing Directors for their invaluable contribution to the Group and to welcome the new members.

#### DIVIDEND

In view of the need to conserve cash, the directors recommend that no dividend be declared for the year ended 31 December 2015.

#### OUTLOOK

While the operating environment is expected to remain challenging, the Board is confident that business process efficiencies being implemented coupled with prudent cost containment measures will position the Group to deliver value to its stakeholders. Enhanced enterprise risk management initiatives and strict adherence to the actuarial control cycle remain key in mitigating against risks in the operating environment.

Continuous effort will be channelled towards improving business processes, working capital management and developing innovative and sustainable products relevant to our environment.

The insurance sector is expected to deliver modest growth driven by sustained demand for retail products while the employee benefits segment is likely to shrink further due to limited growth in the formal employment sector. The Group will maintain a prudent approach in respect of its investments. Investment returns are projected to improve driven by the positive performance of fixed income securities and the resilience of the property sector while bearish conditions on the ZSE will continue to dampen the performance of equities.

#### APPRECIATION

On behalf of the Board of Directors, I would like to convey my profound gratitude to our clients, management and staff, the regulatory authorities and other stakeholders for their continued support and confidence in us to deliver sustainable value.

Oliver Mtasa  
Chairman

16 March 2016

### GROUP CHIEF EXECUTIVE OFFICER'S REVIEW OF OPERATIONS

Management remains committed to the ethos of finding solutions that add tangible, sustainable value to all stakeholders through the Group's strategic pillars of Risk Management, Wealth Creation and Wealth Management. Our brand remains the financial ally that plays an integral role in the preparation of a better tomorrow for individuals and institutions by availing 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. By optimizing the value proposition of our products and services, we leverage on this to retain existing clients and attract new business.

During the year under review, the Group achieved improved financial performance, moving from a loss position of US\$5.1 million to a profit for the year of US\$0.1 million as a result of increased revenue mainly in the health and reinsurance businesses, efficient claims management and cost containment strategies, including the staff rationalisation exercise carried out in 2014.

The Group disposed of its entire shareholding in African Actuarial Consultants Private Limited ("AAC") to Frankmash Enterprises (Private) Limited effective 1 January 2016. AAC will maintain the same brand name and will continue to provide comprehensive actuarial services to the First Mutual Group and other clients with no disruption to services expected during the transition period and beyond.

#### Systems and processes

Efficient systems remain a key imperative in customer service delivery. We will continue to automate processes where applicable and enhance access through mobile and digital platforms for improved convenience to our customers. In addition, an independent business process and man-loading analysis was conducted on key retail facing segments during 2015. First Mutual Health acquired a new information technology system in line with this strategy and system reviews are underway for TristarInsurance and First Mutual Life.

#### OPERATIONS REVIEW

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

#### HEALTH INSURANCE

##### First Mutual Health Company (Private) Limited

The GPW for First Mutual Health Company (Private) Limited grew by 6% to US\$52.5 million (2014: US\$50.2 million) on the back of increased contribution rates per member due to new clients joining higher plans and the increase in premium rates for direct paying members of 30% effected in June 2015. Valid membership at 31 December 2015 was 112,122 compared to 113,969 members in the prior year. The average monthly premium per member for the period of US\$38.70 was higher than the prior period average monthly premium of US\$38.04. The total claims incurred during the year decreased by 2% from US\$44.9 million to US\$43.9 million, resulting in the claims ratio decreasing to 84% (2014: 91%).

The company will continue to seek new business through providing quality service, demonstrated claims paying ability, wellness campaigns, innovative products and competitive pricing to its members.

#### LIFE AND PENSIONS BUSINESS

##### First Mutual Life Assurance Company (Private) Limited

The business achieved GPW of US\$32.6 million which was a decline of 2% relative to the previous year. The shareholder risk business GPW, comprising Group Life Assurance and Individual Life Assurance products, was unchanged at US\$13.9 million compared to the prior year. The policyholder business achieved GPW of US\$18.7 million, a decline of 3% from the prior year figure of US\$19.3 million. The policyholder gross premium decreased from prior year due to lower recurring premium following significant retrenchments in 2014 and 2015 and the non-payment of pension contributions by some companies due to financial constraints. Claims and withdrawals at US\$13.7 million reduced by 10% from prior year mainly due to a reduction in retrenchment claims and withdrawals. Negative investment returns on quoted equity investments persisted throughout the year leading to investment losses of US\$6.7 million after taking into account interest income.

#### FMRE Life and Health (Private) Limited

GPW decreased by 15% to US\$3.6 million (2014: US\$4.3 million) with health insurance contributing 60% (2014: 78%) of the gross premium written whilst life premium contributed 33% (2014: 17%) and individual life business contributed 7% (2014: 5%). The decrease in the gross premium was being driven by a realignment of the portfolio towards life assurance business which has more predictable claims ratios.

#### PROPERTY AND CASUALTY INSURANCE

##### FMRE Property and Casualty (Private) Limited (Zimbabwe)

The GPW maintained the same levels as prior year at US\$19.8 million despite a shrinking domestic market. Claims and expenses were contained within expectations resulting in an underwriting profit for the period. Regional business grew by 48% and contributed 18% of the total GPW compared to 12% in 2014. The business continues to focus on the regional market to ensure the premium levels are sustained and grown.

#### FMRE Property and Casualty (Proprietary) Limited (Botswana)

The GPW for the year at US\$4.03 million (BWP40.8 million) was 1% above the prior year figure of US\$3.99 million (BWP35.5 million) in spite of the depreciation of the Botswana Pula. The Botswana market contributed the bulk of the premium at 58% with the balance coming from the regional market. The increased support from the local market is attributable to greater confidence in the company by the local cedants. Claims and expenses were contained within expectations leading to a significantly improved operating profit for the period.

#### TristarInsurance Company (Private) Limited

The GPW decreased by 27% to US\$4.6 million (2014: US\$6.3 million). The dominant classes continue to be motor and fire, in terms of contributions to GPW at 54% and 30% respectively. A capital injection of US\$2 million was made into the company to ensure that it exceeded regulatory capital requirements.

#### PROPERTY

##### Pearl Properties (2006) Limited

In 2015, revenue declined by 3.5% to US\$8.5 million (2014: US\$8.8 million) due to rental income declining by 4.1% to US\$8.3 million (2014: US\$8.7 million), driven by a decline in the occupancy level and reduced turnover based rentals in retail properties. The occupancy level declined to 78.5% (2014: 79.9%) with voids largely within properties in the Central Business District. Tenant arrears were flat at US\$2.4 million (2014: US\$2.4 million) with the business providing for all doubtful debts. The downward pressure on current and near term rental income led to a 4.1% impairment on investment property values to US\$135.0 million (2014: 140.8 million).

#### HUMAN CAPITAL DEVELOPMENT

Following the conclusion of the culture and engagement survey in 2015 as part of the First Mutual Way, employee engagement strategy streams were formulated, including updated Human Resources Policies, new Performance Management system, re-launch of the employee assisted housing scheme, the Customer Service Charter and a more formal Innovation Policy Framework. Various executive leadership development programmes were undertaken by some Group executives as part of an ongoing programme to enhance the capacity of the Group.

#### LOOKING AHEAD

The Group achieved an overall improved performance with a 2% growth in net premium earned from prior year and attained an overall profit for the year of US\$0.1 million from a loss position of US\$5.1 million. Little change is expected in the economic environment and this will demand greater resilience from the Group and focus on customer service excellence, system efficiencies, cost containment and a prudent investment philosophy.

Douglas Hoto  
Group Chief Executive Officer

16 March 2016

# FIRST MUTUAL

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

Go Beyond

## Audited Abridged Financial Results

for the Year Ended 31 December 2015.

LIFE | HEALTH | INSURANCE | REINSURANCE | SAVINGS | PROPERTY

Bringing  
Economic dignity  
to our customers

### CONSOLIDATED AND COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

Note	AUDITED Group 2015 US\$000	AUDITED Group 2014 US\$000	AUDITED Company 2015 US\$000	AUDITED Company 2014 US\$000
<b>ASSETS</b>				
Property, plant and equipment	5	9 749	11 256	316
Investment property	6	122 027	127 797	-
Intangible assets		85	268	-
Investment in subsidiaries		-	-	12 998
Investment in associate	9	-	7 082	-
Financial assets:				
-At fair value through profit or loss	7	11 483	18 992	93
Debt securities		-	-	-
-Held to maturity investments	8	14 730	7 473	-
Deferred acquisition costs		1 134	1 111	-
Income tax asset		558	621	-
Inventory	10	3 082	2 952	28
Loans and receivables including insurance receivables	11	13 431	12 884	450
Non-current assets classified as held for sale	12	4 600	-	340
Cash and balances with banks	13	28 140	22 903	111
<b>TOTAL ASSETS</b>		<b>209 019</b>	<b>213 339</b>	<b>14 336</b>
<b>EQUITY AND LIABILITIES</b>				
Equity attributable to equity holders of the parent				
Share capital		380	380	380
Share premium		7 958	7 958	7 958
Non-distributable reserves		2 095	2 108	291
Retained profits		3 515	3 291	(3 037)
<b>Total Equity attributable to equity holders of the parent</b>		<b>13 948</b>	<b>13 737</b>	<b>5 592</b>
<b>Non-controlling interests</b>		<b>53 411</b>	<b>53 919</b>	<b>-</b>
<b>TOTAL EQUITY</b>		<b>67 359</b>	<b>67 656</b>	<b>5 592</b>
<b>LIABILITIES</b>				
Life insurance contract liabilities with DPF	14	15 570	14 770	-
Life insurance contract liabilities without DPF	14	19 477	16 152	-
Non-life insurance liabilities	17	25 007	24 749	-
Investment contract liabilities:				
-With DPF	14	55 696	57 250	-
-Without DPF	15	5 662	7 317	-
Borrowings	16	5 548	5 003	2 157
Trade and other payables	18	3 865	5 262	6 587
Deferred income tax		10 597	15 081	-
Current income tax liabilities		17	99	-
Liabilities associated with assets classified as held for sale		221	-	-
<b>TOTAL LIABILITIES</b>		<b>141 660</b>	<b>145 683</b>	<b>8 744</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>209 019</b>	<b>213 339</b>	<b>17 675</b>

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

Note	AUDITED 2015 US\$000	AUDITED 2014 US\$000
<b>INCOME</b>		
Gross premium written	19	116 095
Reinsurance	19	(9 802)
<b>Net premium written</b>	19	<b>106 293</b>
Unearned premium reserve		311
<b>Net premium earned</b>		<b>106 604</b>
Rental income		7 329
Fair value adjustments- investment property	6	(6 609)
Investment loss	20	(4 717)
Fee income:		
-Insurance contracts		1 159
-Investment contracts		2 896
Other income	21	1 126
<b>TOTAL INCOME</b>		<b>107 788</b>
<b>EXPENDITURE</b>		
<b>Net insurance benefits and claims</b>		<b>(67 687)</b>
Insurance benefits	22	(15 821)
Insurance claims and loss adjustment expenses	22	(52 357)
Insurance claims and loss adjustment expenses recovered from reinsurers	22	491
<b>Movement in insurance contract liabilities</b>		<b>(6 627)</b>
Surplus on revenue account		(6 627)
Policyholder gain on acquisition of Pearl shares		-
Movement in investment contract liabilities		2 316
Acquisition expenses		(8 491)
Administration expenses		(24 350)
Staff rationalisation expenses		(156)
Property expenses		(1 241)
Impairment allowances	23	(4 796)
Finance cost on borrowings		(467)
<b>TOTAL EXPENDITURE</b>		<b>(111 499)</b>
<b>Loss before share of loss of associate</b>		<b>(3 711)</b>
Share of loss of associate	9	(6)
<b>Loss before income tax</b>		<b>(3 717)</b>
<b>Income tax credit/(expenses)</b>		<b>3 848</b>
<b>Profit/(loss) for the year</b>		<b>131</b>
Other comprehensive income:		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Available for sale reserve reclassified to profit or loss		-
Exchange differences on translating foreign operations		(88)
Share of associate's other comprehensive income		(68)
<b>Other comprehensive (losses)/income to be reclassified to profit or loss in subsequent periods</b>		<b>(156)</b>
<b>Total comprehensive loss for the year</b>		<b>(25)</b>
<b>Profit/(loss) attributable to:</b>		
Non-controlling interest		(209)
Equity holders of the parent		340
<b>Profit/(loss) for the year</b>		<b>131</b>
Comprehensive income attributable to:		
Non-controlling interest		(209)
Equity holders of the parent		184
<b>Total comprehensive loss for the year</b>		<b>(25)</b>
Basic profit/(loss) per share (US cents)		0.09
Diluted profit/(loss) per share (US cents)		0.09

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Share capital US\$000	Share premium US\$000	Non distributable reserves US\$000	Retained earnings US\$000	Total equity for parent US\$000	Non-controlling interest US\$000	Total equity US\$000
<b>For the year ended 31 December 2014 as at 1 January 2014</b>	<b>380</b>	<b>7 958</b>	<b>2 323</b>	<b>9 247</b>	<b>19 908</b>	<b>53 378</b>	<b>73 286</b>
Transfer to solvency reserve	-	-	-	-	-	-	-
Share based payments	-	-	25	-	25	-	25
Acquisition of non-controlling interest	-	-	-	686	686	(992)	(306)
Dividends declared and paid	-	-	-	(380)	(380)	-	(380)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>(240)</b>	<b>(6 262)</b>	<b>(6 502)</b>	<b>1 533</b>	<b>(4 969)</b>
Other comprehensive income	-	-	(240)	338	98	-	98
Profit/(loss) for the year	-	-	-	(6 600)	(6 600)	1 533	(5 067)
<b>For the year ended 31 December 2015 as at 1 January 2015</b>	<b>380</b>	<b>7 958</b>	<b>2 108</b>	<b>3 291</b>	<b>13 737</b>	<b>53 919</b>	<b>67 656</b>
Transfer to solvency reserve	-	-	50	(50)	-	-	-
Share based payments	-	-	24	-	24	-	24
Policyholder gain on acquisition of Pearl shares	-	-	-	2	2	(3)	(1)
Dividend declared and paid	-	-	-	-	-	(296)	(296)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>(88)</b>	<b>184</b>	<b>96</b>	<b>(209)</b>	<b>(113)</b>
Other comprehensive income	-	-	(88)	(68)	(156)	-	(156)
Profit/(loss) for the year	-	-	-	252	252	(209)	43
<b>As at 31 December 2015</b>	<b>380</b>	<b>7 958</b>	<b>2 095</b>	<b>3 427</b>	<b>13 860</b>	<b>53 411</b>	<b>67 271</b>

### CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	AUDITED 2015 US\$000	AUDITED 2014 US\$000
<b>Loss before income tax</b>	<b>(3 717)</b>	<b>(3 733)</b>
Non-cash and separately disclosed items	16 707	8 830
<b>Operating cash flow before working capital changes</b>	<b>12 990</b>	<b>5 097</b>
Working capital changes	(1 332)	9 896
<b>Cash generated from operations</b>	<b>11 658</b>	<b>14 993</b>
Finance costs on borrowings	(467)	(700)
Interest received	2 301	1 889
Taxation paid	(655)	(1 349)
<b>Net cash flow from operating activities</b>	<b>12 837</b>	<b>14 833</b>
<b>Net cash utilised in investing activities</b>	<b>(15 473)</b>	<b>(21 119)</b>
<b>Net cash flow from financing activities</b>	<b>249</b>	<b>3 779</b>
<b>Net increase in cash and cash equivalents</b>	<b>(2 387)</b>	<b>(2 507)</b>
<b>Increase in cash and cash equivalents for the year</b>		
At the beginning of the year	15 853	18 360
<b>Cash and cash equivalents at the end of the year (note 13)</b>	<b>13 466</b>	<b>15 853</b>

### NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2015

#### 1 Corporate information

The principal activity of First Mutual Holdings Limited ("the Company") and its subsidiaries (together "the Group") is that of an investing holding company. The Group has interests in health insurance, life and pensions, property and casualty, property and other. First Mutual Holdings Limited is a public company incorporated and domiciled in Zimbabwe whose shares are publicly traded on the Zimbabwe Stock Exchange.

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

The consolidated historical financial statements of the Company and the Group for the year ended 31 December 2015 were authorised for issue in accordance with a resolution of the Directors' at a meeting held on 16 March 2016.

#### 2 Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS"), the Zimbabwe Stock Exchange Listing Requirements, and in the manner required by the Zimbabwe Companies Act (Chapter 24:03) and the Zimbabwe Insurance Act (Chapter 24: 07).

#### 3 Accounting policies

The principal accounting policies adopted in the presentation of these financial statements are consistent with those of the previous financial year except where stated.

#### 4 Audit opinion

The Group's independent auditor, PricewaterhouseCoopers Chartered Accountants (Zimbabwe), have expressed an unqualified opinion on the Group's financial statements.

#### 5 Property, plant and equipment

	AUDITED Group 2015 US\$000	AUDITED Group 2014 US\$000	AUDITED Company 2015 US\$000	AUDITED Company 2014 US\$000
At 1 January	16 991	16 951	1 334	1 683
Additions	288	621	5	157
Disposals	(693)	(581)	(174)	(507)
Accumulated depreciation	(6 837)	(5 735)	(849)	(683)
<b>At 31 December</b>	<b>9 749</b>	<b>11 256</b>	<b>316</b>	<b>652</b>

#### 6 Investment property

	AUDITED Group 2015 US\$000	AUDITED Group 2014 US\$000	AUDITED Company 2015 US\$000	AUDITED Company 2014 US\$000
At 1 January	127 797	115 562	-	-
Additions to properties under development	339	10,727	-	-
Improvements to existing properties	311	722	-	-
Disposals	-	(335)	-	-
Transfer from inventory	189	-	-	-
Fair value adjustments	(6 609)	1 121	-	-
<b>At 31 December</b>	<b>122 027</b>	<b>127 797</b>	<b>-</b>	<b>-</b>



# FIRST MUTUAL

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

Go Beyond

## Audited Abridged Financial Results

for the Year Ended 31 December 2015.

LIFE | HEALTH | INSURANCE | REINSURANCE | SAVINGS | PROPERTY

Bringing  
Economic dignity  
to our customers



### NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2015

	AUDITED Group 2015 US\$000	AUDITED Group 2014 US\$000	AUDITED Company 2015 US\$000	AUDITED Company 2014 US\$000
<b>7 Financial assets at fair value through profit or loss</b>				
<b>Fair value</b>				
<b>At 1 January</b>	<b>18 992</b>	<b>25 564</b>	<b>327</b>	<b>1 073</b>
Purchases	369	3 203	-	180
Disposals	(599)	(3 672)	(180)	(847)
Fair value loss on unquoted investments	-	(772)	-	-
Fair value (loss)/gain on quoted equities	(7 279)	(5 331)	(54)	(79)
<b>At 31 December</b>	<b>11 483</b>	<b>18 992</b>	<b>93</b>	<b>327</b>
<b>8 Held to maturity investments</b>				
<b>At 1 January</b>	<b>7 473</b>	<b>3 999</b>	-	-
Purchases	12 031	6 076	-	-
Maturities	(4 774)	(2 602)	-	-
<b>At 31 December</b>	<b>14 730</b>	<b>7 473</b>	-	-
<b>9 Investment in associate</b>				
The investment in RTG Limited is as follows:				
<b>At 1 January</b>	<b>7 082</b>	<b>7 014</b>	-	-
Share of associate's (loss)/profit other comprehensive income	(68)	338	-	-
Share of associate's loss for the year	(6)	(270)	-	-
<b>Carrying amount before impairment</b>	<b>7 008</b>	<b>7 082</b>	-	-
Impairment	(2 634)	-	-	-
<b>Carrying amount after impairment</b>	<b>4 374</b>	<b>7 082</b>	-	-
Reclassification to non-current asset held for sale	(4 374)	-	-	-
<b>At 31 December</b>	<b>-</b>	<b>7 082</b>	-	-
<b>10 Inventory</b>				
Property held for trading	-	140	-	-
Work-in-progress Kamfinsa cluster home development	2 898	2 608	-	-
Consumables	184	204	28	29
<b>Total</b>	<b>3 082</b>	<b>2 952</b>	<b>28</b>	<b>29</b>
<b>11 Loans and receivables including insurance receivables</b>				
Insurance receivables	7 763	9 016	-	-
Rental receivables	827	1 319	-	-
Amounts due from group companies	-	-	273	343
Other receivables	4 841	2 549	177	39
<b>Total</b>	<b>13 431</b>	<b>12 884</b>	<b>450</b>	<b>382</b>
<b>12 Non-current assets classified as held for sale</b>				
Non-current assets held for sale comprise the following:				
Investment in AAC - 100% shareholding	226	-	340	-
Investment in RTG - 19.97% shareholding	4 374	-	-	-
<b>Total assets of investments held for sale</b>	<b>4 600</b>	<b>-</b>	<b>340</b>	<b>-</b>
<b>13 Cash and balances with banks</b>				
Cash at bank and on hand	5 895	6 262	111	116
Money market investments with original maturities less than 90 days	7 571	9 591	-	-
<b>Cash and cash equivalents</b>	<b>13 466</b>	<b>15 853</b>	<b>111</b>	<b>116</b>
Money market investments with original maturities more than 90 days	14 674	7 050	-	-
<b>Cash and balances with banks</b>	<b>28 140</b>	<b>22 903</b>	<b>111</b>	<b>116</b>
<b>14 Life insurance contracts and investment contracts with Discretionary Participating Features ("DPF") liabilities</b>				
<b>Life insurance contracts with DPF</b>				
<b>At 1 January</b>	<b>14 770</b>	<b>13 815</b>	-	-
Movement	800	955	-	-
<b>At 31 December</b>	<b>15 551</b>	<b>14 770</b>	-	-
<b>Life insurance contracts without DPF</b>				
<b>At 1 January</b>	<b>16 152</b>	<b>13 914</b>	-	-
Movement	3 325	2 238	-	-
<b>At 31 December</b>	<b>19 477</b>	<b>16 152</b>	-	-
<b>Investment contracts with DPF</b>				
<b>At 1 January</b>	<b>57 250</b>	<b>55 422</b>	-	-
Movement	(1 554)	1 828	-	-
<b>At 31 December</b>	<b>55 696</b>	<b>57 250</b>	-	-
<b>Total life insurance contracts and investment contracts with DPF liabilities</b>	<b>90 743</b>	<b>88 172</b>	-	-
<b>At 1 January</b>	<b>88 172</b>	<b>83 259</b>	-	-
Policyholder gain on acquisition of Pearl shares	-	686	-	-
Transfer from statement of comprehensive income	2 571	4 227	-	-
<b>At 31 December</b>	<b>90 743</b>	<b>88 172</b>	-	-
<b>15 Investment contract liabilities without DPF</b>				
<b>At 1 January</b>	<b>7 317</b>	<b>9 044</b>	-	-
Transfer from statement of comprehensive income	(2 316)	598	-	-
Net cash flows	661	(2 325)	-	-
<b>At 31 December</b>	<b>5 662</b>	<b>7 317</b>	-	-
<b>16 Borrowings</b>				
<b>At 1 January</b>	<b>5 003</b>	<b>539</b>	<b>379</b>	<b>354</b>
Loan received	1 985	5 700	1 920	265
Loan repayment	(1 440)	(1 236)	(142)	(240)
<b>At 31 December</b>	<b>5 548</b>	<b>5 003</b>	<b>2 157</b>	<b>379</b>
<b>Split as:</b>				
Short-term portion	3 156	1 439	2 056	226
Long-term portion	2 392	3 564	101	153
	<b>5 548</b>	<b>5 003</b>	<b>2 157</b>	<b>379</b>

The borrowings are secured by two immovable properties stamped to cover \$9.5 million and the motor vehicles financed. The borrowings have an average interest rate of 9%.

### NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2015

	AUDITED Group 2015 US\$000	AUDITED Group 2014 US\$000	AUDITED Company 2015 US\$000	AUDITED Company 2014 US\$000
<b>17 Non-life insurance liabilities</b>				
Outstanding claims	5 700	5 688	-	-
Losses incurred but not reported	5 446	4 897	-	-
Medical savings pot	4 559	4 229	-	-
Commissions	248	295	-	-
Unearned premium reserve	4 483	4 970	-	-
Premiums paid in advance	4 571	4 670	-	-
	<b>25 007</b>	<b>24 749</b>	-	-
<b>18 Trade and other payables</b>				
Property business related liabilities	1 661	1 215	-	-
Amounts due to Group companies	-	-	5 700	5 300
Other	2 204	4 047	887	525
<b>Total</b>	<b>3 865</b>	<b>5 262</b>	<b>6 587</b>	<b>5 825</b>
<b>19 Net premium written</b>			<b>AUDITED Group 2015 US\$000</b>	<b>AUDITED Group 2014 US\$000</b>
Life assurance and pensions			36 259	36 191
Property and casualty insurance - direct			4 343	6 283
- reinsurance			23 012	22 663
Health insurance			52 481	50 192
<b>Gross premium written</b>			<b>116 095</b>	<b>115 329</b>
Less: Reinsurance ceded			(9 802)	(9 786)
<b>Net premium written</b>			<b>106 293</b>	<b>105 543</b>
<b>20 Investment loss</b>				
Interest income			2 301	1 889
Dividend income			412	413
Net (loss)/gain on disposal of investments			(151)	30
Fair value loss - equities			(7 279)	(6 103)
<b>Total</b>			<b>(4 717)</b>	<b>(3 771)</b>
<b>21 Other income</b>				
Tenant interest			301	264
Actuarial fees			172	123
Motor pool dividend			114	374
Other fee income			539	930
<b>Total</b>			<b>1 126</b>	<b>1 691</b>
<b>22 Claims</b>				
Health insurance			43 936	45 967
Life assurance and pension			15 877	15 177
Property and casualty insurance - direct			1 606	1 579
- reinsurance			6 759	8 345
			<b>68 178</b>	<b>71 068</b>
Less: Reinsurance recoveries			(491)	(1 039)
<b>Net claims</b>			<b>67 687</b>	<b>70 029</b>
<b>23 Impairment allowances</b>				
Allowance for credit losses			2 162	2 089
Impairment of money market investments			-	1 880
Impairment of investment in associate (note 9)			2 634	-
			<b>4 796</b>	<b>3 969</b>
<b>24 Loss before income tax is shown after charging:</b>				
Staff costs			13 964	14 610
Directors' fees - Holding company			131	98
- Group companies			341	306
Depreciation of property, vehicles and equipment			1 102	1 292
Audit fees - current year			263	113
- prior year			362	351

### SEGMENTAL RESULTS AND ANALYSIS

	Property and Health					Gross Figures US\$000	Consolidation Entries US\$000	Total Consolidated US\$000
	Life US\$000	Casualty US\$000	Health US\$000	Property US\$000	Other US\$000			
<b>For the year ended 31 December 2015</b>								
Net premium earned	35 147	19 211	52 482	-	-	106 840	(236)	106 604
Rental income	-	-	-	8 342	-	8 342	(1 013)	7 328
Investment income and fair value adjustment on investment property	(6 791)	(628)	(384)	(6 591)	(5 170)	(19 564)	8 238	(11 327)
Other income and fee income	4 841	83	284	641	4 506	10 355	(5 174)	5 182
<b>Total income</b>	<b>33 197</b>	<b>18 666</b>	<b>52 382</b>	<b>2 392</b>	<b>(664)</b>	<b>105 973</b>	<b>1 815</b>	<b>107 788</b>
Total expenses	(31 872)	(18 770)	(51 484)	(4 929)	(5 341)	(112 396)	897	(111 499)
Non-current assets	92 452	5 938	1 260	135 956	13 861	249 467	(72 121)	177 348
Current assets	17 381	17 676	9 461	7 103	1 536	53 157	(21 484)	31 673
Non-current liabilities	96 780	250	-	15 616	2 160	114 806	13 683	128 489
Current liabilities	4 183	11 108	12 299	1 053	6 976	35 619	(22 448)	13 171
Cash flows from operating activities	2 526	717	1 930	2 735	33	7 941	4 896	12 837
Cash flows utilised on investing activities	(400)	(1 242)	8	-	(1 774)	(3 408)	(12 065)	(15 473)
Cash utilised in financing activities	-	52	-	(146)	1 510	1 416	(1 167)	249
(Loss)/profit before income tax	(431)	65	898	(1 162)	(4 937)	(5 567)	1 850	(3 717)
<b>For the year ended 31 December 2014</b>								
Net premium earned	36 431	19 965	49 213	-	-	105 609	(935)	104 674
Rental income	-	-	-	8 700	-	8 700	(1 158)	7 542
Investment income and fair value adjustment on investment property	(1 455)	209	104	1 445	60	363	(3 013)	(2 650)
Other income and fee income	3 850	447	269	611	4 850	10 027	(4 585)	5 442
<b>Total income</b>	<b>38 826</b>	<b>20 621</b>	<b>49 586</b>	<b>10 756</b>	<b>4 910</b>	<b>124 699</b>	<b>(9 691)</b>	<b>115 008</b>
Total expenses	(32 867)	(18 826)	(53 042)	(5 300)	(6 072)	(116 107)	(2 364)	(118 471)
Non-current assets	96 473	5 318	1 992	142 068	17 723	263 574	(90 706)	172 868
Current assets	14 215	16 640	7 663	6 662	1 206	46 386	(5 915)	40 471
Non-current liabilities	96 672	555	-	20 003	1 431	118 661	(3 086)	115 575
Current liabilities	4 807	11 245	12 132	1 215	6 163	35 562	(5 454)	30 108
Cash flows from operating activities	3 998	435	2 667	7 333	718	15 151	(318)	14 833
Cash flows utilised on investing activities	(3 330)	(858)	(115)	(11 324)	11 778	(3 849)	(17 270)	(21 119)
Cash utilised in financing activities	668	(138)	-	4 638	(5 493)	(325)	4 104	3 779
(Loss)/profit before income tax	1 625	1 203	(3 455)	3 525	(90)	2 808	(6 541)	(3 733)

DIRECTORS: O Mtasa (Chairman), D Hoto (Group Chief Executive Officer)\*, W M Marere (Group Finance Director)\*, E Mkondo, E Moyo, M Mukondomi, S V Rushwaya, J Sekeso, R Vela \*Executive Director