

Audited Abridged Financial Results for the year ended 31 December 2017

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CHAIRMAN'S STATEMENT

ECONOMIC OVERVIEW

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

ACQUISITION OF NICOZDIAMOND INSURANCE COMPANY LIMITED AND CAPITAL RAISE

As part of the Group's growth strategy, on 31 August 2017, shareholders approved the acquisition of the entire issued share capital of NicosDiamond Insurance Company Limited ("NDIL") and a renounceable rights offer to raise US\$17.25 million. Subsequent to the approval, on 20 November 2017 First Mutual completed the acquisition of NDIL. The acquisition enhanced the Group's market share in the short-term insurance industry while the capital raised was utilised to recapitalise some group businesses, repay legacy borrowings and complete the NDIL transaction. In terms of the ZSE Listing Requirements, First Mutual is required to make a mandatory offer to acquire the remaining 19.08% shareholding in NDIL to be launched in the second quarter of 2018. Both the initial acquisition of the controlling stake and the mandatory offer to NDIL minorities have been treated as a single acquisition in the preparation of the 2017 financial statements. For accounting purposes, the effective date of acquisition is 1 December 2017. Consequently the results below include trading results for the month of December 2017 for NDIL.

FINANCIAL HIGHLIGHTS

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

	Including NDIL 31-Dec-17 US\$000	Excluding NDIL 31-Dec-17 US\$000	Excluding NDIL 31-Dec-16 US\$000
COMPREHENSIVE INCOME			
Total Gross Premium Written ("GPW")	124 927	122 192	116 480
Health insurance	56 867	56 867	52 209
Pensions and savings business	20 619	20 619	22 525
Life assurance	14 650	14 650	14 120
Property and casualty	32 791	30 056	27 626
Net premium earned	115 123	112 418	107 556
Rental income	6 470	6 416	6 732
Investment income	32 924	33 303	8 803
Operating profit	8 143	7 843	9 284
Profit before income tax	14 801	14 521	10 857
Profit for the year	12 224	12 210	9 304
FINANCIAL POSITION			
Investment property	136 433	124 757	124 302
Equities securities at fair value through profit or loss	55 267	51 085	19 863
Debt securities held to maturity investments	39 391	37 680	20 292
Cash and balances with banks	53 028	46 924	37 657
Total assets	329 946	309 405	229 707
STATEMENT OF CASH FLOWS			
Cash generated from operating activities	18 251	19 538	21 293
Net increase in cash and cash equivalents	17 478	11 374	22 084
Cash and cash equivalents	53 028	46 924	35 550

FINANCIAL PERFORMANCE

Statement of financial position

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

Statement of comprehensive income

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

Rental income from the Group's property portfolio, at US\$6.4 million (including the NDIL property portfolio) was 4% less than 2016. The decline is largely attributed to the general decline in rentals in the country. During the year, efforts were made by management to improve the ambience of the property portfolio, which played a vital role in the retention of existing tenants and acquisition of new tenants.

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

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

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

FIRST MUTUAL IN THE COMMUNITY

First Mutual Foundation, which was established to provide educational support to the less privileged, assisted more than 100 selected students from primary to tertiary level countrywide with educational bursaries. The Foundation also launched a sponsorship programme to support the Reformed Church University through the provision of a bursary programme worth US\$80 000 over a four year period effective 1 January 2017. The Group, through its Employee Corporate Social Responsibility initiatives, donated groceries and clothes to the Cancer Association of Zimbabwe, victims of the Tsholotsho flooding disaster, Marondera Childcare Centre and Arcadia Girls Hostel. In addition, the employees performed a clean-up campaign at Harare Charge Office bus terminus as well as hosting a fund raising day in Bulawayo to assist Ingutsheni Hospital.

OUTLOOK

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

DIRECTORATE

Appointments

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

Resignation

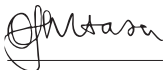
Mr Robin T Vela resigned as a non-executive director, effective 31 December 2017. On behalf of the Board, I would like to thank him for the valuable contribution he made to the Group.

DIVIDEND

At a meeting held on 16 March 2018, the Board resolved that a final dividend of US\$1 050 000, being US0.15 cents per share be declared from the profits of the Group for the year ended 31 December 2017. The dividend will be payable on or about 27 April 2018 to all shareholders of the Company registered at close of business on 6 April 2018. The shares of the Company will be traded cum-dividend on the Zimbabwe Stock Exchange up to the market day of 3 April 2018 and ex-dividend as from 4 April 2018.

APPRECIATION

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



Oliver Mtasa
Chairman

16 March 2018

GROUP CEO REVIEW OF OPERATIONS

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

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

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

Systems and Processes

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

OPERATIONS REVIEW

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

HEALTH INSURANCE

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

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

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

LIFE AND PENSIONS BUSINESS

First Mutual Life Assurance Company (Private) Limited

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

Pensions and Savings

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

Life Assurance

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

PROPERTY AND CASUALTY INSURANCE

First Mutual Reinsurance Company Limited Property and Casualty Segment

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

Life and Health Segment

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

FMRE Property and Casualty (Proprietary) Limited - Botswana

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

First Mutual Insurance Company Limited t/a TristarInsurance

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

NicosDiamond Insurance Company Limited ("NDIL")

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

PROPERTY

First Mutual Properties Limited ("FMP") (formerly Pearl Properties (2006) Limited)

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

WEALTH MANAGEMENT

First Mutual Wealth Management (Private) Limited

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

HUMAN CAPITAL DEVELOPMENT

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

LOOKING AHEAD

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

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



Douglas Hoto
Group Chief Executive Officer

16 March 2018

Audited Abridged Financial Results for the year ended 31 December 2017

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CONSOLIDATED AND COMPANY STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

	Note	AUDITED Group 31-Dec-17 US\$000	AUDITED Group 31-Dec-16 US\$000	AUDITED Company 31-Dec-17 US\$000	AUDITED Company 31-Dec-16 US\$000
ASSETS					
Property, plant and equipment	4	10 258	9 251	57	109
Investment property	5	136 433	124 302	-	-
Intangible assets		1 104	59	-	-
Investment in subsidiaries	6	-	-	62 382	30 301
Investment in associates		1 992	-	-	-
Financial assets:					
- Equity securities at fair value through profit or loss	7	55 267	19 863	2 290	139
- Debt securities held to maturity	8	39 391	20 292	-	-
Deferred acquisition costs		2 681	1 086	-	-
Income tax asset		530	87	-	-
Inventory		497	283	38	30
Loans and receivables including insurance receivables	9	28 765	12 457	849	516
Non-current assets classified as held for sale	10	-	4 370	-	-
Cash and balances with banks	11	53 028	37 657	4 898	117
TOTAL ASSETS		329 946	229 707	70 514	31 212
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the parent					
Share capital		719	380	719	380
Share premium		39 972	7 958	39 972	7 958
Non-distributable reserves		5 997	2 074	(119)	291
Retained profits		27 209	13 812	29 174	13 622
Total equity attributable to equity holders of the parent		73 897	24 224	69 746	22 251
Non-controlling interests		49 777	51 651	-	-
Total equity		123 674	75 875	69 746	22 251
Liabilities					
Life insurance contracts with and without DPF and investment contracts with DPF liabilities	12	110 696	88 773	-	-
Investment contract liabilities without DPF	13	20 461	8 532	-	-
Shareholder risk reserve	14	11 932	12 922	-	-
Borrowings	15	1 192	4 309	-	2 018
Insurance contract liabilities - short term	16	34 537	20 921	-	-
Insurance liabilities - life assurance		2 253	2 067	-	-
Other payables	17	12 223	5 516	768	6 943
Deferred tax	18	12 366	10 788	-	-
Current income tax liabilities		612	4	-	-
Total liabilities		206 272	153 832	768	8 961
TOTAL EQUITY AND LIABILITIES		329 946	229 707	70 514	31 212

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	AUDITED 31-Dec-17 US\$000	AUDITED 31-Dec-16 US\$000
INCOME			
Gross premium written	19	124 927	116 480
Reinsurance	19	(8 873)	(9 320)
Net premium written	19	116 054	107 160
Unearned premium reserve		(931)	396
Net premium earned		115 123	107 556
Rental income		6 470	6 732
Fair value adjustments - investment property		(294)	(1 531)
Gain on disposal of subsidiary		-	334
Investment profit	20	32 924	8 803
Fee income:			
- insurance contracts		1 426	1 207
- Investment contracts		3 083	3 093
Other income		1 013	1 197
Total income		159 745	127 391
EXPENDITURE			
Pension benefits	21	(61 917)	(54 259)
Insurance claims and loss adjustment expenses	21	(10 029)	(11 460)
Insurance claims and loss adjustment expenses recovered from reinsurers	21	827	636
Net insurance benefits and claims	21	(71 119)	(65 083)
Movement in insurance liabilities		(24 304)	(15 209)
Investment gain on investment contract liabilities		(11 934)	(2 532)
Acquisition of insurance and investment contracts expenses		(8 596)	(7 432)
Administration expenses	22	(28 287)	(25 274)
Impairment allowances		(390)	(497)
Finance cost on borrowings		(327)	(507)
Total expenditure		(144 957)	(116 534)
Profit before share of profit of associate		14 788	10 857
Share of profit of associate		13	-
Profit before income tax		14 801	10 857
Income expense		(2 577)	(1 553)
Profit for the year		12 224	9 304
Other comprehensive income			
Other comprehensive income/(loss) to be reclassified to statement of comprehensive income in subsequent period			
Exchange gain/(loss) on translating foreign operations		294	(33)
Share of other comprehensive profit/(loss) of associate		-	-
Other comprehensive income/(loss) to be reclassified to statement of comprehensive income in subsequent periods		294	(33)
Total comprehensive profit for the year		12 518	9 271
Profit attributable to:			
Non-controlling interest		632	455
Equity holders of the parent		11 592	8 849
Profit for the year		12 224	9 304
Comprehensive income attributable to:			
Non-controlling interest		632	455
Equity holders of the parent		11 886	8 816
Total comprehensive income for the year		12 518	9 271
Basic earnings per share (US cents)		2.13	1.74
Diluted earnings per share (US cents)		1.95	1.74

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

	Share capital US\$000	Share premium US\$000	Non-distributable reserves US\$000	Retained profits US\$000	Total equity for parent US\$000	Non-controlling interest US\$000	Total equity US\$000
As at 1 January 2016	380	7 958	2 094	3 515	13 947	53 411	67 358
Share based payments	-	-	13	-	13	-	13
Shareholder gain on acquisition of FMP shares	-	-	-	1 448	1 448	(1 898)	(450)
Dividend declared and paid	-	-	-	-	-	(317)	(317)
Total comprehensive income/(loss)	-	-	(33)	8 849	8 816	455	9 271
Profit for the year	-	-	-	8 849	8 849	455	9 304
Other comprehensive loss	-	-	(33)	-	(33)	-	(33)
As at 31 December 2016	380	7 958	2 074	13 812	24 224	51 651	75 875
Issue of shares							
- Acquisition of NDIL	95	10 366	4 040	-	14 501	-	14 501
- Rights offer	210	17 040	-	-	17 250	-	17 250
- Share options	10	517	-	-	527	-	527
- Share to be issued	24	4 091	-	-	4 115	-	4 115
Gain on disposal of treasury shares	-	-	-	196	196	-	196
Share based payments	-	-	63	-	63	-	63
Acquisition of non-controlling interest	-	-	-	1 609	1 609	(2 216)	(607)
Dividend declared and paid	-	-	-	-	-	(290)	(290)
Acquisition of treasury shares	-	-	(474)	-	(474)	-	(474)
Total comprehensive income	-	-	294	11 592	11 886	632	12 518
Profit for the year	-	-	-	11 592	11 592	632	12 224
Other comprehensive income	-	-	294	-	294	-	294
As at 31 December 2017	719	39 972	5 997	27 209	73 897	49 777	123 674

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	AUDITED 31-Dec-17 US\$000	AUDITED 31-Dec-16 US\$000
Profit before income tax		14 801	10 857
Total non-cash and separately disclosed items		3 877	6 892
Operating cash flows before working capital changes		18 678	17 749
Working capital changes		(427)	3 544
Cash generated from operations		18 251	21 293
Finance costs on borrowings		(327)	(507)
Interest received		2 729	2 657
Tax paid		(939)	(905)
Net cash flows generated from operating activities		19 714	22 538
Net cash flow (used in)/generated from investing activities		(16 089)	1 102
Net cash flow generated from/(used in) financing activities		13 853	(1 556)
Net increase in cash and cash equivalents		17 478	22 084
Cash and cash equivalents at the beginning of the year		35 550	13 466
Cash and cash equivalents at the end of the year	11	53 028	35 550

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1 Corporate information

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

The ultimate parent of the Company is National Social Security Authority ("NSSA") which owns 68.61% (2016: 51%) directly and an additional 11.41% (2016: 20%) indirectly through Capital Bank Limited (under liquidation). NSSA owns 84% (2016: 84%) of Capital Bank Limited.

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 2017 were authorised for issue in accordance by a resolution of the Directors at a meeting held on 16 March 2018.

2.1 Statement of compliance

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

2.2 Audit opinion

These financial results should be read in conjunction with the complete set of financial statements for the year ended 31 December 2017, which have been audited by PricewaterhouseCoopers Chartered Accountants (Zimbabwe). An unqualified audit opinion has been issued which also includes a section on key audit matters as defined by ISA 701, 'Communicating key audit matters in the independent auditor's report'. This includes both the rationale for determining the key audit matters and how they were addressed during the audit. Below are the key audit matters:

- valuation of investment property.
- valuation of policyholder insurance contracts with and without DPF and investment contracts with DPF liabilities.
- accounting for the acquisition of NDIL.

3 Accounting policies

The principal accounting policies adopted in the presentation of these financial statements are consistent with those of the previous financial year. Refer to note 3.1 for a new accounting policy related to the acquisition of the NDIL.

3.1 Common control transactions

At the time of acquisition of NDIL by FMHL, NSSA already had control over NDIL and FMHL, and therefore these entities have been under common control of NSSA. A combination involving entities or businesses under common control is a business combination in which all the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that is not transitory and is excluded from the scope of IFRS 3, "Business combinations".

The board of directors made a policy choice to use predecessor accounting for common control transactions where the acquirer incorporates predecessor carrying values. The acquired entity's results and statement of financial position are incorporated from the date on which the business combination between entities under the same control occurred. Consequently, the financial statements reflect the results of the acquired entity for the period after the transaction occurred.

Audited Abridged Financial Results for the year ended 31 December 2017

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

	AUDITED Group 31-Dec-17 US\$000	AUDITED Group 31-Dec-16 US\$000	AUDITED Company 31-Dec-17 US\$000	AUDITED Company 31-Dec-16 US\$000
4 Property, vehicles and equipment				
At 1 January	9 251	9 749	109	1 164
Acquisition of NDIL	906	-	-	-
Additions	1 045	684	41	71
Disposals	(297)	(528)	(79)	(699)
Depreciation charge and disposal	(647)	(654)	(14)	(427)
At 31 December	10 258	9 251	57	109

5 Investment properties				
At 1 January	124 302	122 027	-	-
Acquisition of NDIL	11 676	-	-	-
Additions	170	-	-	-
Improvements to existing properties	579	427	-	-
Transfer from inventory	-	3 379	-	-
Fair value adjustments	(294)	(1 531)	-	-
At 31 December	136 433	124 302	-	-

Investment property with a total carrying amount of US\$12.7 million (2016: US\$12.7 million) was encumbered as at 31 December 2017.

6 Investment in subsidiaries				
First Mutual Life Assurance Company (Private) Limited	-	-	16 630	11 253
First Mutual Health Company (Private) Limited	-	-	12 900	4 165
First Mutual Reinsurance Company (Private) Limited	-	-	10 469	9 119
FMRE Property & Casualty (Proprietary) Limited	-	-	3 570	2 892
First Mutual Wealth Management (Private) Limited	-	-	1 051	715
First Mutual Insurance Company Limited	-	-	3 093	2 157
NicozDiamond Insurance Company Limited	-	-	14 669	-
Total	-	-	62 382	30 301

On 31 August 2017 the shareholders of the Company approved the acquisition by the Company of the entire issued share capital of NDIL. The Company acquired from NSSA, 477,424,440 NDIL shares, representing 80.92% of NDIL share capital at a consideration of 1 new FMHL ordinary share for every 5.02 NDIL ordinary shares in exchange for 95,104,470 new FMHL ordinary shares. The Company was further authorised to make a mandatory offer for the remaining 19.08% NDIL shareholding on terms and conditions acceptable to the Directors in line with prevailing market conditions and Zimbabwe Stock Exchange Listing Requirements.

7 Financial assets at fair value through profit or loss				
At 1 January	19 863	11 483	139	93
Acquisition of NDIL	4 182	-	-	-
Purchases	15 288	3 497	3 488	-
Disposals	(9 178)	(906)	(476)	-
Fair value gain on unquoted investments	10	5 789	-	-
Fair value gain/(loss) on quoted equities	25 102	-	(861)	46
At 31 December	55 267	19 863	2 290	139

8 Debt securities held to maturity investments				
At 1 January	20 292	14 730	-	-
Acquisition of NDIL	1 711	-	-	-
Purchases	60 914	19 019	-	-
Maturities	(43 526)	(13 457)	-	-
At 31 December	39 391	20 292	-	-

9 Loans and receivables including insurance receivables				
Insurance receivables	17 661	8 088	-	-
Tenant receivables	1 654	831	-	-
Amounts due from Group companies	-	-	549	151
Other receivables	9 450	3 538	300	365
Total	28 765	12 457	849	516

10 Non-current assets classified as held for sale				
19.96% investment in Rainbow Tourism Group Limited	-	4 370	-	-
Total	-	4 370	-	-

On 29 September 2017, the Group sold its entire 19.96% (2016: 19.96%) shareholding in Rainbow Tourism Group Limited ("RTG") for US 0.975 cents in return for treasury bills with a face value of the same amount with a coupon of 5%. RTG is a group that is involved in the tourism and leisure industry and is listed on the ZSE. RTG had been classified as a non current asset available for sale in the 2016 financial statements.

11 Cash and balances with banks				
Money market investments with original maturities less than 90 days	20 027	26 709	-	-
Cash at bank and on hand	33 001	8 841	4 898	117
Cash and cash equivalents	53 028	35 550	4 898	117
Money market investments with original maturities more than 90 days	-	2 107	-	-
Cash and balances with banks	53 028	37 657	4 898	117

12 Life insurance contracts with and without DPF and investment contracts with DPF liabilities				
At 1 January	88 773	78 294	-	-
Movement	21 923	10 479	-	-
At 31 December	110 696	88 773	-	-

13 Investment contract liabilities without DPF				
At 1 January	8 532	5 662	-	-
Movement	11 929	2 870	-	-
At 31 December	20 461	8 532	-	-

14 Shareholder risk reserves				
At 1 January	12 922	11 505	-	-
Movement	(990)	1 417	-	-
At 31 December	11 932	12 922	-	-

15 Borrowings				
At 1 January	4 309	5 548	2 018	2 157
Loan received	-	-	-	-
Interest charged	327	567	327	567
Interest paid	(327)	(567)	(327)	(567)
Loan repayment	(3 117)	(1 239)	(2 018)	(139)
At 31 December	1 192	4 309	-	2 018

The borrowings are secured by two immovable properties stamped to cover US\$9.5 million (2016: US\$9.5 million). The borrowings have an average interest rate of 6.5% (2016: 6.5%).

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

A loan facility amounting to US\$2 million, was sourced from National Social Security Authority ("NSSA") the ultimate parent company of the Group to capitalise First Mutual Insurance. The loan was granted on 31 December 2015 and had a tenure of 365 days. The loan was rolled over and extended by another year to 31 December 2017 at an interest rate of 5%. The loan was repaid on 30 October 2017. Investment property known as 99 Jason Moyo Avenue with a carrying amount of US\$7.8 million at 31 December 2017 pledged as security was released subsequent to the repayment of the loan

	AUDITED Group 31-Dec-17 US\$000	AUDITED Group 31-Dec-16 US\$000	AUDITED Company 31-Dec-17 US\$000	AUDITED Company 31-Dec-16 US\$000
16 Insurance contract liabilities - short term				
Outstanding claims	8 579	2 632	-	-
Reinsurance	4 998	1 658	-	-
Losses incurred but not reported	6 367	5 474	-	-
Members savings pot	5 264	5 149	-	-
Premium received in advance	1 965	1 928	-	-
Unearned premium reserve	7 349	4 074	-	-
Commissions	15	6	-	-
Total	34 537	20,921	-	-

17 Other payables				
Amounts due to related parties	10 013	3 916	89	6 403
Other payables	10 013	3 916	89	425
Loans	-	-	-	5 978
Property business related liabilities	2 210	1 600	-	-
Other	-	-	679	540
Total	12 223	5 516	768	6 943

18 Deferred tax				
At 1 January	10 788	10 598	-	-
Recognised through statement of comprehensive income	1 578	190	-	-
At 31 December	12 366	10 788	-	-

19 Net premium written				
Pension and savings business			AUDITED Group 31-Dec-17 US\$000	AUDITED Group 31-Dec-16 US\$000
Life assurance			20 619	22 525
Health insurance			14 650	14 120
Property and casualty			56 867	52 209
Gross premium written			32 791	27 626
Less: Reinsurance			(8 873)	(9 320)
Net premium written			116 054	107 160

20 Investment income				
Interest income from money market investments			2 729	2 656
Dividend received			824	554
Fair value gain on unquoted equities at fair value through profit or loss			10	-
Gain/(loss) from disposal of quoted investments at fair value through profit or loss			4 259	(197)
Fair value gain on quoted equities at fair value through profit or loss			25 102	5 790
Total			32 924	8 803

21 Net insurance claims and benefits				
Insurance claims and loss adjustment expenses				
Health insurance			45 002	41 258
Life assurance			4 831	4 649
Property and casualty			12 084	8 352
Total insurance claims			61 917	54 259
Less: Insurance claims and benefits expenses recovered from reinsurers			(827)	(636)
Net total insurance claims expense			61 090	53 623
Pensions benefits			10 029	11 460
Net insurance claims and benefits			71 119	65 083

22 Profit before income tax is shown after charging:				
Staff costs			13 244	14 694
Directors' fees - Holding company			121	109
- Group companies			269	260
Depreciation of property, vehicles and equipment			697	654
Audit fees			398	474
NDIL administration expenses for December 2017			752	-

SEGMENTAL RESULTS AND ANALYSIS FOR THE YEAR ENDED 31 DECEMBER 2017

	Life US\$000	Property and Casualty US\$000	Health US\$000	Property US\$000	Other US\$000	Gross Figures US\$000	Consolidation Entries US\$000	Total Consolidated US\$000
As at 31 December 2017								
Net premium earned	34 851	23 541	56 867	-	-	115 259	(136)	115 123
Rental income	-	-	-	7 362	-	7 362	(892)	6 470
Investment income and fair value adjustments on								
investment property	30 398	1 918	5 930	(563)	17 144	54 827	(22 197)	32 630
Other income and fee income	6 083	415	234	560	4 370	11 662	(6 140)	5 522
Total income	71 332	25 874	63 031	7 359	21 514	189 110	(29 365)	159 745

Total expenses	(64 009)	(23 850)	(51 501)	(4 083)	1 371	(142 072)	(2 885)	(144 957)
Total assets	164 537	67 277	28 157	143 486	72 203	475 660	(145 714)	329 946
Total liabilities	147 906	31 093	12 052	15 742	947	207 740	(1 468)	206 272
Cash flows from operating activities	7 042	(916)	6 138	774	(1 651)	11 387	6 864	18 251
Cash flows utilised on investing activities	(9 098)	49	(2 810)	627	(17 654)	(28 886)	12 797	(16 089)
Cash generated in financing activities	5 097	470	-	(793)	24 044	28 818	(14 965)	13 853
Profit before tax	7 322	100	11 542	3 150	16 302	38 416	(23 615)	14 801

As at 31 December 2016								
Net premium earned	38 116	17 389	52 209	-	-	107 714	(158)	107 556
Rental income	-	-	-	7 728	-	7 728	(996)	6 732
Investment income and fair value adjustments on								
investment property	6 870	816	1 499	(1 353)	12 675	20 507	(12 901)	7 606
Other income and fee income	5 843	383	465	579	3 458	10 728	(5 231)	5 497
Total income	50 829	18 588	54 173	6 954	16 133	146 677	(19 286)	127 391
Total expenses	(44 667)	(17 652)	(47 394)	(4 626)	(3 661)	(118 000)	1 466	(116 534)
Total assets	125 035	23 379	17 604	142 644	32 132	340 794	(111 087)	229 707
Total liabilities	113 782	16 670	12 404	15 864	9 166	167 886	(14 054)	153 832
Cash flows from operating activities	11 281	578	5 743	2 656	6	20 264	1 029	21 293
Cash flows generated on investing activities	(5 924)	(236)	(2 708)	(144)	407	(8 605)	9 707	1 102
Cash utilised in financing activities	(260)	(100)	-	(1 100)	(409)	(1 869)	313	(1 556)
Profit before tax	3 586	749	6 779	1 139	9 585	21 838	(10 981)	10 857