2018 ANNUAL REPORT

FIRST MUTUAL

HOLDINGS LIMITED

Go Beyond

LIFE | HEALTH | INSURANCE | REINSURANCE | SAVINGS | PROPERTY

Vision | Mission | Values

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

To be an investment and financial services group that provides accessible solutions which offer peace of mind and enrich the lives of all households, communities and businesses in our chosen markets by managing risk, creating and managing wealth.

Integrity - We are true to self and true to others.

Accountability - We take responsibility for our actions.

Professionalism - We display expert competence in the way we do business.

Sustainability - We believe in continuance and preservation of future generations.

Care - We show concern and seek the well-being of all our stakeholders.

Innovation - We strive for creativity and relevance in our market.

About this Report

First Mutual Holdings Limited, a Zimbabwean company listed on the Zimbabwe Stock Exchange (“ZSE”) since 2003 is pleased to present the annual report for the year ended 31 December 2018 integrating both the financial and sustainability information. The report provides a demonstration of our commitment to transparency and accountability to our stakeholders on economic, social and environmental issues of our business.

Reporting Frameworks

This report was developed with due consideration of the following reporting requirements:
- International Financial Reporting Standards (IFRS).
- Global Reporting Initiative (GRI) Standards.
- The Zimbabwe Companies Act [Chapter 24:03].
- Zimbabwe Stock Exchange (ZSE) Listing Requirements.

Reporting Scope

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

Data and Assurance

Our financial statements were audited by PricewaterhouseCoopers Chartered Accountants (Zimbabwe) in accordance with the International Standards of Auditing (“ISA”). The independent auditors’ report is found on pages 58 to 64. Non-financial information and data provided in this report was reviewed by internal subject matter experts and management but not externally assured. The Board of Directors approved the reports before being published.

Forward looking Statements

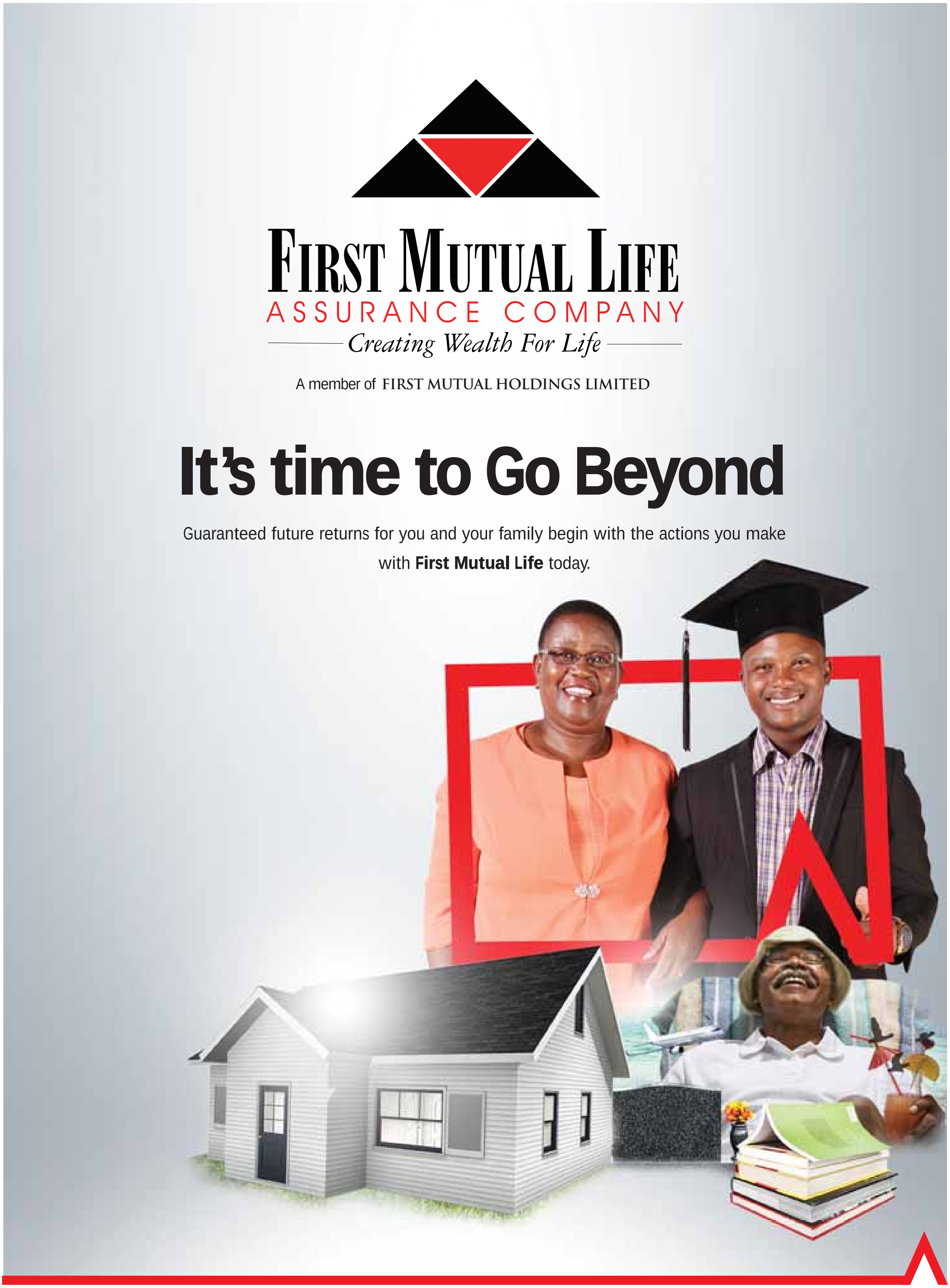
This report may contain forward looking statements. These statements are based on current estimates and projections by First Mutual Holdings Limited and current available information. Forward-looking statements are not statements of historical fact and may contain the terms “may”, “will”, “should”, “continue”, “aims”, “estimates”, “projects”, “believes”, “intends”, “expects”, “plans”, “seeks” or “anticipates”, or words of similar meaning. Future statements are not guarantees of future developments and results outlined therein. These are dependent on a number of factors; they involve various risks and uncertainties; and they are based on assumptions that are beyond our control. Readers are cautioned not to put undue reliance on forward looking statements

Feedback on the Report

The Group values opinions from all our valued stakeholders which assist us in building a sustainable Group and improving our reporting. We welcome your feedback on this report and any suggestions you may have. Feel free to provide feedback to: Sheila Lorimer (Mrs), Company Secretary, email: slorimer@firstmutual.co.zw

Oliver Mtasa
(Chairman)

Douglas Hoto
(Chief Executive)


FIRST MUTUAL LIFE
ASSURANCE COMPANY
Creating Wealth For Life
A member of FIRST MUTUAL HOLDINGS LIMITED
It's time to Go Beyond
Guaranteed future returns for you and your family begin with the actions you make with First Mutual Life today.

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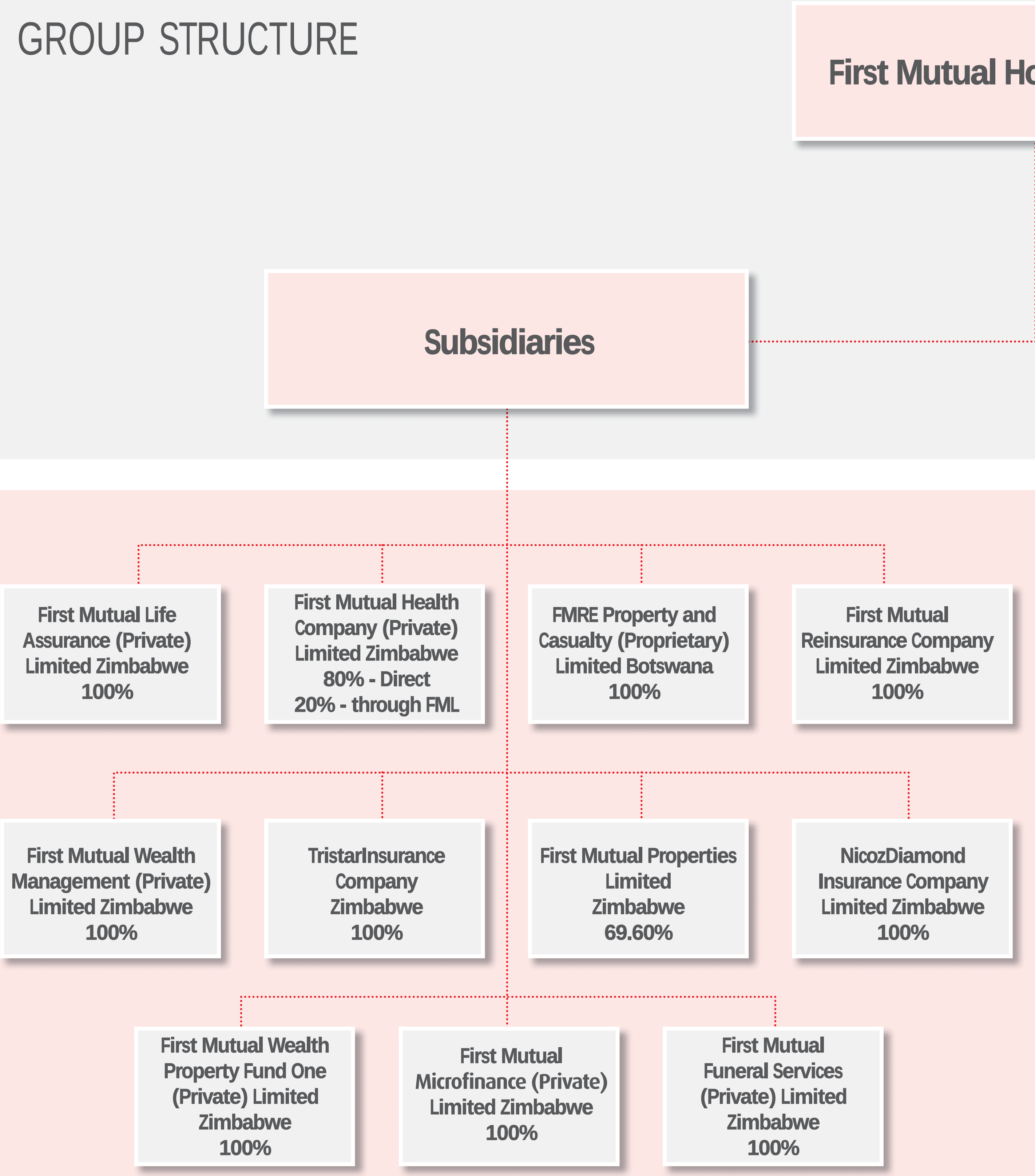


First Mutual Holdings Limited is a leading financial services group that is committed to creating value through risk management, wealth creation, and wealth management predominantly in the insurance sector.

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

oldings Limited

Associates
through NDIL

Clover Leaf Panel Beaters (Private) Limited
Zimbabwe
45%

Diamond Seguros
Mozambique
24%

United General Insurance Limited
Malawi
46%

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

First Mutual Life Assurance Company (Private) Limited

Overview

First Mutual Life Assurance Company (Private) Limited offers a wide range of innovative products through its two main businesses, namely Employee Benefits and Individual Life Benefits. The Company's primary business activities are the provision of life assurance, retirement benefit products and other long term financial security products. The company continues to be a pacesetter in the market in producing uniquely innovative life assurance products.

First Mutual Life Products and Services

Funeral Cover Products

- e-FML Mobile Funeral Cash Plan
- Funeral Cash Plan

Savings Products

- Early Harvest Plan
- University Cover Plan
- Platinum Pension Plan

Whole Life Policies

- Ultimate Life Plan
- Wealth Life Plan
- Special Whole Life Plan

Investments Products

- First Mutual Deposit Administration Fund
- First Mutual Segregated Fund
- Retirement Products
- Group Pensions – Organised groups
- Umbrella Schemes – Low cost premium pension for Small to Medium Enterprises ("SME"s)
- Preservation Fund – Individual Pension Savings
- Annuities - Individual Pension

Risk Products

- Mortgage Protection / Loan Protection
- Post- Retirement Medical Aid

A detailed description of our products and services can be accessed on: **http://www.fmlzim.co.zw**

FIRST MUTUAL LIFE
ASSURANCE COMPANY
Creating Wealth For Life
A Member Of First Mutual Holdings Limited

First Mutual Health Company (Private) Limited

Overview
First Mutual Health is one of the leading medical insurance schemes in Zimbabwe and provides exceptional medical aid packages and cover at competitive rates. Through its innovative packages which range from affordable general medical cover to more comprehensive private medical aid cover plans, we offer our members excellent medical cover, peace of mind and value for money than any other medical aid in Zimbabwe.

There are ten plans under First Mutual Health as listed below:

- Opal International Plan,
- Garnet Plan (Individual Plan),
- Sapphire Plus Plan,
- Sapphire Plan,
- Pearl Plan (Individual Plan)
- Amber Plan,
- Ruby Plan,
- Coral Plan,
- Student Health Private Plan,
- Topaz Plan
- Student Health General Plan and,
- Micromed Plan.

A detailed description of our medical plans can be accessed on: **http://www.firstmutualhealth.co.zw/get-a-plan/**

FIRST MUTUAL
HEALTH
Go Beyond

NicozDiamond Insurance Company Limited

Overview

NicozDiamond Insurance Company Limited ("NDIL") was born out of a merger of National Insurance Company of Zimbabwe Limited ("NICOZ") and Diamond Insurance Company Limited. NicozDiamond's brand is one of the most recognised in Zimbabwe with 6 branches in Zimbabwe, regional operations in Malawi and Mozambique and has Bancassurance arrangements with four banks.

Since 2006, NicozDiamond has subscribed to the Global Credit Rating Company of South Africa and has consistently enjoyed an A- rating for claims paying ability. It is one of the few short term insurance companies which are ISO certified by the Standards Association of Zimbabwe.

Our Product offering

- Motor Insurance
- House Owners Insurance
- Householder Insurance
- Travel Insurance
- Golfer Insurance
- Marine Cargo and Hull Insurance
- Personal Accident Insurance
- Personal All Risk Insurance
- Plant and Erection all Risk Insurance
- Aviation Insurance
- Assets Insurance
- Business Protection Insurance
- Machinery Breakdown Insurance
- Fidelity Guarantee Insurance
- Directors and Officers Liability Insurance
- Liability Insurance

A detailed description of our products and services can be accessed on **http://www.nicozdiamond.co.zw**

NICOZDIAMOND
INSURANCE LIMITED
You never know what will happen

TristarInsurance Company Limited

Overview

TristarInsurance Company Limited is a short term insurance company in Zimbabwe offering both corporate segment and personal lines products and services. We are driven by the desire to meet customers' needs. We offer client centric products through innovation and tailor made products that suit specific client needs and preferences at affordable prices.

The entire business and related assets and liabilities of TristarInsurance Company Limited were transferred to NDIL on 1 January 2019.

Our Offerings:

General Products

- Fire
- Accident
- Farming
- Marine
- Engineering
- Legal Defence Costs Insurance
- Public Transport
- Scholars Personal Accident

Personal Lines

- House Owners
- Motor Vehicles

Schemes

- Elite star Scheme
- Church Star Scheme
- School Star

A detailed description of our short term insurance products can be accessed on **http://www.tristarinsurance.co.zw**

TristarInsurance
However complex...we insure

First Mutual Reinsurance Company Limited

Overview

First Mutual Reinsurance is involved in the provision of reinsurance security in all classes of general insurance and life and health insurance, with a stable credit rating of BBB+ by Global Credit Risk ("GCR") of South Africa. In addition, First Mutual Reinsurance trades on a strong retrocession panel with A-rated regional and international securities.

The company also provides a diverse range of technical training and risk management services as a total risk solution to its clients. The territorial scope for the company is predominantly in Zimbabwe with interests in selected African countries in pursuit of the vision to be the dominant reinsurance company in Africa.

Product and Service Offerings

1. **Reinsurance -** Treaties and Facultative
    - Life and Health
    - Property and Casualty

2. **Services**
    - Reinsurance Training

3. **Risk Management**
    - Baseline Risk Management (general)
    - Baseline Risk Assessment (specific)
    - Underwriting Survey and Maximum Possible Loss

A detailed description of our products and services can be accessed on **http://www.firstmutualreinsurance.co.zw**

FIRST MUTUAL
REINSURANCE
Go Beyond

First Mutual Wealth Management (Private) Limited

Overview

First Mutual Wealth ("FMW") is a registered investment company under the Securities and Exchange Commission. The Company offers a variety of wholesale investment products in the form of stand-alone segregated portfolios to pension funds, manages the First Mutual Group companies' investment portfolios, high networth clients whilst also offering unit trust products to the retail mass market. The product portfolio is designed to meet investors with various risk profiles thereby meeting the different and unique client needs. Our research team provides in-depth research that allows us to deliver sustainable investment performance for growth whilst also employing a rigorous risk management framework for investment security.

Our Product offering

- Money Market Fund
- Money Market Gross Fund
- Householder Insurance
- Bond Funds
- General Equity Fund
- Balanced Fund

A detailed description of our products and services can be accessed on **http://www.firstmutualwealth.co.zw**

FIRST MUTUAL

WEALTH

Go Beyond

First Mutual Properties Limited

Overview

First Mutual Properties Limited is a public listed property company incorporated in Zimbabwe and its principal activities are property investment, development and management. First Mutual Properties actively manages a diverse property portfolio that spans office parks, Central Business District ("CBD") retail, CBD offices, suburban retail and industrial. The growth of the company is premised around property acquisitions and developments.

Product and Service Offerings

Oyster Real Estate

Oyster Real Estate is the trading name for First Mutual Properties. Oyster is a fully licensed entity which provides professional property services that include:

- Property management,
- Facilities management,
- Property development,
- Property investment
- Property valuations.

A detailed description of our products and services can be accessed on **http://www.firstmutualproperties.co.zw**

FIRST MUTUAL

PROPERTIES

Go Beyond

First Mutual Wealth Property Fund One

Overview

First Mutual Wealth Property Fund One is a Special Purpose Vehicle (SPV) with interests in acquiring pre-let properties for investment purposes with targeted sectors being retail, education and agriculture. Shareholder value is created through rental income generated by the investment properties and capital appreciation of the acquired investment properties.

First Mutual Microfinance Private Limited

Overview
First Mutual Microfinance ("FMM") is a registered micro-lender under the Reserve Bank of Zimbabwe. The Company offers a diverse range of products including personal loans, SME loans, agricultural loans, asset loans and order financing. The product offering is skewed to productive and financially excluded markets-utilizing loan structures such as value-chain and group financing. The FMM team provides innovative customer centric financial solutions with a view of promoting outreach and a sustainable economic environment.

Our Product Offering
- Salary Based Loan
- SME Loans
- Agricultural Loans
- Micro-mortgages
- Insurance Embedded Loans
- Order- Financing

A detailed description of our products and services can be accessed on **http://www.firstmutualholdings.co.zw**

FIRST MUTUAL
MICRO-FINANCE
Go Beyond

First Mutual Funeral Services Private Limited

Overview

First Mutual Funeral Services ("FMFS") primary focus is the provision of funeral services that caters for the needs of the Zimbabwean market. The company offers clients a choice to get full funeral services packages or shop from a range of ancillary service and products that meets their needs. To ensure guaranteed quality and value for money for its clients, the company will commission a casket manufacturing factory and harness its skills and talent to provide world class caskets and related products for the local market and export.

Our Product offering

- Full funeral services packages
- Mortuary services
- Burial services
- Events management solutions
- Caskets and other wood products
- Equipment hire
- Memorial parks

FIRST MUTUAL

FUNERAL SERVICES

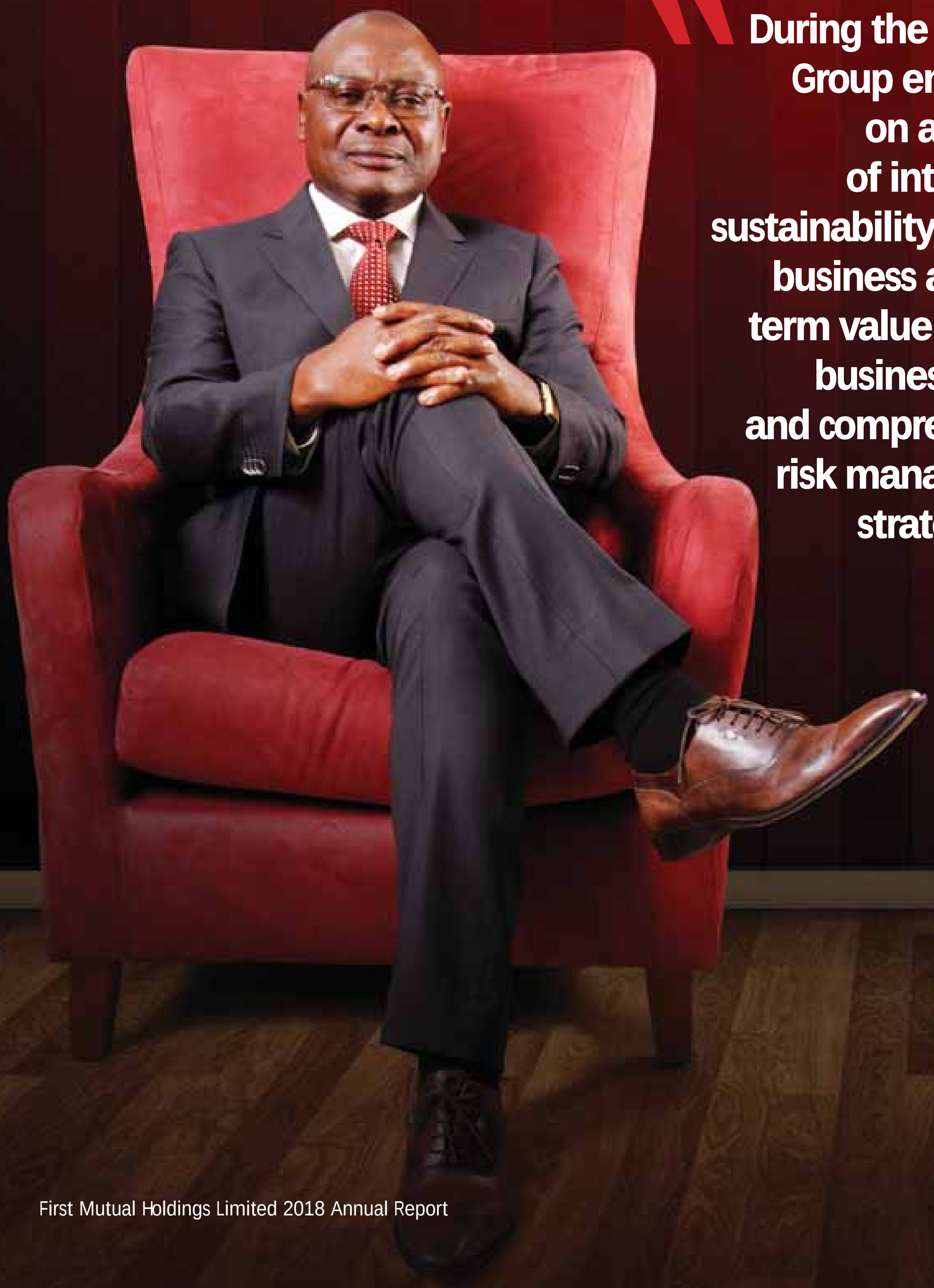
Go Beyond

A member of **FIRST MUTUAL HOLDINGS LIMITED**


FIRST MUTUAL
MICROFINANCE
Go Beyond
It's time to Go Beyond
It's possible for you to gain financial freedom, through us, today!

LEADERSHIP

CHAIRMAN'S STATEMENT



"During the year the Group embarked on a journey of integrating sustainability into the business as a long term value creation business model and comprehensive risk management strategy."

Oliver Mtasa
Chairman

ECONOMIC OVERVIEW

The Zimbabwe economy is estimated to have grown by 4% in 2018, driven by strong growth in mining, agriculture and construction of 13%, 12% and 8% respectively. While international commodity prices have remained under pressure, performance by the mining sector has been sustained by increased throughput. The downside to the Gross Domestic Product growth was the acute shortage of foreign currency evidenced by parallel currency market premiums and sharp rise in inflation in the last quarter of the year. The annual inflation rate rose to 42.1% year-on-year by December of 2018 compared to 3.5% at December 2017. The 2% Intermediate Money Transfer Tax was introduced in October 2018 to boost government revenues and reduce dependence on deficit monetisation. The equities market benefitted from the migration to real assets especially in the second half of the year as inflationary fears increased. The mainstream Zimbabwe Stock Exchange ("ZSE") Industrial Index closed the year up 46.3% (2017: 130%).

NICOZDIAMOND INSURANCE COMPANY LIMITED ACQUISITION

Subsequent to the acquisition of NicozDiamond Insurance Company Limited ("NDIL") in 2017 by First Mutual Holdings Limited ("FMHL"), FMHL made a mandatory tender offer to NDIL minority shareholders to acquire the remaining 19.08% shareholding in terms of the ZSE listing Requirements. NDIL minority shareholders all voted in favour of the proposal to buy them out on 28 June 2018 and the transaction was completed on 10 August 2018. NDIL was delisted from the ZSE on 20 August 2018. NDIL was consolidated into the Group from 1 December 2017 for one month and full year to the year ended 31 December 2018.

FUNCTIONAL CURRENCY

The Group has in previous financial periods used the United States of America Dollar ("US$") as its presentation and functional currency. The fiscal and monetary policy pronouncements made in October 2018, led to a reassessment of the functional currency and a justification to conclude that, under IAS 21 Effects of Foreign Exchange Rates, that there was a change in functional currency. However, this could not be effected because, at law, there was no local currency in Zimbabwe until 22 February 2019. The inconsistency between the legal requirements and International Financial Reporting Standards ("IFRS") resulted in auditors expressing an adverse opinion on the financial statements, which is a market wide phenomenon.

FINANCIAL HIGHLIGHTS

The financial highlights for the year ended 31 December 2018 are shown below:

Operating Performance & Financial Position	Audited 2018 $000	Audited 2017 $000	Proforma 2017 $000
Gross premium written	180 628	124 927	153 680
Net premium earned	153 848	115 123	132 068
Rental income	7 685	6 470	6 933
Operating profit	11 125	8 143	9 082
Investment income	34 276	32 924	35 487
Profit before income tax	24 815	14 800	18 386
Profit for the year	17 644	12 224	15 731
Total assets	**392 277**	**335 335**	**335 335**
Cash generated from operations	28 783	18 251	19 869
Share Performance	**2018**	**2017**	**2017**
Basic earnings per share (cents)	2.34	2.13	2.13
Market price per share (cents)	12	13	13
Sustainability Performance			
Environmental Highlights	2018	2017	2017
Electricity usage (MWh)	3 559	3 367	3 469
Water consumption: Municipal (m3)	25 268	17 496	26 274
Social Performance Highlights	**2018**	**2017**	**2017**
Total number of new employees	85	75	75
Average training hours per employee	80	121	117

The proforma 2017 has been included to capture full NDIL results for 2017. In 2017 NDIL was only consolidated for one month.

...the Group's operating performance, went up by **37% to $11.1 million** compared to **2017**

FINANCIAL PERFORMANCE

The business achieved growth in revenue but experienced pressure in operating costs in line with developments in the country, particularly the last quarter of the year.

Statement of comprehensive income

The consolidated gross premium written ("GPW") for the year, at $180.6 million, grew by 45% compared to 2017. The growth is a result of consolidating NDIL for the whole year compared to only one month in 2017, when it was acquired, as well as growth across all insurance segments.

Consolidated rental income for the year, at $7.7 million, went up 19%. The positive movement is attributed to turnover rentals on retail space and an increase in occupancy on high value lettable space.

Operating profit, a critical measure of the Group's performance, went up by 37% to $11.1 million. NDIL contributed $2.4 million to the Group's operating profit. Other Group companies contributed $8.7 million.

The Group attained an investment income of $34.3 million for the year against an investment income of $32.9 million in 2017. The profit for the year was $17.6 million (2017: $12.2 million) due to the increase in operating profit and investment income as well as the positive fair value on investment property.

Statement of financial position

The Group's total assets increased by 17% to $392.3 million as at 31 December 2018 compared to $335.3 million as at 31 December 2017. The growth was driven by increases in listed equity values of $48.9 million and investment property of $8.7 million while debt securities at amortised cost declined by $9.6 million. Cash and balances with banks increased by $8.1 million due to cash generated from operations .

SUSTAINABILITY

Sustainability has always been a core value of FMHL. Sustainability provides considerable integrated thinking on how to manage economic, environmental and social impact through shared values with stakeholders. During the year the Group embarked on a journey of integrating sustainability into the business as a long term value creation business model and comprehensive risk management strategy. The Group is set to produce its first report containing sustainability information using 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 Foundation, the Group's Corporate Social Responsibility (“CSR”) arm, continues to enhance access to education for under privileged children through school fees payment and ancillary assistance. The beneficiaries are in primary, secondary and tertiary levels. In addition, First Mutual assists students from the Reformed Church University with financial support based on humanitarian need and academic merit. First Mutual also financially supported measures to mitigate the impact of the cholera outbreak epidemic in 2018 and the Cyclone Idai in 2019.

OUTLOOK

Zimbabwe is expected to record GDP growth of 3.1% in 2019 owing to subdued performance in agriculture on account of erratic rainfall patterns and inconsistent access to foreign currency. The implementation of the Transitional Stabilisation Programme launched in 2018 to operationalise Vision 2030 which targets Zimbabwe becoming a middle income country is expected to set the economy on a recovery path. The policy is premised on tackling macroeconomic problems, in particular the resolution of the foreign currency crisis as well as improving foreign direct investment and finding an acceptable plan to the foreign debt resolution. Furthermore, the Government's ability to live within its means will be key in keeping a lid on inflationary pressures and cost of doing business. First Mutual is adopting various strategies to exploit opportunities arising from these Government initiatives.

DIRECTORATE

We continuously endeavour to develop our governance and reflect an ethical and accountable leadership focused on value creation for all stakeholders.

Appointments

Mr A R T Manzai was appointed as non-executive director, effective 1 January 2018 and Mrs D Tomana was appointed effective 30 July 2018. On behalf of the Board, I welcome them and look forward to their positive contribution.

Resignations

Mr C Nziradzemhuka and Mr J Sekeso resigned as non-executive directors, effective 15 June 2018 and 7 February 2019 respectively. On behalf of the Board, I would like to thank them for the valuable contribution they made to the Group.

DIVIDEND

At a meeting held on 10 April 2019, the Board resolved that a final dividend of RTGS $2. 1 million, being 0.29 RTGS cents per share be declared from the profits of the Group for the year ended 31 December 2018. The dividend will be payable on or about 24 May 2019 to all shareholders of the Company registered at close of business on 10 May 2019. The shares of the Company will be traded cum-dividend on the Zimbabwe Stock Exchange up to the market day of 7 May 2019 and ex-dividend as from 8 May 2019.

APPRECIATION

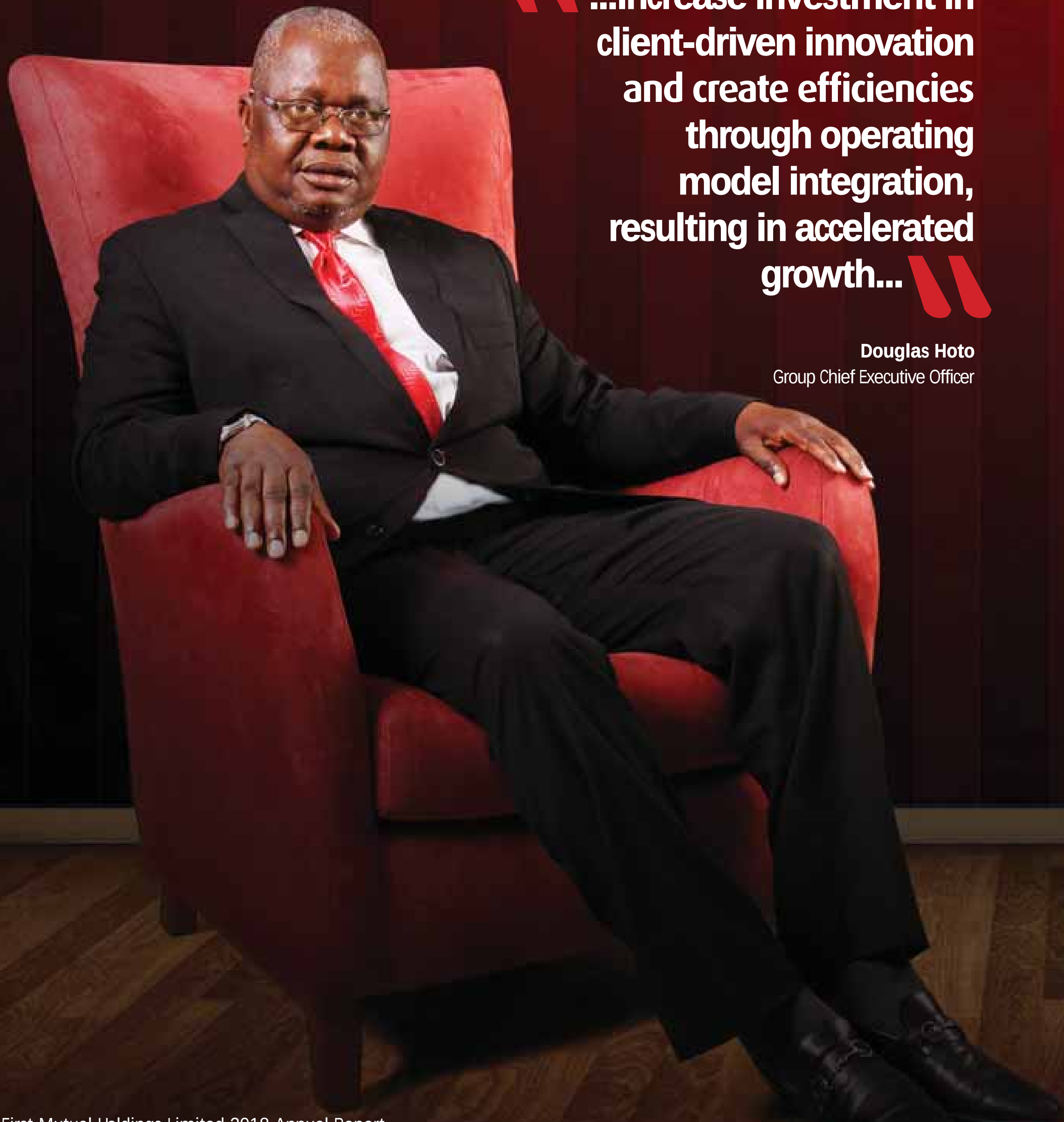
Lastly, I would like to thank our customers, regulators, shareholders and other stakeholders for their efforts and support to the Group. I would like to thank fellow board members, management and staff for their unwavering commitment, wise counsel and vision in taking the Group forward.

Oliver Mtasa
Chairman

10 April 2019

GROUP CHIEF EXECUTIVE OFFICER'S REVIEW OF OPERATIONS

31 DECEMBER 2018



> **"...increase investment in client-driven innovation and create efficiencies through operating model integration, resulting in accelerated growth..."**

Douglas Hoto
Group Chief Executive Officer

...improved financial performance for the year of

$17.6 million...

The Group continued to deliver on its core pillars of risk management, wealth creation and wealth management during the year ended 31 December 2018. 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 acquisition of NDIL strengthened 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 $17.6 million compared to a profit of $12.2 million in 2017.

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")

GPW for the year, at $62.3 million, grew by 11% compared to 2017, driven by organic growth on corporate clients and acquisition of new business. Membership increased from 118 590 at 31 December 2017 to 135 999. The claims ratio went down from 79.14% in 2017 to 77.87%. The business launched a new product, Micromed, on 14 December 2018 targeting low income earners.

LIFE AND PENSIONS BUSINESS

First Mutual Life Assurance Company (Private) Limited

GPW for both Life Assurance and Pensions and Savings businesses increased by 23%. The two segments are further analysed below:

Pensions and Savings

Gross premium written, at $27.8 million, was 35% higher than 2017. The strong growth is a result of higher single premiums which normally arise through the setup of pension annuities and preservation funds when employees retire, resign or are retrenched. Group pensions, recurring business which grew by 10% relative to prior period, also contributed to the growth in policyholder business.

Life Assurance

Shareholder risk business GPW, which mainly comprises the traditional Funeral Cash Plan ("FCP"), mobile based e-FML and Group Life Assurance ("GLA"), at $15.7 million, grew by 7% relative to 2017. The growth was driven by a 27% increase in mobile based e-FML and Group Life Assurance. Claims were 4% higher than the prior period mainly due to GLA claims that grew by 17%.

PROPERTY AND CASUALTY INSURANCE

First Mutual Reinsurance Company Limited

GPW at $19.3 million was in line with 2017. The claims ratio went down from 63% in 2017 to 57% due to lower agriculture losses than the experience in 2017. The business revised the underwriting policies on agriculture business after severe losses in 2017. Regional business contribution went down due to challenges in discharging obligations.

FMRE Property and Casualty (Proprietary) Limited - Botswana

GPW, at $10.4 million, was 48% ahead of prior year as the business continued on an upward trajectory both in Botswana and in the region. The local market contributed 54% of the total GPW compared to 56% in 2017. The percentage contribution of local business went down due to growth in regional business. In absolute terms, local business went up 38% due to new business acquired from major cedants.

NicozDiamond Insurance Company Limited ("NDIL")

GPW, at $40.6 million, grew by 29% relative to prior year mainly due to organic growth, change in sum insured to match the foreign currency parallel market premiums in October 2018 and the recently launched Post Insurance business. The business managed to retain its portfolio in 2018. The claims ratio remained rooted at 51% in 2018 versus 2017. The operations of TristarInsurance have been merged with those of NDIL with effect from 1 January 2019.

TristarInsurance

GPW, at $6.5 million, was 33% ahead of 2017. The growth from prior period was driven by greater broker support, high success rate for recurring business and increased market confidence and the effects of new business initiatives launched in 2018.

PROPERTY

First Mutual Properties Limited ("FMP")

Revenue for the year, at $8 million, was 9% ahead of prior year. The increase is mainly attributed to new lettings in high value space, turnover based rentals in retail properties and new rental income from recent acquisitions. The occupancy level improved to 76.10% during the period, up from 70.94% at 31 December 2017, reflecting significant leasing efforts during the period.

An independent valuation of properties by Knight Frank Zimbabwe for the property portfolio as at 31 December 2018 resulted in a gain of 6% from 31 December 2017.

WEALTH MANAGEMENT

First Mutual Wealth Management (Private) Limited

The business achieved lower investment fees of $1.4 million for the period compared to $1.7 million for the comparative year. This resulted in lower operating profit of $0.1 million compared to $0.4 million in 2017.

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. We believe sustainability reporting will allow us to build strong shared values for long term value creation for our stakeholders. During the year, the Group produced the first sustainability report prepared in accordance with GRI Standards as a demonstration of our commitment to our sustainability values. The integration of sustainability in our operations is expected to continue with setting measurable targets, improving systems and developing capacity across the group.

HUMAN CAPITAL DEVELOPMENT

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

LOOKING AHEAD

We enter 2019 in a position to increase investment in client-driven innovation and create efficiencies through operating model integration. This is expected to result in accelerated growth and free cash flow generation. We are excited about this next step and what it means for our clients and other stakeholders.

Thank you for the continued trust you have placed in our Group. Your support is critical, and we will continue to work hard to exceed your expectations.

Douglas Hoto
Group Chief Executive Officer

10 April 2019

GOVERNANCE

CORPORATE GOVERNANCE

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

Code of corporate practices and conduct

The Group is committed to promoting the highest standards of ethical behaviour amongst all its employees. All employees are required to maintain the highest ethical standards in ensuring that the Group's business practices are conducted in a manner which in all reasonable circumstances is above reproach. Furthermore, all employees are required to observe the Group's Code of Ethics. The Group is a subscriber to an independently managed fraud hotline system.

Board composition and appointment

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

The Board meets regularly, at least four times a year, and guides corporate strategy, risk management practices, annual budgets and business plans. Special Board meetings may be convened on an ad-hoc basis when necessary to consider issues requiring urgent attention or decision. The Company Secretary maintains an attendance register of Directors for all scheduled meetings during the year through which Directors can assess their devotion of sufficient time to the Group.

The Board has overall responsibility for ensuring the integrity of the Group's accounting and financial reporting systems including the independent audit, and that appropriate systems of control, risk management and compliance with laws are in place. To ensure effectiveness, Board members have unfettered access to information regarding the Group's operations which is available through Board, and Board Committees as well as Strategic Planning workshops organised by the Group. Directors may, at the Group's expense, seek independent professional advice concerning the Group's affairs.

Board appointments are made to ensure a variety of skills and expertise is represented on the Board. A third of the Directors are required to retire on a rotational basis each year along with any Directors appointed to the Board during the year. Executive directors are employed under performance driven service contracts setting out responsibilities of their particular office. Summarised on pages 34 to 38 are the board and the members of the various board committees and the responsibilities of each committee.

Stakeholders' communication systems with the Board

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

Active ownership

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

Directors' declaration & Ethical conduct

In line with the Zimbabwe Stock Exchange Listing Requirements, the Group operates a "closed period" prior to publication of its interim and year-end financial results during which period executive and non-executive directors and staff of the Group are not authorised to deal in the shares of the Group.

During the year under review no directors had any material interests which could cause significant conflict of interest with the Groups objectives. The beneficial interests of the Directors and their families in shares of First Mutual Holdings Limited are presented on page 41.

Share dealing

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

- the period from the end of the interim or annual reporting periods to the announcement of the interim and final results
- any period when they are aware of any negotiations or details which may affect the share price or
- any period when they are in possession of information, might affect the share price.

Executive Directors' remuneration

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

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

Board accountability and delegated functions

The Board is supported by various committees in executing its responsibilities. The main committees meet at least quarterly to review performance and provide guidance to management on both operational and policy issues.

Each committee acts within written terms of reference under which certain functions of the Board are delegated with clearly defined purposes. The Group from time to time reviews the number of committees as necessitated by the prevailing environment.

Board Committees

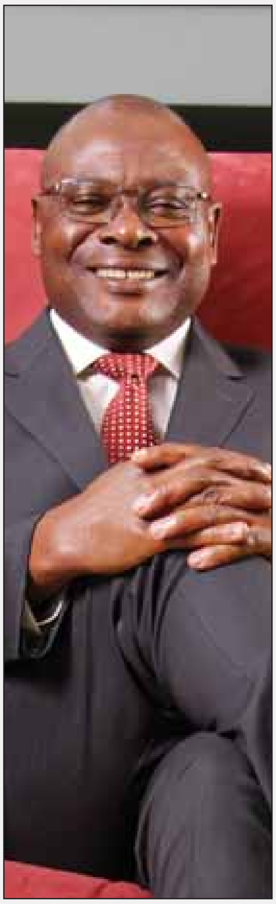
Committee	Members	Summary of Roles & Responsibilities
Combined Audit and Actuarial Committee	E Mkondo (Chairperson) C Chetsanga N Dube M Mukondomi	The Combined Audit and Actuarial Committee has written terms of reference and is tasked with ensuring financial discipline within the Group, sound corporate values and financial procedures. This committee is further tasked with reviewing and recommending for adoption by the Board the interim and annual financial statements of the Group and any accounting policy changes. The committee also recommends the appointment and reviews the fees of the independent auditor. The Group's Audit and Risk Management Executive and the independent auditor are invited to attend all meetings and have unrestricted access to this committee to ensure their independence and objectivity. In respect of actuarial work, the committee is tasked with protecting policyholders' interests by: • ensuring separate accounting for the assets of policyholders and shareholders of the insurance companies in the Group; • devising and ensuring adherence to profit participation rules; and • reviewing actuarial valuation reports and monitoring implementation of actuarial recommendations.
Group Human Resources And Governance Committee	S V Rushwaya (Chairperson) J Sekeso O Mtasa E K Moyo	This committee comprises four (4) non-executive directors of the Company, one of whom is the Chairperson. This committee is mandated to deal with staff development and formulate remuneration policies as well as approve remuneration packages for executive directors and senior executives. The committee is responsible for reviewing and assessing organizational structure in line with the strategy of the Group and makes recommendations to the Board. The committee reviews recruitment procedures and strives to ensure that remuneration packages remain competitive. The committee acts as a Nominations committee for Directors to the Board and to the Boards of subsidiary companies and, in addition, the committee considers wider corporate governance issues and related party transactions. The committee has responsibility for drafting the remuneration policy. The remuneration policy is designed to reward performance and to attract, motivate and retain high calibre individuals who will contribute fully to the success of each of the businesses through which First Mutual operates. Accordingly, a performance related profit share is offered in addition. This draws on local and regional survey data from independent advisors to ensure that the remuneration policy is appropriate and relevant to the prevailing times.
Investments Committee	A R T Manzai (Chairperson) O Mtasa A Chidakwa	This committee comprises three (3) non-executive directors (one of whom is the Chairperson). The Group Chief Executive Officer and Group Finance Director attend in ex officio capacities. The committee formulates investments strategy and policy, reviews the performance of investments within the Group and recommends new investments for approval by the Board. The Committee assists the Board in reviewing the implementation of its investment policies and ensures that portfolio management is conducted in accordance with the Group's policies.
Group Board Risk Committee	G Baines (Chairperson) N Dube E K Moyo	This committee comprises three (3) Non-Executive Directors of First Mutual Holdings Limited, one of whom is the Chairperson. The committee advises on the Group's overall risk strategy, current risk exposures, and risk governance. The committee considers and approves the remit of the risk management function and reviews reports on material breaches of risk limits, as well as the adequacy of remedial action. The committee also advises the Board on the risk aspects of proposed strategic transactions. The committee liaises with other Board Committees as necessary.

Meetings Attendance

Director	Main Board (6)	Group Board Risk Committee (4 Meetings)	Investments Committee (5 Meetings)	Human Resources & Governance committee (8 Meetings)	Combined Audit & Actuarial Committee (5 Meetings)
O Mtasa	6	-	5	8	-
D Hoto	6	-	-	-	-
E K Moyo	4	4	-	-	-
S V Rushwaya	6	-	-	8	-
A R T Manzai	6	-	5	-	-
C Nziradzemhuka	1	-	2	-	-
E Mkondo	6	-	-	-	5
J Sekeso	3	-	-	5	-
M Mukondomi	6	-	-	-	5
G Baines	4	4	-	-	-
W M Marere	5	-	-	-	-
D Tomana	2	-	-	-	-

* - Not applicable beacuse the Director is not a member of that committee.

BOARD OF DIRECTORS





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

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

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

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

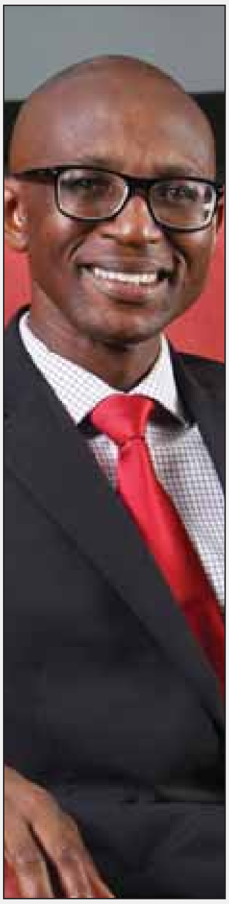
Daphine Tomana
Non-Executive
Director
Bachelor of laws Degree, UZ

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

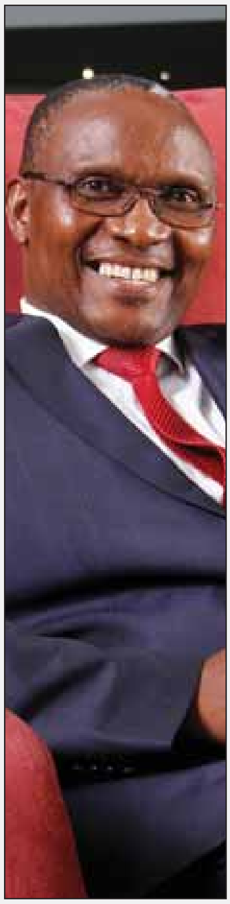
Evelyn Mkondo
Independent
Non-Executive Director
B. Acc (UZ), CA (Z)

John Sekeso
Non-Executive Director
MBA (UZ), BA (Hons)-Admin (Newcastle-on-Tyne, UK)

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



William M Marere
Group Finance Director
Executive
B. Compt (Hons) (UNISA), CA (Z)



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

EXECUTIVE COMMITTEE MEMBERS

FROM LEFT TO RIGHT:

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

BOARDS OF DIRECTORS OF SUBSIDIARY COMPANIES as at 31 December 2018

1. **FIRST MUTUAL HEALTH COMPANY (PRIVATE) LIMITED**
   Dr T A Makoni (Chairman)
   D Hoto (Group Chief Executive Officer)
   T Khumalo (Ms)(resigned 31 December 2018)
   Mr J Karidza (appointed 1 October 2018)
   N Dube (Mrs)
   R Mandima

2. **FIRST MUTUAL LIFE ASSURANCE COMPANY (PRIVATE) LIMITED**
   S V Rushwaya (Chairman)
   D Hoto (Group Chief Executive Officer)
   R B Ncube (Ms)* (Managing Director)
   I P Z Ndlovu
   W M Marere (Group Finance Director)
   A R T Manzai
   G Baines
   T Mazingi (Mrs)

3. TRISTARINSURANCE COMPANY LIMITED
   E K Moyo (Chairman)
   D Nyabadza * (Managing Director)
   C Chetsanga (Mrs)
   D Hoto (Group Chief Executive Officer)
   E F Muzvondiwa
   P P Shoniwa

4. **FIRST MUTUAL REINSURANCE COMPANY LIMITED**
   O Mtasa (Chairman)
   I C Tavonesa* (Managing Director)
   D Hoto (Group Chief Executive Officer)
   M M Mukonoweshuro (Mrs)
   M S Manyumwa
   C Chiswo

5. **FMRE PROPERTY AND CASUALTY (PROPRIETARY) LIMITED**
   D Hoto (Chairman and Group Chief Executive Officer)
   I C Tavonesa * (Managing Director)
   S Tumelo
   I Chagonda
   J Kamuyka

6. **NICOZDIAMOND INSURANCE COMPANY LIMITED**
   C Chetsanga (Mrs) (Acting Chairperson)
   G Muradzikwa (Mrs) * (Managing Director) (resigned 1 March 2019)
   E K Moyo
   B Campbell
   N Mukwehwa (Mrs)
   D Hoto (Group Chief Executive Officer)

7. **FIRST MUTUAL PROPERTIES LIMITED**
   E K Moyo – (Chairman)
   C K Manyowa (Managing Director)
   D Hoto (Group Chief Executive Officer)
   R B Ncube (Ms)
   W M Marere (Group Finance Director)
   Dr S Jogi
   E Mkondo (Ms)
   Dr A Chidakwa (appointed 1 August 2018)

8. **FIRST MUTUAL WEALTH MANAGEMENT (PRIVATE) LIMITED**
   J Chikura (Chairman) (appointed 1 January 2018)
   O Mtasa
   A R T Manzai
   D Hoto (Group Chief Executive
   W M Marere* (Group Finance Director)
   A Chikakwa (appointed 1 April 2018)
   R Kupara (Mrs) (appointed 1 October 2018)

*Executive

Compliance Matters and Declarations

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

During the year, great effort was made to comply with the following:
- Zimbabwe Companies Act (24:03)
- Zimbabwe Stock Exchange – Listing Requirements
- Insurance and Pension Commission ("IPEC")
- Real Estate Institute of Zimbabwe ("REIZ")
- Institute of Actuaries Zimbabwe ("IAZ")
- Public Accountants and Auditors Board Zimbabwe ("PAABZ") - Pronouncements
- Securities and Exchange Commission of Zimbabwe ("SECZIM")
- Malawai Companies Act (40:03)
- Botswana Companies Act (2003)
- Mozambique Companies Act (commercial code 10/2006 4th edition)
- All other applicable laws, regulations and directive

The following reports are presented for compliance with legal, regulatory provision and industry standards.

DIRECTORS' REPORT 31 DECEMBER 2018

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

Subsidiary and the services provided

1. **First Mutual Health Company (Private) Limited**
   Health insurance

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

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

4. **TristarInsurance Company Limited**
   Short-term insurance

5. **First Mutual Properties Limited**
   Property ownership, management and development

6. **First Mutual Wealth Management (Private) Limited**
   Fund management

7. **NicozDiamond Insurance Limited**
   (effective date of acquisition 20 November 2017, for accounting purposes 1 December 2017)
   Short-term insurance

8. **First Mutual Funeral Services (Private) Limited**
   Funeral services

9. **First Mutual Microfinance (Private) Limited**
   Micro lending

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

Share capital

As at 31 December 2018, the authorised and issued share capital of the Company is as follows:

- Authorised - 1,000,000,000 (2017 : 1,000,000,000) ordinary shares with a nominal value of US$0.001 each
- Issued and fully paid - 720,731,498 (2017 : 696,137,739) ordinary shares with a nominal value of US$0.001 each

Group results

The financial statements of the Group for the year are set out on pages 66 to 158.

Directors

In accordance with Article 106 of the Company's Articles of Association, Mr G Baines, Ms E Mkondo and Mr E Moyo retire as directors of the Company and, being eligible, offer themselves for re-election.

Mr Chakanyuka Nziradzemhuka resigned from the Board on 15 June 2018. Mr John Sekeso resigned from the Board on 7 February 2019. Mrs D Tomana was appointed as a non-executive director of the Board effective 30 July 2018. She also retires and, being eligible, offers herself for re-election in terms of Article 113.

Capital commitments

Details of the Group's capital commitments are set out in note 30.1.2 of the financial statements.

Dividend

The directors at the meeting held on 10 April 2019 declared a dividend of RTGS$2,100,000 be paid from the profit of the Group for the year ended 31 December 2018.

Directors' shareholding in the Company

		Direct interest	Indirect interest	Share options
O Mtasa	(Chairman)	-	-	-
A R T Manzai		-	-	-
S V Rushwaya		10 100	-	-
D Hoto	(Group Chief Executive Officer)	-	-	1 935 635
E K Moyo		924	-	-
E Mkondo (Ms)		-	-	-
W M Marere	(Group Finance Director)	10,000	-	946 459
J Sekeso		-	-	-
M Mukondomi (Mrs)		-	-	-
G Baines		-	-	-
D Tomana		-	-	-

* Mrs D Tomana was acting non-executive chairperson of the National Social Security Authority ("NSSA") during the course of 2018 and Mrs M Mukondomi was a non-executive director of NSSA.

NSSA owns 66.46% (2017: 68.81%) directly and an additional 10.59% (2017: 11.41%) indirectly through Capital Bank Limited (under liquidation). NSSA owns 84% (2017: 84%) of Capital Bank Limited.

Remuneration

- Non-executive directors' remuneration is subject to shareholder approval.

Independent auditors

At the forthcoming Annual General Meeting, shareholders will be asked to fix the remuneration of the independent auditors for the past year and appoint independent auditors for the Group for the ensuring year.

By Order Of The Board

Mr O Mtasa
Group Chairman
Harare

10 April 2019

Mrs S F Lorimer
Group Company Secretary
Harare

10 April 2019

Directors' Statement of Responsibility

31 DECEMBER 2018

The Group's independent auditors, PricewaterhouseCoopers (PWC) Chartered Accountants (Zimbabwe), have audited the financial statements and their report is set out on pages 58 to 64. The Directors of the Company are responsible for maintaining adequate accounting records and for the preparation of financial statements that present fair and accurate information.

In discharging this responsibility, the Group maintains a system of internal controls designed to provide reasonable assurance that the assets are safeguarded and that transactions are executed and recorded in accordance with Group policies.

The Directors have satisfied themselves that all the subsidiary companies in the Group are in a sound financial position and have adequate resources to continue in operational existence for the foreseeable future.

The Directors have assessed the ability of the Group, the Company and its subsidiaries to continue operating as going concern and believe that the preparation of these financial statements on a going concern basis is appropriate.

Mr O Mtasa
Chairman
Harare

10 April 2019


FIRST MUTUAL
REINSURANCE
Go Beyond
It's time to Go Beyond
Switch to a reinsurer that thinks about tomorrow's risks.

Certificate of Compliance by Group Company Secretary

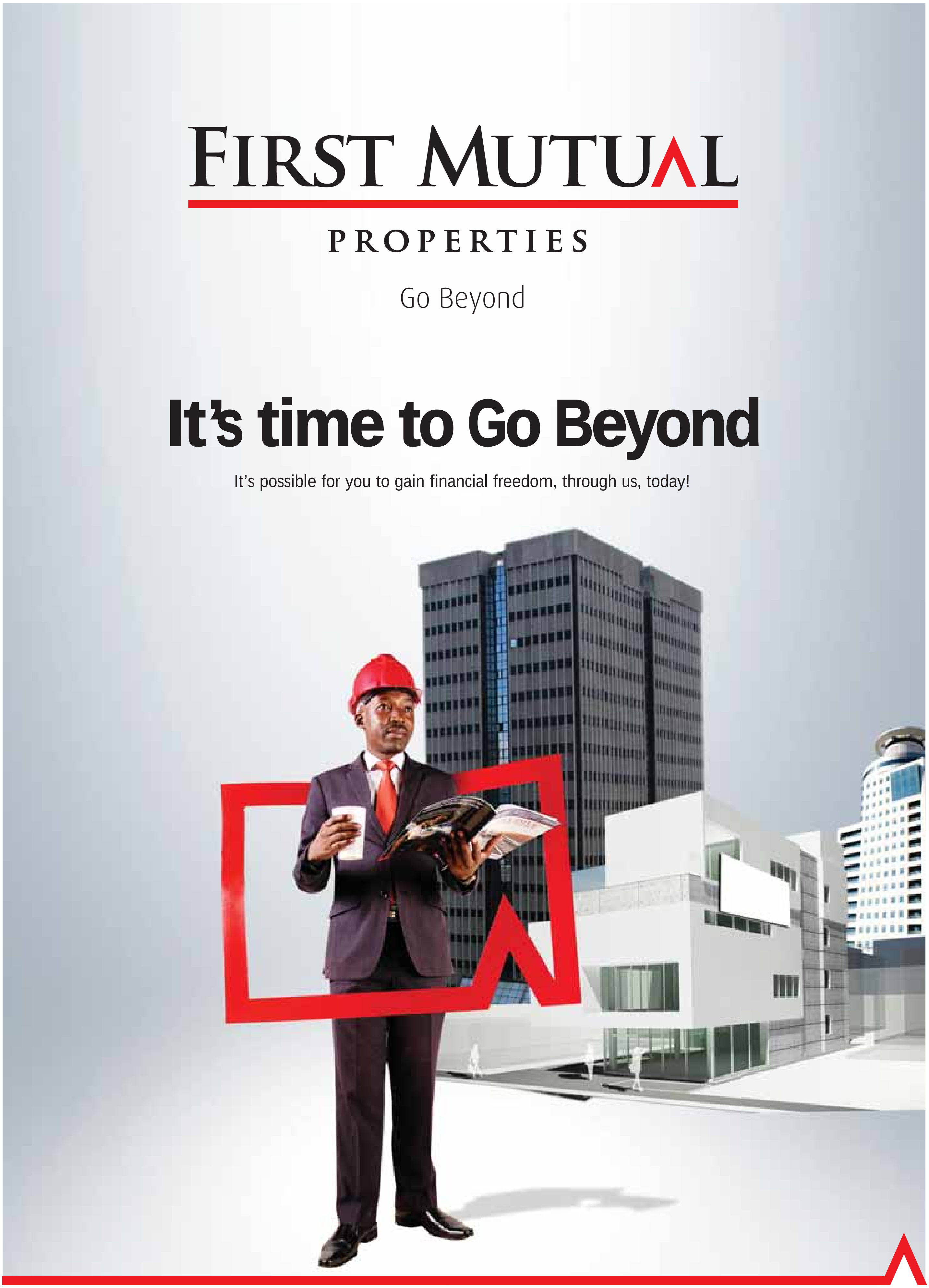
31 DECEMBER 2018

In my capacity as Group Company Secretary of First Mutual Holdings Limited and its subsidiary companies, I confirm that in terms of the Zimbabwe Companies Act (Chapter 24:03), the Company lodged with the Registrar of Companies all such returns as are required of a public quoted company in terms of this Act, and all such returns are true, correct and up to date.

S Lorimer

S F Lorimer (Mrs)
Group Company Secretary Harare

10 April 2019


FIRST MUTUAL
PROPERTIES
Go Beyond
It's time to Go Beyond
It's possible for you to gain financial freedom, through us, today!

SUSTAINABILITY

SUSTAINABILITY APPROACH

Our Strategy

The Group seeks to take a strategic position on sustainable investments and financial services that brings long term value for stakeholders. The Group will do this by prioritising sustainability values in all approaches and decisions. The Group wants stakeholders to know that the business is solid and operated sustainably. To achieve this, the Group adopted sustainability reporting using the Global Reporting Initiative ("GRI") Standards to strengthen sustainability values across the group, operations and building sustainable relations with stakeholders. These standards enable the Group to take into account economic, social and environmental issues material to our stakeholders and the business. Our strategy for adopting sustainability reporting rests upon building a strong foundation for the Group to bring other international values such as Principles of Responsible Insurance and Investing in line with global trends.

Management Approach

Management considers sustainability reporting as a strategy for risk management and business development. As such, management ensures that the Group identifies and manages all significant risks and opportunities relating to economic, environmental and social aspects that drive performance across our business and stakeholders. Management will roll out full implementation of sustainability practices and values across the Group ensuring each business unit takes due care of aligning business practices with sustainability values in their operations.

STAKEHOLDER ENGAGEMENT

At First Mutual, we recognise that stakeholders are an important capital that sustains us. As such, the Group continuously holds stakeholder engagements to get an understanding of the issues and stakeholder concerns. The engagement process provides us with broad appreciation of the sustainability context in our business operating environment. This allows us to identify material risks and business opportunities. Stakeholder engagement is a strategic pillar whose responsibility is shared by all employees of the Group.

First Mutual frequently engages its stakeholders who include customers, employees, government, regulators, suppliers, investors and communities. The philosophy of the Group is to treat stakeholders as business partners who have a strategic role in risk management and providing insights into potential business opportunities.

Our Approach

The Group's management is tasked with the responsibility of ensuring they pay attention to all matters of risk and opportunities which may be derived from stakeholders. Management's engagement with stakeholders is informed by detailed profiling and understanding of our stakeholders' legitimate interests in our business, products and services. The stakeholder profiling provides critical information on engagement, the frequency of engagement and response mechanism to each stakeholder group. Management continually seeks to understand issues and concerns of stakeholders so as to inform how to best respond to any material concerns and improve the way the business operates.

Our stakeholder engagement activities for the year are presented below:

Stakeholder	Engagement method	Key issues and concerns raised	FMHL Response to issue	Frequency of Engagement
Employees	• Works Council Meetings • Group Chief Executive Officer ("GCEO") Newsletter • Update Memos • Staff Addresses • Employee Values and Engagement Surveys ("EVES")	• Remuneration • Conditions of Employment • Productivity	• Cost of living adjustment ("COLA") • Performance based incentives	Periodically
Customers	• Adverts (Radio & TV) • Customer • Focus groups • Social media • Outreach • Conferences and presentations • Fairs & Exhibitions	• Products and services visibility in small towns • Improvement in claims processing time • Biller code requests • Product knowledge and information	• Increased budgets to cover for small towns. • Management investigations into the lagging processing time. • Securing biller code. • Launched financial literacy trainings.	Weekly Monthly and Yearly
Government & Regulators	• Engagement with regulators though brokers, advisors, bankers and others • Lobbying through industry bodies • Face to face meetings	• Business acquisitions. • Need to adopt risk based capital for health care funders • Medical aid tariffs • Nationwide drug shortages. • Foreign currency requirements for all businesses units • Remittance of offshore reinsurance premiums • Admissible assets and capital requirements for insurers.	• Obtaining all regulatory approvals. • Dialogue with regulators and Government.	Once off approvals Ongoing

Stakeholder	Engagement method	Key issues and concerns raised	FMH Response to issue	Frequency of Engagement
Suppliers	• Telephone calls and emails • Supplier meetings • Newspaper adverts	• Pricing in local or foreign currency concerns. • Loss of value • Access to foreign currency	• Prepayments • Reduced payment lead time. • Frequent deposits	Adhoc Quarterly
Investors	• Annual reporting • Annual General Meetings • Biannual Analysts briefings • Engagement with individual shareholders • Attendance at investors' conference	• Consistent profits and dividends • Increasing local market presence • Ability to attract investment	• Consistent industry leading performance • Setting key Performance Indicators • Generation of operating profits and dividend pay outs • Preservation of value • Balance Sheet Management	Annually as required
Local communities	Corporate Social responsibility: Wellness activities, trainings and sponsorships	• Need for more sponsorship in some catchment areas • Capacitate the local communities on financial and economic literacy • Higher health cases of lifestyle disease like Hypertension, High Blood Pressure • The need by local communities and clients for healthier lifestyles	• Increasing sponsorship budget • Introduced initiatives like Zumba dance, Marathons and promote healthier lifestyles within communities • Providing economic and financial literacy training	Monthly Adhoc
Credit rating Companies	• Credit rating evaluation	• The need to increase sustainable levels of capitalisation	• Cpitalisation of business	Annually

REPORTING PRACTICE AND APPROACH

Reporting Practice

The Group reports on an annual basis for public disclosures. This report presents the first sustainability report by the Group prepared in accordance with GRI Standards – Core. The report covers key performance indicators derived from impacts identified as directly related to the Group.

Reporting Boundaries

In defining the reporting boundaries for this first sustainability report, the Group focused on operations in Zimbabwe which are deemed significant in terms of material impacts. Material economic, environmental and social impacts were considered significant in Zimbabwe as compared to operations in Malawi, Botswana and Mozambique. As such, sustainability performance indicators were mainly informed by operations in Zimbabwe.

Materiality

The Group's approach to materiality assessment for this report was based on analysing the sustainability context in our business operating environment in Zimbabwe. The Group identified material issues considered significant in the context of the Group's operations and those deemed important to our stakeholders. The Group took a sectoral approach in evaluating material issues by looking at those material in the financial services and real estate sectors in which business activities are concentrated.

Materiality assessment was conducted internally through the sustainability team leaders who identified a list of relevant sustainability topics for First Mutual Holdings Limited and its subsidiaries. Material issues identified were categorised into economic, environmental and social to inform this report. The following were identified as topics material to the Group and Stakeholders:

- Economic value generated and distributed
- Staff welfare
- Payments to Governments
- Electricity consumption
- Fuel consumption
- Water usage
- Employment opportunities
- Occupational Health and Safety
- Life learning for staff
- Community social investments
- Staff corporate social responsibility in the community
- Responsible marketing in financial service sector

Sustainability Perfomance

ECONOMIC IMPACT

The ability to create sustainable economic value to our stakeholders and the nation at large is an important imperative for us at First Mutual. We believe that our ability to continue operating depends on our capacity to create value for both the internal and external stakeholders. It is this recognition of external stakeholders that inspires First Mutual to generate value and distribute it in a sustainable manner.

Management Approach

Management tries by all means to optimise value creation for distribution to various stakeholders in a sustainable manner. Our performance actively and promptly responds to government fiscal and monetary policies. Management ensures that value is distributed in a manner that considers the long term perspective of the business.

Economic Value Generated and Distributed

Economic Value Generation	2018 $000	2017 $000
Value generated	156 628	115 123
Other income and interest	52 865	44 620
Equity accounted earnings	175	13
Total	**209 668**	**159 756**
Economic Value Distributed		
Other operating costs	(19 536)	(12 832)
Staff costs and benefits	(19 770)	(14 353)
Impairment and related charges	(689)	(116 342)
Depreciation and amortisation	(1 291)	(1 103)
Providers of capital	(53)	(327)
Income taxes	(7 171)	(2 576)
Value added	**48 510**	**12 223**

Defined Contribution Plan Obligations and Other Retirement Plans

Preparing for life after work is often a daunting task for many employees. We want to ensure our employees have a dignified send-off and need not worry about financial demands after retirement. We want our employees and their families to know that we care for them even after they are no longer working for us. We ensure that employees have access to voluntary and statutory pension schemes.

The Group operates an employee pension scheme and contributes to a mandatory national social security fund. During the year, our pension contribution were as follows:

	2018 $000	2017 $000
Retirement benefits contributed	1 143	1 064

Payments to Government

The Group makes payments to government through taxes. These payments help government address important developments issues and support sustaining infrastructure in our business operating environment. The Group believe that transparency on payments we make to government is a fundamental ethical and good business practice. At First Mutual, we want to be recognised as a good corporate citizen, as such we are committed to upholding all applicable tax laws and regulations. We seek to be transparent in our tax dealings with tax authorities. During the year, our payment to government were as follows:

Payment	2018 $000	2017 000
Income tax	7 171	2 576
Net value added tax	1 049	982
Import duty	86	55
Other taxes	3 192	2 340
Total	**11 498**	**5 953**

ENVIRONMENTAL IMPACT

First Mutual is committed to management of areas in which our business interaction impacts on the environment and natural resources. We strive to minimise negative impacts on the environment at our office premises and within our portfolio of properties. The Group considers environmental impact during construction of properties.

Energy

The Group operates in an environment in which energy is a constraint. As such, management prioritises energy efficiency within our operations. The Group continues to develop energy efficient practices and strives to reduce dependence on non-renewable energy. Management encourages all staff members to ensure power is switched off in non-core areas to save energy and ensure they embark only on trips which are necessary, to save fuel. Our energy consumption is presented below:

Energy Consumption within the Group

Energy type	Unit	2018	2017
Electricity	MWh	3 307	3 113

Energy Consumption outside the Group

Fuel type	Unit	2018	2017
Diesel	Litres	36 720	40 760
Petrol	Litres	22 415	24 380

Water Management
Water is a valuable resource and basic requirement for human life, our operations and our clients. We, at First Mutual, value this resource and appreciate the need to sustainably use and manage it at all times. Taking cognisance of the water shortages and the risk it poses to our business, clients and our operations, the Group takes responsibility for water management in our own operations.

Water withdrawal by Source
Our main sources of water are borehole and municipal water which cater for maintaining our premises and facilities. We appreciate that we cannot run our facilities without water and we ensure that the resource is efficiently managed. This year, we have not been able to account for the amount of borehole water consumed by the Group. We intend to provide this figure in our next report.

Our municipal water consumption is presented below:

Source	Unit	2018	2017
Municipal	m3	15 704	16 698

SOCIAL IMPACT

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

Human Capital Management
Our employees are central to how we deliver value to our stakeholders and sustaining our corporate brands. In light of the radical economic changes and technological advancement, our employees remain a significant core element of our business. As such, we seek to be an attractive employer, where everyone aspires to work. The Group provides an exciting working environment supported by continued professional development. We provide equal employment opportunities. During the year, our new employees are presented below:

Gender	2018	2017
Male	28	19
Female	24	24
Total	**52**	**43**

Training and Education
The Group fosters a continued learning culture to keep our employees up to date with global trends and best practices. Training and education helps keep our employees abreast of the relevant skillset we need to remain competitive and to satisfy the needs of our stakeholders. Below are the average training hour per employee:

Average hours of training per employee	2018	2017
Male	37	54
Female	43	67
Total	**80**	**121**

Occupational Health and Safety
First Mutual attaches great value to staff health and safety in the workplace. Employee wellbeing in the workplace is not only a foundation for smooth operation of the Group, but also an indicator of how we protect the rights and interest of our employees. Management ensures that there is great awareness of workplace safety, work life balance, and protection of the physical and mental health of our employees at all times. During the year, our record showed the following:

	Unit	2018	2017
Number of Lost days	Days	-	-
Number of injuries	Incidence	-	-
Number of work related fatalities	Incidence	-	-

Community Investments
First Mutual is committed to sustainable development and empowerment within communities. As part of the Group's Corporate Social Responsibility Programme initiative through the First Mutual Foundation, the Group offers educational assistance to children from economically challenged backgrounds. The foundation assists selected children ranging from primary school through to university level, although there will be a deliberate emphasis at university level on students studying towards insurance and actuarial degrees. The Group supports other community development related needs that uplift the standards of life and societal well-being across the country.

The Group invested US$169,000 on initiatives during the year as presented below:

Category	Initiative / Activity	Beneficiary	Materials donated	$
Sports	National Secondary School Heads Athletics Club	Harare Districts Schools	Branding Collateral, T-shirts	15 000
	Harare Athletics Club	Marathon Athletes	Branding Collateral, T-shirts	20 000
Education	University Funding	Reformed Church University	Funding	20 000
	Primary & Secondary School Funding	Primary and Secondary Schools	Funding	34 000
Health	Donations: Cholera	Ministry of Health	Funding towards the Cholera Outbreak	70 000
	Cervical Cancer Screening	Cancer Association of Zimbabwe	Cervical cancer Screening	10 000
Total				**169 000**

First Mutual Employees in the Community

The Employee Corporate Social Responsibility Programme is driven by volunteers amongst staff members who are giving back to the community. The Programme contributes donations in various forms which includes cash, non-perishable goods, clothing, shoes and books among other items disbursed to charity homes. Below are the initiatives for the year:

Category	Initiative / Activity	Beneficiary	Support
Clean-up campaign	World clean-up day (First Mutual Holdings and JCI Clean-up partnership)	Greenwood Park area – Harare Hillside – Bulawayo	112 employees involved Time 8-12pm
Welfare of the disadvantaged	Hope sessions and Lunch	Midlands Children's Hope Centre	Time Food

PRODUCT RESPONSIBILITY

Marketing is a significant element of promoting our products. Selling our products depends hugely on client enlightenment activities. These activities are reliant on marketing to spread messages that educate our clients so they can make informed decisions to adopt our products and services. We seek to avoid any marketing practices that are illegal and offend standards of decency. We do not abuse our clients' trust or exploit their lack of experience or knowledge. Our marketing practices aim to uphold human dignity and do not incite any form of discrimination and / or antisocial behaviour. We evaluate any form of marketing communication before publishing to ensure that they do not mislead clients with respect to our products and services.

Our Group Marketing and Strategy Executive provides valuable oversight in this respect. Product responsibility at First Mutual is an expression that we recognise our social obligation to our clients. We want our clients to trust that the information we provide in relation to our products and services is accurate and does not violate ethical and legal standards in our operating environment.

MEMBERSHIP TO BUSINESS ASSOCIATION

First Mutual Holdings is a member to the following:

- Zimbabwe Association of Pension Funds ("ZAPF")
- Actuarial Society of Zimbabwe ("ASZ")
- Life Offices Association ("LOA")
- Insurance Council of Zimbabwe ("ICZ")
- Zimbabwe Stock Exchange ("ZSE")

RECOGNITIONS AND AWARDS

During the year, the Group received the following awards:

National Awards:

- Buy Zimbabwe Awards 2nd runner up (Buy Zimbabwe)
- Corporate Social Responsibility Award (Recognition of outstanding support for local industries and communities) (Buy Zimbabwe)
- Best local CSR Program (JCI)
- Zimbabwe Top Sustainable Company of the year 2018 (CSR Network Zimbabwe)

Regional Award

- Excellence in Community – Health and Volunteering Matebeleland Region (CSR Network)

RISK MANAGEMENT

Our Strategy

First Mutual is exposed to a wide range of risks from our customers and business operating environment. The nature of our business involves assuming and spreading of risk to mitigate against adverse consequences to our stakeholders. This inherently creates risks for us in terms of guarantees that we need to provide to our stakeholders. The board is committed to increasing stakeholder value through the management of enterprise risks. Consideration of risks is critical to our business activity and enables us to make informed decisions and manage expected returns that align with our risk appetite.

The function of our group risk management team includes:

- assisting the board and management to develop and maintain our risk management system, and informing the board of any material risks that may have material effect on the Group,
- identification, monitoring and mitigation of material risks and promoting a robust risk culture in the organisation.
- ensuring that there is sufficient capital in place to operate sustainably within the risk appetite and the trending risk profile.

The Board is ultimately responsible for risk management in the Group and ensures that our risk taking endeavours are made from well informed decisions. As a Group we have set parameters to assess the effectiveness of risk management at First Mutual to continuously monitor and improve ourselves.

Our enterprise wide risk management model is structured to focus on strategy and business, financial, credit, foreign currency, investment, interest, liquidity and insurance risk. These are managed through committees with the board being overall responsible for risk management.

Management Approach

The Group Internal Audit and Risk Management Department is headed by the Group Audit and Risk Management Executive. Its main activities are to address the following issues at each of the business units of the Group:

- appraising of systems, procedures and management controls and providing recommendations for improvements;
- evaluating the integrity of management and financial information;
- assessing controls over the Group assets; and
- reviewing compliance with applicable legislation, regulations, Group policies and procedures.

The Group Internal Audit and Risk Management Department reports to the subsidiary company audit committees and to the Group Combined Audit and Actuarial Committee and has unrestricted access to these Committees. Each company within the Group is audited regularly by the internal auditors based on the annual work plan and close communication is maintained between internal and independent auditors.

During the year, the Group established the Group Risk Committee and will also establish a stand alone risk management department in 2019.

Financial Risk Management

The Group's internal financial controls are set out in the relevant procedures manuals which also set the required standards and key control activities. Adequate segregation of duties is in place to enhance the effectiveness of these controls. The accounting policies are reviewed periodically by the Group Combined Audit and Actuarial Committee, internal auditors and independent auditors. The Group Investment Committee set limits on investment risk that individual and managers can trade on. Further, details are contained in the notes to the financial statement on Pages 69 to 146.

Operational and Business Related Risk Management

The Group manages operational risks through formalised procedures and controls, well trained personnel and where necessary back-up facilities. The Group manages risk of all forms including operational, market, reputational, liquidity and credit risks. These risks are identified and monitored through various channels and mechanisms. The Group Internal Audit and Risk Management Department is responsible for the assessment of the overall risk profile which is managed by Managing Directors and General Managers on an on-going basis.

Emphasis is placed on continuous improvement of systems and ways of working through business process re-engineering as well as internal and external audits. A new Risk Management Policy was adopted recently. The subsidiaries have their own Internal Risk Management Committees who report to the Group Board Risk Committee. The Group Board Risk Committee works closely with the other Board Committees, particularly the Audit Committees, to ensure that risk is minimised and to assess the adequacy of the internal controls, making the necessary recommendations to the Board.

Declaration of Financial Statements

31 DECEMBER 2018

These financial statements have been prepared under the supervision of the Group Finance Director, William M Marere, a member of the Institute of Chartered Accountants of Zimbabwe, and registered with the Public Accountants and Auditors Board, as a registered public auditor, certificate number 02431.

W M Marere
Group Finance Director
Harare

10 April 2019

FINANCIAL REPORTS

Independent auditor's report

To the Shareholders of First Mutual Holdings Limited

Our adverse opinion

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion* section of our report, the financial statements do not present fairly the financial position of First Mutual Holdings Limited (the Company) and its subsidiaries (together the Group) as at 31 December 2018, and the financial performance and cash flows of the group for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Zimbabwe Companies Act (Chapter 24:03).

What we have audited

First Mutual Holdings Limited's financial statements, set out on pages 66 to 158, comprise:

- the consolidated statement of financial position as at 31 December 2018, and the statement of financial position of the Company standing alone as at 31 December 2018;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for adverse opinion

On 1 October 2018, the Reserve Bank of Zimbabwe issued a monetary policy statement that directed a separation of Foreign Currency Bank Accounts (FCAs) into two categories, Nostro FCAs and the RTGS FCA.The Nostro FCAs were to hold individual foreign currencies permissible in Zimbabwe's multi-currency economy. The RTGS FCA would be held at the same value as the US dollar. Mobile money and Bond notes and coins would be treated in the same way as the RTGS FCA.

As described in Note 2.1.2, during the year ended 31 December 2018, the Group and Company transacted using a combination of the Nostro FCAs and RTGS FCA, mobile money and Bond notes and coins. In terms of International Accounting Standard ("IAS") 21 The Effects of changes in foreign exchange rates (IAS 21), these payment methods would have been considered to be separate currencies to be translated for financial reporting purposes to the functional and presentation currency of the Group and the Company at an appropriate exchange rate. However, due to the monetary policy statement, the consolidated financial statements reflect these transactions and balances at parity. The Group and the Company used Nostro FCA and RTGS FCA related inputs in the measurement of balances interchangeably. As such, current market participant assessment of uncertainties relating to the relevant functional currency would not be reflected. Had the consolidated financial statements been prepared in accordance with the requirements of IAS 21, many elements in the accompanying consolidated financial statements would have been materially restated. It was not practicable to quantify the financial effects on the consolidated financial statements.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the ***Auditor's responsibilities for the audit of the consolidated financial statements*** section of our report.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

PricewaterhouseCoopers, Building No. 4, Arundel Office Park, Norfolk Road, Mount Pleasant
P O Box 453, Harare, Zimbabwe
T: +263 (4) 338362-8, F: +263 (4) 338395, www.pwc.com

T I Rwodzi – Senior Partner
The Partnership's principal place of business is at Arundel Office Park, Norfolk Road, Mount Pleasant, Harare, Zimbabwe where a list of the Partners' names is available for inspection.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (“IESBA Code”). We have fulfilled our ethical responsibilities in accordance with the IESBA Code.

Our audit approach

Overview

Overall group materiality

US$1 824 710, which represents 1% of the consolidated gross premium written.

Group audit scope

We performed statutory audits of the Company and its ten subsidiaries, the most significant of which are:

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

The Group operates mainly in Zimbabwe and has operations in Botswana through its subsidiary, FMRE Property and Casualty (Proprietary) Limited.

Key audit matters

Applicable to the consolidated financial statements,

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

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance about whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Overall materiality	**US$1 824 710**
How we determined it	**1% of consolidated revenue**
Rationale for the materiality benchmark applied	We chose consolidated gross premium written as the benchmark because, in our view, it is a benchmark against which the performance of the Group can be consistently measured in circumstances of volatile year-on-year earnings. This benchmark has remained a stable and key driver of the Group’s business. We chose 1% based on our professional judgement and after consideration of the range of quantitative materiality thresholds that we would typically apply when using gross premium written to compute materiality.

How we tailored our group audit scope

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

Due to statutory audit requirements, the Company and all ten of its subsidiaries were subject to full-scope audits. These subsidiaries are incorporated in Zimbabwe, except for FMRE Property and Casualty (Proprietary) Limited, which is incorporated in Botswana. The most significant of the subsidiaries are First Mutual Life Assurance Company (Private) Limited, First Mutual Health (Private) Limited, NicozDiamond Insurance Limited and First Mutual Properties Limited.

In establishing the overall approach to the group audit, we determined the extent of the work that needed to be performed by us, as the group engagement team, and component auditors from other PwC network firms, operating under our instruction, in order to issue our audit opinion on the consolidated financial statements of the Group. Where the work was performed by component auditors, we determined the level of involvement necessary in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the group financial statements as a whole.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined that there are no key audit matters relating to the separate financial statements to communicate in our report.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>

Valuation of investment property

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

All the investment properties have been categorised as level 3 in the IFRS 13 - Fair value measurement hierarchy. This implies that the fair value is determined with reference to unobservable inputs. These unobservable inputs include rental per square metre, rate per square metre, comparable transacted property prices, prime yield and void rates.

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

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

- Note 2.8 relating to the accounting policies for investment property,
- Note 3.2.3 relating to significant estimates and assumptions, and
- Note 4 relating to investment property.

</td><td>

Our audit addressed the valuation of investment property as follows:
We evaluated controls over the valuation of the investment property, including the management committee's recommendation for approval by the audit committee of the independent property valuer ("management's expert"), and the assessment and approval of the valuation results.

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

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

- we met with management's expert to obtain an understanding of the assumptions used in applying the respective valuation techniques, and
- we assessed whether the valuation techniques are considered to be generally accepted valuation methodologies for valuing investment properties.

No inconsistencies were identified.
We assessed the reasonableness of the assumptions applied by management's expert in determining the unobservable inputs used in both valuation methods with reference to prevailing market rentals, market yields and for land, the prevailing market price per square metre. Our audit procedures also included comparing these assumptions to those used by other external property valuers for similar property types. No material differences were noted.
On a sample basis, we agreed the key assumptions applied by management's expert to supporting evidence, as follows:

- agreeing rentals noted on the tenancy schedule to the underlying lease agreements;
- agreeing occupancy levels to the tenancy schedule; and
- for land, price per square metre was agreed to prevailing market prices.

On a sample basis, we also performed an independent calculation of potential annual rental income using average rentals per square metre and lettable space, and prime yield using an interpolation formula. We recomputed the market value by capitalising the potential annual income by the yield. No material differences were noted.

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</table>

Key audit matter	How our audit addressed the key audit matter
Valuation of policyholder insurance and investment contract liabilities We considered the valuation of policyholder insurance and investment contract liabilities as an area of most significance in our audit due to the magnitude of these liabilities and because the determination involves complex calculations, significant judgements, estimates and assumptions. As at 31 December 2018, the group recognised insurance and investment contract liabilities amounting to US$ 181,014,923 which included insurance and investment contracts with and without discretionary participation features ("DPF") and a shareholder risk reserve. The value of the insurance and investment contract liabilities were determined by the Group's actuaries using the Financial Soundness Valuation method. Primary assumptions applied by the Group's actuaries in determining the value of policyholder insurance and investment contract liabilities include mortality rates,expense inflation, lapse rates, withdrawal rates, real investment return, and expense assumptions. Refer to the following sections in the consolidated financial statements that relate to this key audit matter: • Note 2.21 relating to insurance contract liabilities, • Note 3.2.2 on critical accounting estimates and judgements , and • Note 18 relating to insurance and investment contract liabilities.	Through discussions with management we obtained an understanding of the process over data extraction and approval of the assumptions used in the valuation. We assessed the independence and objectivity, experience and competence of the statutory actuary, through inquiry with the actuary and management and inspected their curricula vitae in order to assess their experience and competence. We understood and evaluated controls over the assessment and approval of the valuation results as determined by the actuary. On a sample basis, we tested the underlying data used in the valuation of the reserves for accuracy and completeness through tracing data to the audited balances.No inconsistencies were noted. We made use of our actuarial expertise to evaluate the reasonableness of the principal assumptions and estimates, the actuarial computations and the actuarial valuation report. We also performed the following: -an assessment of the valuation basis through discussion with the actuary, and an assessment of the appropriateness thereof given the nature of the business as well as actuarial good practice; -an assessment of the valuation methodology for compliance with Standard of Actuarial Practice 104; and, -an assessment of the valuation results by performing spot checks and model cashflow checks and considering the high level reasonability of the output to determine whether the application of the selected methodology and assumptions was accurate. We also inspected the actuarial report for 2018 prepared by the statutory actuary and compared it with the prior year signed actuarial report in order to identify any significant changes in assumptions and methodology. We did not note significant changes in assumptions relating to lapse, mortality, expense, investment returns and changes to other assumptions as the assumptions were consistent with the prior year valuation.

Other information

The directors are responsible for the other information. The other information comprises the information included in the First Mutual Holdings Limited 2018 Annual Report but does not include the consolidated financial statements on pages 66 to 158 and our auditor's report thereon.

Our opinion on the consolidated financial statements, does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Adverse Opinion section above, the group and company have not applied IAS 21 in preparing the consolidated financial statements. We have concluded that the other information is materially misstated for the same reason, with respect to the amounts or other items as described in the Basis of adverse opinion section above.

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and / or Company to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

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

5 June 2019
Harare, Zimbabwe

Consolidated and Company Statement of Financial Position AS AT 31 DECEMBER 2018

ASSETS	Note	Audited Group 2018 $	Audited Group 2017 $	Audited Company 2018 $	Audited Company 2017 $
Property, plant and equipment	6	10 540 542	10 258 459	73 749	56 686
Investment property	7	145 170 000	136 432 500	-	-
Intangible assets	8	897 443	1 104 350	-	-
Investments accounted for using the equity method	9	1 491 033	1 992 014	77 143 625	61 473 288
Financial assets:					
- equity securities at fair value through profit or loss	11.1	104 709 545	55 267 195	4 982 577	2 289 740
- debt securities held to maturity investments	11.2	-	39 390 615	-	-
- debt securities at amortised cost	11.2.1	29 799 120	-	-	-
Deferred acquisition costs	12	2 933 677	2 680 940	-	-
Income tax asset	21.2	621 598	530 182	-	-
Inventory	13	804 119	497 061	39 619	37 676
Insurance, tenant and other receivables	14	34 225 612	34 153 924	1 332 155	849 350
Cash and balances with banks	15	61 083 891	53 028 153	3 845 248	4 898 332
TOTAL ASSETS		**392 276 580**	**335 335 393**	**87 416 973**	**69 605 072**
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the parent					
Share capital	16	720 731	718 563	720 731	718 563
Share premium		38 844 411	39 971 685	38 844 411	39 971 685
Non-distributable reserves	16.6	6 673 423	6 470 756	682 852	354 227
Retained profits		44 190 903	26 735 072	46 748 609	27 791 350
Total equity attributable to equity holders of the parent		**90 429 468**	**73 896 076**	**86 996 603**	**68 835 825**
Non-controlling interests		42 224 786	49 777 592	-	-
Total equity		**132 654 254**	**123 673 668**	**86 996 603**	**68 835 825**
Liabilities					
Life insurance contracts liabilities with DPF	17.3	13 154 971	13 261 769	-	-
Life insurance contracts liabilities without DPF	17.3	15 615 404	11 982 477	-	-
Investment contract liabilities:					
- with DPF	17.2	112 564 128	85 451 978	-	-
- without DPF	17.2	28 010 256	20 461 042	-	-
Shareholder risk reserve	17.3	11 669 534	11 931 594	-	-
Borrowings	18	91 665	1 191 665	-	-
Insurance contract liabilities - short term	19.1	50 572 954	39 926 199	-	-
Insurance liabilities - life assurance	19.2	2 268 940	2 254 045	-	-
Other payables	20	9 183 682	12 222 578	420 370	769 247
Deferred income tax	21.1	16 435 961	12 366 279	-	-
Current income tax liabilities	21.2	54 831	612 101	-	-
Total liabilities		**259 622 326**	**211 661 727**	**420 370**	**769 247**
TOTAL EQUITY AND LIABILITIES		**392 276 580**	**335 335 393**	**87 416 973**	**69 605 072**

These financial statements were approved by the Board of Directors on 10 April 2019 and signed on behalf of the Directors

O Mtasa
Chairman

D Hoto
Group Chief Executive Officer

Consolidated Statement of Comprehensive Income FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018	2017
INCOME		**$**	**$**
Gross premium written	22	180 628 097	124 926 871
Reinsurance	22	(23 942 366)	(8 872 946)
Net premium written	**22**	**156 685 731**	**116 053 925**
Unearned premium reserve		(2 837 333)	(930 911)
Net premium earned		**153 848 398**	**115 123 014**
Rental income	23	7 684 632	6 470 074
Fair value gain / (loss) - investment property	7	6 841 300	(293 552)
Investment income	24	31 262 921	30 194 779
Interest income	24	3 013 121	2 729 309
Fee income:			
- insurance contracts	25.1	1 640 896	1 425 918
- investment contracts	25.1	3 697 810	3 082 573
Other income	25.2	1 266 428	1 011 068
Total income		**209 255 506**	**159 743 183**
EXPENDITURE			
Insurance benefits	26	(11 052 821)	(10 028 647)
Insurance claims and loss adjustment expenses	26	(85 106 595)	(61 917 019)
Insurance claims and loss adjustment expenses recovered from reinsurers	26	7 443 621	826 670
Net insurance benefits and claims	**26**	**(88 715 795)**	**(71 118 996)**
Movement in insurance liabilities	17.5	(36 226 073)	(25 294 452)
Movement in shareholder risk reserve	17.6	262,060	990,843
Investment profit on investment contract liabilities	17.7	(7 065 356)	(11 933 633)
Acquisition of insurance and investment contracts expenses	27	(12 693 630)	(8 596 308)
Administration expenses	28	(39 305 678)	(28 287 494)
Impairment allowance	28.3	(689 966)	(389 615)
Finance cost on borrowings	18	(52 634)	(326 882)
Total expenditure		**(184 487 072)**	**(144 956 537)**
Profit before share of profit of associate		**24 768 434**	**14 786 646**
Share of profit of associate accounted for using the equity method	10	46 666	13 480
Profit before income tax		**24 815 100**	**14 800 126**
Income tax expense	21.3	(7 171 272)	(2 576 602)
Profit for the year		**17 643 828**	**12 223 524**
Other comprehensive income			
Other comprehensive income / (loss) to be reclassified to statement of comprehensive income in subsequent periods:			
Exchange (loss) / gain on translating foreign operations		(125 958)	294 426
Share of other comprehensive profit of associate	10	152 025	-
Other comprehensive (loss)/income to be reclassified to statement of comprehensive income in subsequent periods		**26 067**	**294 426**
Total comprehensive income for the year		**17 669 895**	**12 517 950**
Profit attributable to:			
Non-controlling interest		1 118 977	631 919
Equity holders of the parent		16 524 851	11 591 605
Profit for the year		**17 643 828**	**12 223 524**
Comprehensive income attributable to:			
Non-controlling interest		1 118 977	631 919
Equity holders of the parent		16 550 918	11 886 031
Total comprehensive income for the year		**17 669 895**	**12 517 950**
Basic earnings per share (US cents)	29.1	2.34	2.13
Diluted earnings per share (US cents)	29.2	2.33	1.95

Consolidated Statement of Changes in Equity FOR THE YEAR ENDED 31 DECEMBER 2018

For the year ended 31 December 2017	Share capital US$	Share premium US$	Non distributable reserve (note 16.6) US$	Retained profits US$	Total equity for parent US$	Non-controlling Interest US$	Total equity US$
As at 1 January 2017	380 201	7 957 918	2 074 493	13 812 556	24 225 168	51 650 738	75 875 906
Profit for the year	-	-	-	11 591 605	11 591 605	631 919	12 223 524
Other comprehensive income	-	-	294 426	-	294 426	-	294 426
Total comprehensive income	**-**	**-**	**294 426**	**11 591 605**	**11 886 031**	**631 919**	**12 517 950**
Transactions with shareholders in their capacity as owners:							
Issue of shares:							
• Acquisition of NDIL	95 105	10 366 497	4 038 686	-	14 500 288	-	14 500 288
- acquisition of 50.82%	59 736	6 511 252	2 536 720	-	9 107 708	-	9 107 708
- acquisition of 30.09%	35 369	3 855 245	1 501 966	-	5 392 580	-	5 392 580
- mandatory tender offer	22 425	4 091 133	-	-	4 113 558	-	4 113 558
• Rights offer	210 371	17 040 083	-	-	17 250 454	-	17 250 454
• Share options	10 461	516 054	-	-	526 515	-	526 515
• Disposal of treasury shares	-	-	-	195 557	195 557	-	195 557
Share based payments	-	-	63 151	-	63 151	-	63 151
Acquisition of non-controlling interest (note 16.8)	-	-	-	1 609 046	1 609 046	(2 215 093)	(606 047)
Dividend declared and paid	-	-	-	-	-	(289 972)	(289 972)
Acquisition of treasury shares	-	-	-	(473 692)	(473 692)	-	(473 692)
As at 31 December 2017	**718 563**	**39 971 685**	**6 470 756**	**26 735 072**	**73 896 076**	**49 777 592**	**123 673 668**
For the year ended 31 December 2018							
As at 1 January 2018	**718 563**	**39 971 685**	**6 470 756**	**26 735 072**	**73 896 076**	**49 777 592**	**123 673 668**
Impact of adopting IFRS 9	-	-	-	(1 474 108)	(1 474 108)	-	(1 474 108)
Restated at 1 January 2018	**718 563**	**39 971 685**	**6 470 756**	**25 260 964**	**72 421 968**	**49 777 592**	**122 199 560**
Profit for the year	-	-	-	16 524 851	16 524 851	1 118 977	17 643 828
Other comprehensive (loss) / income	-	-	(125 958)	152 025	26 067	-	26 067
Total comprehensive income / (loss)	**-**	**-**	**(125 958)**	**16 676 876**	**16 550 918**	**1 118 977**	**17 669 895**
Transactions with shareholders in their capacity as owners:							
Issue of shares:	24 593	2 963 859	-	-	2 988 452	-	2 988 452
- acquisition of 19.08% of NDIL	16 990	2 701 521	-	-	2 718 511	-	2 718 511
- share options (note 16.5)	7 603	262 338	-	-	269 941	-	269 941
2017 mandatory tender offer	(22 425)	(4 091 133)	-	-	(4 113 558)	-	(4 113 558)
Share based payments	-	-	328 625	-	328 625	-	328 625
Acquisition of non-controlling interest (note 16.6)	-	-	-	3 309 278	3 309 278	(8 398 994)	(5 089 716)
Dividend declared and paid	-	-	-	(1 056 215)	(1 056 215)	(272 789)	(1 329 004)
As at 31 December 2018	**720 731**	**38 844 411**	**6 673 423**	**44 190 903**	**90 429 468**	**42 224 786**	**132 654 254**

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 $	2017 $
Profit before income tax		**24 815 100**	**14 800 126**
Adjustments for non-cash items:			
Depreciation	6	1 290 694	946 901
Fair value (gains)/losses on investment properties	7	(6 841 300)	293 552
Amortisation of intangible assets	8	211 265	156 323
Fair value adjustment on quoted equities	11.1	(18 513 298)	(29 359 987)
(Profit)/loss on disposal of equipment	25.2	(73 999)	2 314
Movement in allowance for credit losses	28.3	689 966	389 615
Movement in insurance contract liabilities		3 526 128	3 246 899
Movement in investment contract liabilities		34 661 364	30 605 435
Movement in IBNR provisions		9 293	(697 640)
Movement in shareholder risk reserves		(262 060)	(990 843)
Unearned premium reserve movement		2 837 333	930 911
Share of profit of associates accounted for using the equity method		(46 666)	(13 481)
Deferred acquisition costs	12	252 737	1 595 139
Adjustments for separately disclosed items:			
Finance costs on borrowings	18	52 634	326 882
Dividend received	24	(12 728 863)	(824 473)
Interest received	24	(3 013 121)	(2 729 309)
Operating cash flows before working capital changes		**26 867 206**	**18 678 364**
Working capital changes			
Increase in inventory		(307 058)	(213 853)
Decrease/(increase) in other receivables		5 031 178	(6 354 471)
Decrease/(increase) in rental receivables		1 038 156	(823 759)
Increase in insurance receivables		(4 721 281)	(9 572 958)
(Decrease)/increase in other payables		(2 776 558)	6 707 823
(Decrease)/increase in insurance contract liabilities - life assurance		(152 460)	381 335
Increase in insurance contract liabilities - short term		3 803 727	9 448 603
Cash generated from operations		**28 782 910**	**18 251 084**
Finance costs on borrowings	18	(52 634)	(326 882)
Interest received	24	3 013 121	2 729 309
Income tax paid	21.2	(3 750 277)	(939 114)
Net cash flows from operating activities		**27 993 110**	**19 714 397**
Investing activities			
Dividends received	24	7 438 060	824 473
Additions to property, plant and equipment	6	(1 649 353)	(1 045 057)
Additions to investment property	7	(2 485 216)	(748 552)
Proceeds from disposal of property, plant and equipment		150 573	(5 314)
Purchase of equity securities	11.1	(32 145 685)	-
Purchase of debt securities	11.2.1	(64 404 379)	-
Purchase of investments		-	(70 223 352)
Proceeds from sale of investments		-	54 811 722
Proceeds from sale of equity securities	11.1	1 237 393	-
Proceeds from maturity of debt securities	11.2.1	73 995 874	-
Cash utilised in investing activities		**(17 862 731)**	**(16 386 080)**
Financing activities			
Issue of shares -rights issue	16.4	-	17 250 454
Issue of shares - share options	16.5	354 353	-
Dividends paid to controlling interest		(1 056 215)	-
Loan repayment	18	(1 100 000)	(3 117 575)
Dividends paid to non-controlling interest		(272 789)	(289 972)
Cash flows (utilised in)/generated from financing activities		**(2 074 651)**	**13 842 907**
Net increase in cash and cash equivalents		**8 055 738**	**17 171 224**
Cash and cash equivalents at the beginning of the year	15	53 028 153	35 549 686
Effects of exchange rate changes on cash and cash equivalents		-	307 243
Cash and cash equivalents at the end of the year	**15**	**61 083 891**	**53 028 153**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

1 GENERAL INFORMATION

The main business of First Mutual Holdings Limited (the ''Company") and its subsidiaries and associates (together "the Group") is provision of life assurance, non-life insurance (comprising general insurance, reinsurance, health insurance and funeral assurance), property management and development and wealth management services.

First Mutual Holdings Limited is a public company, incorporated and domiciled in Zimbabwe whose shares are publicly traded on the Zimbabwe Stock Exchange ("ZSE").

The ultimate parent of the Company is National Social Security Authority ("NSSA") which owns 68.81% (2017: 68.81%) directly and an additional 11% (2017: 11%) indirectly through Capital Bank Limited (under liquidation). NSSA owns 84% (2017: 84%) of Capital Bank Limited.

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

The historical financial statements of the Company and the Group for the year ended 31 December 2018 were authorised for issue in accordance by a resolution of the Directors' at a meeting held on 10 April 2019.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation and presentation

2.1.1 Basis of preparation

The financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and in the manner required by the Zimbabwe Companies Act (Chapter 24:03) except for non compliance with International Accounting Standard ("IAS") 21, The effects of changes in foreign exchange rates. The financial statements are based on statutory records that are maintained under the historical cost convention.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1.2 Foreign currency translation

(a) Functional and presentation currency

The Group had in previous financial periods used the United States of America Dollar (”US$”) as its presentation currency and functional currency. The macroeconomic developments and fiscal and monetary policy changes disclosed in note 32.1, lead to the reassessment of whether the US$ still met the primary and secondary indicators of the functional currency of the Group, in accordance with the provisions of IAS 21, with effect from 1 October 2018.

The Directors, based on their interpretation of IFRS had considered the Monetary Policy Statement (“MPS”) of 20 February 2019, and the subsequent emergence of an interbank exchange rate to be an adjusting event in terms of IAS 10 “Events After the Reporting Period”, however this could not be effected because at law there was no local currency in Zimbabwe until 22 February 2019. The RTGS was also legally not recognised as a currency prior to the currency changes announced on 22 February 2019 that are detailed in note 32.1.

The Directors of the Company, in compliance with SI41 of 2019, which prescribed that where IFRS is not aligned to local laws, then local laws take precedence, therefore resolved not to effect the change in functional currency as at and for the year ended 31 December 2018.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of transaction or valuation where items are re-measured. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment is repaid, the associated exchange differences are reclassified to statement of comprehensive income, as part of the gain or loss from disposal or arising on repayment.

Translation differences on non-monetary financial assets and liabilities such as equity securities at fair value through profit or loss are recognised in statement of comprehensive income as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale are included in other comprehensive income.

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

All differences arising from settlement or translation of monetary items are taken to statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the date of the initial transaction and are not subsequently restated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

2.1.3 Changes in accounting policies and disclosures

a) New standards, amendments and interpretations effective for the first time for 31 December 2018 year ends that are relevant to the Group;

Standard / interpretation	Effective date	Executive summary
IFRS 9 – Financial Instruments (2009 and 2010) · Financial assets · Financial liabilities · Derecognition of financial instruments	1 January 2018	IFRS 9 – Financial Instruments replaces the guidance in International Accounting Standard (“IAS”) 39 Financial Instruments recognition and measurements. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model. The Impact of adopting IFRS 9 is disclosed in note 2.13

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1.3 Changes in accounting policy and disclosures (continued)

a) New standards, amendments and interpretations effective for the first time for 31 December 2018 year ends that are relevant to the Group (continued);

Standard / interpretation	Effective date	Executive summary
IFRS 15 – Revenue from contracts with customers.	1 January 2018	The Financial Accounting Standards Board ("FASB") and the "IASB" issued their long awaited converged standard on revenue recognition on 29 May 2014. It is a single, comprehensive revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue. Revenue is recognised based on the satisfaction of performance obligations, which occurs when control of good or service transfers to a customer. IFRS 15 did not change the amount and timing of revenue recognition by the group but resulted in more disclosures of how the Group recognises revenue which is disclosed in note 2.18.
Amendment to IFRS 15 – revenue from contracts with customers.	1 January 2018	The IASB has amended IFRS 15 to clarify the guidance, but there were no major changes to the performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of these areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard.
Amendment to IFRS 4, 'Insurance contracts' Regarding the implementation of IFRS 9, 'Financial instruments'	1 January 2018	These amendments introduce two approaches: an overlay approach and a deferral approach. The amended standard will: • Give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is issued; and • Give companies whose activities are predominantly connected with insurance an optional exemption from applying IFRS 9 until 2021. The entities that defer the application of IFRS 9 will continue to apply the existing financial instruments standard – IAS 39. The Company opted to adopt IFRS 9. Refer to note 2.32 for the full disclosures.
Amendments to IFRS 2, 'Share-based payments' Clarifying how to account for certain types of share-based payment transactions	1 January 2018	This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.
Amendment to IAS 40, 'Investment property' - transfers of investment property	1 January 2018	These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1.3 Changes in accounting policy and disclosures (continued)

a) New standards, amendments and interpretations effective for the first time for 31 December 2018 year ends that are relevant to the Group (continued);

Standard / interpretation	Effective date	Executive summary
Annual improvements 2014 - 2016	1 January 2018	These amendments impact 2 standards: - IFRS 1,' First-time adoption of IFRS', regarding the deletion of short-term exemptions for first-time adopters regarding IFRS 7, IAS 19, and IFRS 10 effective 1 January 2018. - IAS 28,'Investments in associates and joint ventures' regarding measuring an associate or joint venture at fair value. IAS 28 allows venture capital organisations, mutual funds, unit trusts and similar entities to elect measuring their investments in an associate or joint venture at fair value. IAS 28 allows venture capital organisations, mutual funds, unit trusts and similar entities to elect measuring their investments in associates or joint ventures at fair value through profit or loss (FVTPL). The Board clarified that this election should be made separately for each associate or joint venture at initial recognition.

These new standards, amendments and interpretations do not have a material impact on the Group.

b) New standards, amendments and interpretations issued but not effective for 31 December 2018 year ends that are relevant to the Group;

Standard / interpretation	Effective date	Executive summary
Amendments to IFRS 9 – 'Financial instruments' on prepayment features with negative compensation and modification of financial liabilities.	1 January 2019	The narrow-scope amendment covers two issues: · the amendments allow companies to measure particular prepayable financial assets with so-called negative compensation at amortised cost or at fair value through other comprehensive income if a specified condition is met—instead of at fair value through profit or loss. It is likely to have the biggest impact on banks and other financial services entities; and how to account for the modification of a financial liability. The amendment confirms that most such modifications will result in immediate recognition of a gain or loss. This is a change from common practice under IAS 39 and will affect all kinds of entities that have renegotiated borrowings. This is not expected to have a material impact to the Group as there are no prepaid financial assets with so called negation compensation.
Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28,'Investments in associates and joint ventures' on sale or contribution of assets	Effective date postponed (initially 1 January 2016)	The postponement applies to changes introduced by the IASB in 2014 through narrow-scope amendments to IFRS 10 'Consolidated financial statements' and IAS 28 'Investments in associates and joint ventures'. Those changes affect how an entity should determine any gain or loss it recognises when assets are sold or contributed between the entity and an associate or joint venture in which it invests. The changes do not affect other aspects of how entities account for their investments in associates and joint ventures. The reason for making the decision to postpone the effective date is that the IASB is planning a broader review that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures. The amendment will result in recognition of gains / losses on disposal when assets are sold or contributed among Group companies.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1.3 Changes in accounting policy and disclosures (continued)

b) New standards, amendments and interpretations issued but not effective for 31 December 2018 year ends that are relevant to the Group; (continued);

Standard / interpretation	Effective date	Executive summary
IFRS 16 – Leases	1 January 2019 – earlier application permitted if IFRS 15 is also applied.	This standard replaces the current guidance in IAS 17, Leases and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. IFRS 16 supersedes IAS 17, 'Leases', IFRIC 4, 'Determining whether an arrangement contains a lease', SIC 15, 'Operating leases – incentives' and SIC 27, 'Evaluating the substance of transactions involving the legal form of a lease'. Management has put in place a project team to spearhead the implementation of IFRS 16. The standard is expected to have a material impact on the Group in terms of classification and subsequent measurement of leases. The Group companies are both lessors and lesses.
Annual improvements arising from the 2015-2017 reporting cycle.	1 January 2019	These amendments include minor changes to: · IFRS 3, 'Business combination' - a company remeasures its previously held interest in a joint operation when it obtains control of the business; · IFRS 11,'Joint arrangements', - a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business; · IAS 12,' Income taxes' - The amendment clarified that the income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised; and · IAS 23,' Borrowing costs' - a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1.3 Changes in accounting policy and disclosures (continued)

b) New standards, amendments and interpretations issued but not effective for 31 December 2018 year ends that are relevant to the Group; (continued);

Standard / interpretation	Effective date	Executive summary
Amendments to IAS 28, 'Investments in associates and joint ventures' - long-term interests in associates and joint ventures	1 January 2019	The amendments clarified that companies account for long-term interests in an associate or joint venture, to which the equity method is not applied, using IFRS 9. The amendments are effective from 1 January 2019, with early application permitted. This is not expected to affect the Group because all associates are equity accounted.
IFRIC 23, 'Uncertainty over income tax treatments'	1 January 2019	IFRIC 23 provides a framework to consider, recognise and measure the accounting impact of tax uncertainties. The interpretation provides specific guidance in several areas where previously IAS 12 was silent. The interpretation also explains when to reconsider the accounting for a tax uncertainty. Most entities will have developed a model to account for tax uncertainties in the absence of specific guidance in IAS 12. These models might, in some circumstances, be inconsistent with IFRIC 23 and the impact on tax accounting could be material. Management should assess the existing models against the specific guidance in the interpretation and consider the impact on income tax accounting.
IFRS 17, 'Insurance contracts'	"1 January 2021" Early application is permitted for entities that apply IFRS 9, Financial instruments', and IFRS 15, Revenue from contracts with customers', at or before the date of initial application of IFRS 17	The IASB issued IFRS 17, 'Insurance contracts', and thereby started a new epoch of accounting for insurers. Whereas the current standard, IFRS 4, allows insurers to use their local GAAP, IFRS 17 defines clear and consistent rules that will significantly increase the comparability of financial statements. For insurers, the transition to IFRS 17 will have an impact on financial statements and on key performance indicators. Under IFRS 17, the general model requires entities to measure an insurance contract at initial recognition at the total of the fulfilment cash flows (comprising the estimated future cash flows, an adjustment to reflect the time value of money and an explicit risk adjustment for non-financial risk) and the contractual service margin. The fulfilment cash flows are remeasured on a current basis each reporting period. The unearned profit (contractual service margin) is recognised over the coverage period. Aside from this general model, the standard provides, as a simplification, the premium allocation approach. This simplified approach is applicable for certain types of contract, including those with a coverage period of one year or less. For insurance contracts with direct participation features, the variable fee approach applies. The variable fee approach is a variation on the general model. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the contractual service margin. As a consequence, the fair value changes are not recognised in profit or loss in the period in which they occur but over the remaining life of the contract. A project team has been put in place to spearhead the implementation of IFRS 17. The project team will ensure data governance, lineage and transparency across the entire reporting chain. This includes a wide spectrum of data that will be used, from historic or current data (e.g. policy and premium data or data to produce the risk adjustment) to forward-looking data (e.g. data used to produce cash flow projections). The project team is working with internal and external stakeholders to assess the current data flows and identify potential gaps. In doing so, it is critical to have the future state in mind to identify data requirements across the existing data and systems landscape. In addition to data flow and system analysis, the project team will also review data management capabilities at the enterprise level. This includes the end-to-end data architecture and flow (e.g. source, master and reference data once for multiple uses), data governance process and policies (e.g. access controls and ownership).

These new standards, amendments and interpretations are not likely to have a material impact on the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1.4 Going concern assumption

The Directors have assessed the ability of the Group and Company to continue operating as going concerns and believe that the preparation of these financial statements on a going concern basis is appropriate.

2.2 Basis of consolidation

Group

The financial statements comprise the statement of financial position of the Company and the financial statements of the Company and its subsidiaries and associates (together the "Group") as at 31 December 2018.

(a) Subsidiaries

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

Specifically, the Group controls an investee if and only if the Group has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements;and
- the Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income and statement of financial position from the date the Group gains control until the date the Group ceases to control the subsidiary.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in statement of comprehensive income.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS 9, Financial instruments either in the statement of comprehensive income or as a change to the comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Basis of consolidation (continued)

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the parent of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

All subsidiaries in the Group are 100% owned, except for First Mutual Properties Limited which is 69.60% (2017 : 63%) owned through First Mutual Life Assurance Company (Private) Limited, have 31 December year ends and are consolidated in the presented financial statements.

(b) Loss of control

If the Group loses control over a subsidiary, it;

- derecognises the assets (including goodwill) and liabilities of the subsidiary;
- derecognises the carrying amount of any non-controlling interest;
- derecognises the cumulative transaction differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in the statement of comprehensive income; and
- reclassifies the parent's share of components previously recognised in other comprehensive income to statement of comprehensive income or retained earnings, as appropriate.

Changes in ownership interests in subsidiaries without change of control:
Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Separate financial statements of the Company

In the Company's separate financial statements, investments in subsidiaries are accounted for using the equity method of accounting. Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Company's share of the post-acquisition profits or losses of the investee, and the Company's share of movements in other comprehensive income of the investee.

(d) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. If the holding is less than 20%, the Group will be presumed not to have significant influence unless such influence can be clearly demonstrated. The existence of significant influence by the Group is usually evidenced in one or more of the following ways:

- representation on the board of directors or equivalent governing body of the investee.
- participation in the policy-making process.
- material transactions between the investor and the investee.
- interchange of managerial personnel.
- provision of essential technical information.

Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost and the carrying amount is increased or decreased to recognise the investor's share of profit or loss of the investee and movements in other reserves after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

When the investment, or portion of an investment, meets the criteria to be classified as held for sale, the portion so classified is accounted for in accordance with IFRS 5, 'Non-current assets held for sale and discontinued operations'. Any remaining portion is accounted for using the equity method until the time of disposal, at which time the retained investment is accounted under IFRS 9, Financial instruments unless the retained interest continues to be an associate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Basis of consolidation (continued)

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to statement of comprehensive income where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the statement of comprehensive income and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of an associate' in the statement of comprehensive income.

Profits or losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Accounting polices of associates have been changed where necessary to ensure consistency with the polices adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in the statement of comprehensive income.

2.3 Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in statement of comprehensive income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purposes of impairment testing, goodwill acquired in a business combination is allocated to an appropriate cash-generating unit that is expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

2.4 Common control transactions

A combination involving 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 the control is not transitory. Common control transactions are excluded from the scope of IFRS 3, "Business Combinations". The Board of Directors made a policy choice to use predecessor accounting for common control transactions.

No assets or liabilities are restated to their fair values. Instead, the acquirer incorporates predecessor carrying values. These are the carrying values of the acquired entity. They are generally the carrying amounts of assets and liabilities of the acquired entity from the consolidated financial statements of the highest entity that has common control for which consolidated financial statements are prepared. These amounts include any goodwill recorded at the consolidated level in respect of the acquired entity. If no consolidated financial statements are produced, the values used are those from the financial statements of the acquired entity. Gain or losses on acquisition are accounted directly in the statement of changes in equity utilising available reserves.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Common control transactions (continued)

The acquired entity's results and statement of financial position are incorporated prospectively from the date on which the business combination between entities under the same carrying occurred. Consequently, the financial statements do reflect the results of the acquired entity for the period after the transaction occurred.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the "group executive committee" which is made up of Group Chief Executive Officer, Group Finance Director and Managing Directors (including general managers) of subsidiaries.

2.6 Property, plant and equipment

Property, plant and equipment items are initially measured at historical cost. Subsequently they are measured at historical cost less accumulated depreciation and impairment losses. Repairs and maintenance costs are recognised in statement of comprehensive income as incurred.

Depreciation is calculated on a straight-line basis over the useful life of the asset as follows:

• Computers	5 years
• Vehicles and equipment	5 years
• Furniture	10 years
• Property	50 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on de-recognition is included in statement of comprehensive income in the year the asset is de-recognised.

The asset's residual values, useful lives and methods of depreciation are reviewed at each financial year-end, and adjusted prospectively if appropriate. Changes in the asset's depreciation method, residual value or useful life are treated as a change in accounting estimates in accordance with IAS 8, 'Accounting policies, changes in accounting estimates and errors'.

Owner occupied properties comprise property which is owned by the Group but is significantly occupied by Group companies, regardless of the leasing of the property being at market related rentals and terms. Significant occupation by a Group company is considered as 25% of the space of the property occupied or above. Such owner occupied properties are classified under property, plant and equipment and depreciated in line with the Group policy on property, plant and equipment.

2.7 Intangible assets

Intangible assets acquired separately are measured on initial recognition at historical cost. The historical cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at historical cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in statement of comprehensive income in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in statement of comprehensive income in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Intangible assets (continued)

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in statement of comprehensive income when the asset is derecognised.

2.8 Investment property

Investment property comprises land and buildings that are either held for capital appreciation or to earn rentals or both. Buildings under construction to be used for rental to others or for capital appreciation or both are also classified as investment property.

Investment property is measured initially at historical cost, including transaction costs. Subsequent to initial recognition, investment property is stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment property is included in statement of comprehensive income in the period in which they arise, including the corresponding tax effect. Fair values are determined based on an annual evaluation performed by an accredited external, independent valuer, applying a valuation model recommended by the International Valuation Standards Committee.

Investment property is derecognised either when it has been disposed of or when permanently withdrawn from use and no future economic benefit is expected from disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in statement of comprehensive income in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. The difference between the cost based measurement and fair value is treated as a revaluation adjustment. The revaluation reserve is realised on disposal of the property.

2.9 Inventory

Inventory comprises property acquired or being constructed for sale in the ordinary course of business, consumables and other stocks. Consumables and other stocks are valued on the basis of weighted average cost and at the lower of cost or estimated net realisable value (“NRV”), property classified as inventory is valued at the lower of cost or estimated NRV, but is based on the specific identification of the property. NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date and less costs to completion and the estimated costs of sale. NRV for completed inventory property is assessed with reference to market conditions and prices existing at the reporting date, and is determined by the Group in light of recent market transactions.

2.10 Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of the asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in statement of comprehensive income.

An asset’s recoverable amount is the higher of an asset’s or cash-generating unit’s (“CGU”) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified; an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Impairment of non-financial assets (continued)

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in statement of comprehensive income.

2.11 Fair value

The Group measures financial assets such as quoted and unquoted investments and non-financial assets such as investment property at fair value at reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- level 1 - quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- level 2 - valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- level 3 - valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.12 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and incremental other costs that the Group incurs in connection with the borrowing of funds.

2.13 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Under IFRS 9 on initial recognition a financial asset is classified as measured at:

1. Amortised cost
2. Fair value through profit and loss

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13.1 Financial assets

Classification and measurement
Classification of financial assets at amortised cost
The group classifies its financial assets as at amortised cost only if both of the following criteria are met:
- the asset is held within a business model whose objective is to collect the contractual cash flows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

Classification of financial assets at fair value through profit or loss
The group classifies the following financial assets at fair value through profit or loss (FVPL):
- debt investments that do not qualify for measurement at either amortised cost
- equity investments that are held for trading, and
- equity investments for which the entity has not elected to recognise fair value gains and losses through OCI.

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

Subsequent measurement of financial assets

Financial assets at fair value through profit and loss
These assets are subsequently measured at fair value. Net gains and losses including any interest on dividend income are recognised in profit and loss.

Financial asset at amortised cost
These asset are subsequently measured at amortised cost using the effective interest method. Interest income, foreign exchange gain and losses and impairment are recognised in profit or loss.

On 1 January 2018 (the date of initial application of IFRS 9), the Group's assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate IFRS 9 categories. The main effects resulting from this reclassification are as follows:

Classification of Financial assets and liabilities on the date of initial application of IFRS 9

Assets	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 $000	New carrying amount under IFRS 9 $000
Equities	Fair value through profit or loss	Fair value through profit or loss	55 267	55 267
Cash and balances with banks	Loans and receivables	Amortised cost	53 028	53 028
Debt securities at amortised cost	Held to maturity investments	Amortised cost	39 391	39 305
Insurance receivables including loans and other receivables	Loans and receivables	Amortised cost	34 154	32 255
Total			**181 840**	**179 855**

Transitional adjustments on financial assets on the date of initial application of IFRS 9

	Original carrying amount under IAS 39 as at 31 December 2017 $000	Reclassification $000	Remeasurement $000	New carrying amount under IFRS 9 as at 1 January 2018 $000
Financial assets at amortised cost				
Cash and balances with banks	53 028	-	-	53 028
Debt securities at amortised cost	39 391	-	(86)	39 305
Insurance and other receivables	34 154	-	(1 899)	32 255
Total at amortised cost	**126 573**	**-**	**(1 985)**	**124 588**

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Financial instruments (continued)

2.13.1 Financial assets (continued)

Debt securities at amortised cost

Treasury bills, government bonds and loans that were previously accounted for as debt securities held to maturity under IAS 39 now classified as debt securities at amortised cost. The Group intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding. There were no differences between the previous carrying amount and the revised carrying amount of the other financial assets at 1 January 2018 to be recognised in opening retained earnings.

Financial assets at fair value through profit or loss

Equity securities held for trading are required to be held as FVPL under IFRS 9. There was no impact on the amounts recognised in relation to these assets from the adoption of IFRS 9.

Insurance and other receivables

Insurance and other receivables are non-derivative financial assets with fixed and determinable payments that are not quoted in an active market. Such financial assets are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in the profit or loss statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

2.13.2 Impairment of financial assets

Simplified approach

The Group applies the simplified approach and forward looking approach to measure expected credit losses. The simplified approach uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, insurance receivables and contract assets have been grouped based on shared credit characteristics and the days past due. The Group has therefore concluded that the expected loss rates for insurance receivables area reasonable approximation of the loss rates for the insurance receivables. The forward looking approach requires financial institutions to adjust the current backward-looking incurred loss based credit provision into a forward-looking expected credit loss. This sounds logical for an accounting provision and it assumes that existing relevant models within risk management may be applied. The expected loss rates are based on the payment profiles over a period of 1year before 31 December 2018 and corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors (such as market interest rates or growth rates) affecting the ability of the cedants to settle the receivables.

General Approach

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

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

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model. Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within 60 days of when they fall due.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Financial instruments (continued)

2.13.2 Impairment of financial assets (continued)

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

2.13.3 Previous accounting policy for financial assets up to 31 December 2017

Financial assets Financial assets within the scope of IAS 39, Financial instruments : recognition and measurement are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available for-sale financial assets as appropriate. Financial assets are recognised initially at fair value plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. Fair value gains / (losses) on financial assets at fair value through profit or loss are recognised in statement of comprehensive income. The Group determines the classification of its financial assets on initial recognition and where allowed and appropriate, re-evaluates the designation at each financial year-end. Transaction costs from financial assets at fair value through profit or loss are recognised in the statement of comprehensive income.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement The subsequent measurement of financial assets depends on their classification as follows;

Financial assets at fair value through profit or loss Financial assets at fair value through profit or loss include financial assets held-for-trading and financial assets designated upon initial recognition at fair value through profit or loss. The Group designates a financial asset or financial liability as at fair value through profit or loss where designation significantly reduces a measurement inconsistency which may arise where a financial asset and a liability are measured using different methods. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with gains or losses recognised in statement of comprehensive income.

Loans and receivables Loans and receivables are non-derivative financial assets with fixed and determinable payments that are not quoted in an active market. Such financial assets are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in the profit or loss statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Held-to-maturity investments These are non-derivative financial assets with fixed or determinable payments and maturities of which the Group has the positive intention and ability to hold until maturity. Subsequent to initial recognition, these investments are carried at amortised cost, using the effective interest method. Gains and losses are recognised in statement of comprehensive income when the investments are de-recognised or impaired, as well as through the amortisation process.

Available-for-sale financial investments Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified as financial assets at fair value through profit or loss, loans and receivables, or held-to-maturity. After initial measurement, available-for-sale financial assets are measured at fair value with unrealised gains or losses recognised in other comprehensive income and accumulated in an available-for-sale reserve (a separate component of equity) until the investment is derecognised or determined to be impaired at which time the cumulative gain or loss previously recorded in the available-for- sale reserve is reclassified out of other comprehensive income into statement of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Financial instruments (continued)

2.13.3 Previous accounting policy for financial assets up to 31 December 2017 (continued)

Impairment of financial assets

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of a financial asset or a group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. Financial assets carried at amortised cost For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of comprehensive income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as finance income in the statement of comprehensive income. Financial assets at amortised cost together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write off is later recovered, the recovery is credited to statement of comprehensive income.

De-recognition of financial assets

A financial asset is de-recognised when the right to receive cash flows from the asset has expired or the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either, has transferred substantially all the risks and rewards of the asset to another party, or the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Financial instruments (continued)

2.13.4 Financial liabilities

Classification and measurement

On 1 January 2018 (the date of initial application of IFRS 9), the Group's assessed which business models apply to the financial assets held by the group and has classified its financial instruments into the appropriate IFRS 9 categories. The main effects resulting from this reclassification are as follows:

Classification of Financial assets and liabilities on the date of initial application of IFRS 9

	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 $m	New carrying amount under IFRS 9 $m
Liabilities				
Life insurance contracts with and without DPF and investment contracts with DPF liabilities	Fair value through profit or loss	Fair value through profit or loss	110 696	110 696
Investment contract liabilities without DPF	Fair value through profit or loss	Fair value through profit or loss	20 461	20 461
Shareholder risk reserves	Fair value through profit or loss	Fair value through profit or loss	11 932	11 932
Borrowings	Amortised cost	Amortised cost	1 192	1 192
Insurance contract liabilities - short term	Amortised cost	Amortised cost	39 926	39 926
Insurance liabilities - life assurance	Amortised cost	Amortised cost	2 254	2 254
Other payables	Amortised cost	Amortised cost	12 223	12 223
Total			**198 684**	**198 684**

Transitional adjustments on financial liabilities on the date of initial application of IFRS 9

	Original carrying amount under IAS 39 as at 31 December 2017 $m	Reclassification $m	Remeasurement $m	New carrying amount under IFRS 9 as at 1 January 2018 $m
Financial liabilities				
Amortised cost				
Borrowings	1 192	-	-	1 192
Insurance contract liabilities - short term	39 926	-	-	39 926
Insurance liabilities - life assurance	2 254	-	-	2 254
Other payables	12 223	-	-	12 223
Total amortised cost	**55 595**	**-**	**-**	**55 595**

Financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, less directly attributable transaction costs. Financial liabilities within the scope of IFRS 9 are classified as financial liabilities at fair value through profit or loss, at amortised cost, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

The Group's financial liabilities include trade and other payables, borrowings, insurance contracts, and investment contracts. All the Group's financial liabilities are classified as other financial liabilities. The Group classify all financial liabilities as subsequently measured at amortized cost, except for:

- financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, shall be subsequently measured at fair value.
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies.
- financial guarantee contracts.

Subsequent to initial recognition, financial liabilities are measured at amortised cost using the effective interest rate method. Gains and losses are recognised in statement of comprehensive income when the liabilities are derecognised as well as through the effective interest rate method ("EIR") amortisation process.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Financial instruments (continued)

2.13.4 De-recognition of financial liabilities

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in statement of comprehensive income.

2.13. 5 Previous accounting policy for financial liabilities up to 31 December 2017

Financial liabilities Financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, less directly attributable transaction costs. Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, at amortised cost, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

The Group's financial liabilities include trade and other payables, borrowings, insurance contracts, and investment contracts. All the Group's financial liabilities are classified as other financial liabilities.

Subsequent to initial recognition, financial liabilities are measured at amortised cost using the effective interest rate method. Gains and losses are recognised in statement of comprehensive income when the liabilities are derecognised as well as through the effective interest rate method ("EIR") amortisation process.

De-recognition of financial liabilities

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in statement of comprehensive income.

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported on the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

Amortised cost of financial instruments

Amortised cost is computed using the effective interest method less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

2.14 Share capital and reserves

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of income tax from the proceeds.

Where any group company purchases the Company's share capital ("treasury shares"), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects is included in equity attributable to the Company's equity holders.

Treasury shares (repurchase and reissue of ordinary shares)

When share capital recognised as equity is bought back the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as an equity deduction. The Company's own shares reacquired in a share buyback scheme are deducted from equity and are classified as treasury shares and are presented in a separate reserve for owned shares. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is presented within the share premium.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 Cash and balances with banks

Cash and balances with banks comprise cash and balances with banks less than three months, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in fair value.

Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of less than three months that are readily convertable to know amounts of cash and which are subject to an insignificant risk of changes and values and bank overdrafts. In the consolidated statement of financial position, bank overdrafts are shown within borrowings.

2.16 Leases

The Group has numerous leasing contracts as the lessor of investment property. The leases are operating leases, which are those leases where the Group retains a significant portion of risks and rewards of ownership. Contractual rental income is recognised on a straight-line basis over the period of the lease term.

2.17 Revenue recognition

In line with the IFRS 15, 'Revenue from contracts with customers', revenue is recognised when the following conditions have been met;

- the contract has been approved by the parties to the contract;
- each party's rights in relation to the goods or services to be transferred can be identified;
- the payment terms for the goods or services to be transferred can be identified;
- the contract has commercial substance;
- and it is probable that the consideration to which the entity is entitled to in exchange for the goods or services will be collected.

Insurance contracts for all insurance subsidiaries and rental income from leasing properties for the property owning subsidiaries are outside the scope of IFRS 15, hence specific criterion as detailed in note 2.17.1 must be met.

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

2.17.1 Premium income

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

Pensions	- when due
Life	- when due
Property and casualty insurance (short-term insurance)	- when due
Health insurance	- when paid

In the short-term business, premium income is accounted for as and when the premiums are agreed and risks accepted. Refer to note 2.21.6 for the Group's accounting policy for unearned premium.

2.17.2 Rental income

The Group is the lessor on operating leases transactions. Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease term and is included in revenue in the statement of comprehensive income due to its operating nature, except for contingent rental income which is recognised when it arises. Services and management fees are recognised in the accounting period in which they are incurred.

Tenant lease incentives are recognised as a reduction of rental revenue on a straight-line basis over the term of the lease. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, the directors are reasonably certain that the tenant will exercise that option. Amounts received or receivable from tenants to terminate leases or to compensate for dilapidations as well as recovery of fixed operating costs are recognised in statement of comprehensive income when the right to receive them arises.

2.17.3 Property services income

Property services income comprises income received or receivable from property-related services to other parties. The income is recognised when the related services have been provided. Property services income will be generated from the following services:

- Project management;
- Property management;
- Property purchases;

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 Revenue recognition (continued)

2.17.3 Property services income (continued)

- Property sales; and
- Property valuations.

The impact of IFSR 15 on these property services income has been assessed as immaterial hence, no further disclosures have been made.

2.17.4 Sale of completed property

A property is regarded as sold when the significant risks and rewards have been transferred to the buyer, which is normally on transfer of property. For conditional exchanges, sales are recognised only when all the significant conditions are satisfied.

2.17.5 Sale of property under development

Where property is under development and agreement has been reached to sell such property when construction is complete, the directors consider whether the contract comprises:

- a contract to construct a property, or
- a contract for the sale of a completed property.

Where a contract is judged to be for the construction of a property, revenue is recognised using the percentage-of-completion method as construction progresses.

Where the contract is judged to be for the sale of a completed property, revenue is recognised when control over the property has been transferred to the customer. The properties have generally no alternative use for the group due to contractual restrictions. However, an enforceable right does not arise until legal title is passed to the customer. Therefore, revenue is recognised at point in time when legal title has passed to the customer.

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

If, however, the legal terms of the contract are such that the construction represents the continuous transfer of work in progress to the purchaser, the percentage-of-completion method of revenue recognition is applied and revenue is recognised as work progresses. Continuous transfer of work in progress is applied when:

- the buyer controls the work in progress, typically when the land on which the development takes place is owned by the final customer; and
- all significant risks and rewards of ownership of the work in progress in its present state are transferred to the buyer as construction progresses, typically, when buyer cannot put the incomplete property back to the Group.

In such situations, the percentage of work completed is measured based on the cost incurred to date.

2.17.6 Dividend income

Dividend income is recognised when the Group’s right to receive the payment is established, when the investee`s Board of Directors has declared the dividend.

2.17.7 Interest income

Interest earned on cash invested with financial institutions is recognised on an accrual basis using the effective interest method, which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instruments or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in the statement of comprehensive income.

2.17.8 Fee income

Insurance contract policyholders are charged for policy administration services, surrenders and other contract fees. These fees and charges are recognised as revenue over the period in which the related services are performed.

2.17.9 Commission income

Commission income received or receivable under insurance and reinsurance contracts for non-life insurance contracts is recognised in full in the year in which the contract is entered into.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 Revenue recognition (continued)

2.17.10 Realised gains and losses

Realised gains and losses recorded in statement of comprehensive income on investments include gains and losses on financial assets and investment properties. Gains and losses from the sale of equity and debt securities are calculated as the difference between net sales proceeds and the carrying amount and are recorded on occurrence of the sale transaction.

2.18 Claims

2.18.1 Life insurance

Insurance benefits and claims relating to group life insurance contracts are recognised in profit or loss based on the estimated liability for compensation owed to the contract holder. Death, disability and severe illness and surrender claims are accounted for when notified. These claims include outstanding claims and claims incurred but not reported ("IBNR"). The IBNR estimate is determined taking into account the likelihood of the claim being valid and the expected severity of the claim given that the claim is valid. The proportion to be included is estimated separately for each benefit type. An estimate of the expected claim amount is charged to profit or loss and included in liabilities under insurance contracts. Maturity and income disability are recorded as incurred. Liabilities are held to reflect IBNR claims. The IBNR is modified to reflect actual current operating conditions. The liabilities are calculated gross of reinsurance. An asset is then raised to allow for the expected recoveries from reinsurers.

2.18.2 Non-life insurance

Benefits payable under health insurance contracts are accounted for as incurred. Liabilities are held to reflect IBNR claims. The IBNR calculation is performed using the chain ladder approach. This allows for the historical patterns of claims payment in determining the likely future emergence of claims. The IBNR is further modified to reflect current operational conditions or known events.

Claims are accounted for as incurred and consist of claims paid, movement in the provision for outstanding claims and related claims handling expenses. The provision for outstanding claims is based on estimates of the cost of settling all claims incurred but unpaid at the reporting date, whether reported or not. Related anticipated reinsurance recoveries are disclosed separately as assets in the statement of financial position and are included in recoveries from reinsurers in profit or loss.

2.19 Reinsurance recoveries

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

2.20 Acquisition costs and insurance contracts

Acquisition costs and insurance contracts comprises commission and other acquisition costs over the life of the insurance contract.

Commission

Commission is recognised as an expense in statement of comprehensive income when the premium is received or receivable through an intermediary or agent. The period over which commission is paid or payable and the commission rate differ per product depending on the product design structure.

Other acquisition costs

Other acquisition costs are costs incurred for running the Group's branch network for the insurance businesses. Branches are set up to acquire business across the country and the costs are charged to statement of comprehensive income in the period in which they are incurred. Costs of running the branches, cost of supporting the agents and staff expenses for employees working in the branches are included as acquisition costs together with all other costs for maintaining the branches functional.

2.21 Insurance contract liabilities

Policyholder insurance and investment contracts

Policyholder contracts are classified into four categories, namely, insurance contracts with discretionary participation features, insurance contracts without discretionary participation features, investment contracts with discretionary participation features and investment contracts without discretionary participation features.

2.21.1 Insurance contract

An insurance contract is one under which the Group accepts significant insurance risk from another party (the "policyholder") by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the "insured event") adversely affects the policyholder. Such contracts may also transfer financial risk. The Group defines significant insurance risk as the possibility of having to pay benefits on the occurrence of the insured event that are significantly more than the benefits payable if the insured event did not occur.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 Insurance contract liabilities (continued)

2.21.2 Investment contracts

Investment contracts are those contracts that transfer financial risk with no significant insurance risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variables.

2.21.3 Discretionary participation features ("DPF")

A number of insurance contracts and investment contracts contain a discretionary participation feature. This feature entitles the policyholder to receive, as a supplement to guaranteed benefits, additional benefits or bonuses:

i) that are likely to be a significant portion of the total contractual benefits;
ii) whose amount or timing is contractually at the discretion of the Group; and
iii) that are contractually based on:
  - the performance of a specified pool of contracts or a specified type of contract; and / or
  - realised and / or unrealised investment returns on a specified pool of assets held by the Group.

All components of the DPFs are included in the policyholder liabilities.

2.21.4 Determination of liabilities

The liabilities are determined on the basis derived by the Group's actuary as detailed in note 4.8.1. Actuarial valuation reports for each year are done annually and signed-off by the statutory actuary.

2.21.4.1 Insurance contract liabilities and investment contract liabilities with DPF

The liability for life insurance contracts and investment contracts with DPF is measured using the Financial Soundness Valuation ("FSV") method as set out in the guidelines issued by the Actuarial Society of South Africa in Professional Guidance Note ("SAP 104"). Under this guideline, provisions are valued using realistic expectations of future experience, with compulsory margins for prudence and deferral of profit emergence. All contracts are subject to liability adequacy tests, which reflect management's best current estimate of future cash flows.

The main assumptions used relate to mortality, longevity, investment returns, expenses, lapse and surrender rates and discount rates. The Group bases mortality on historical experiences, adjusted when appropriate to reflect the Group's unique risk exposure, product characteristics, target markets and own claims severity and frequency experiences.

Lapse and surrender rates are based on the Group's historical experience of lapses and surrenders. Discount rates are based on current industry risk rates. The liability in respect of some of the investment contracts with DPF is taken as the investment value. The main example is the Deposit Administration business where the reserve is the face value of the accounts together with the bonus smoothing reserve. Although it could be argued that the Group expects the contracts to be profitable, it would not be advisable to account for such profits in advance of them arising. Surplus allocated to policyholders under investment contract liabilities with DPF but not yet distributed (i.e. bonus smoothing reserves) is included in the carrying value of liabilities.

2.21.4.2 Investment contracts without DPF

Investment contracts without DPF are determined by applying deposit accounting where the contributions, claims and benefits paid, investment income and related expenses are not accounted through profit or loss but are accounted as direct increases or decreases to the investment contract liability and the corresponding assets.

2.21.5 Life assurance liabilities

Life assurance liabilities comprise the policyholder funds and the shareholder risk reserves. These are determined by the independent actuary as detailed in note 4.8.1. Actuarial valuation reports for each year are done annually and signed-off by the statutory actuary.

The liability for life insurance contracts is based on current assumptions reflecting the best estimate at the time increased with a margin for risk and adverse deviation. All contracts are subject to a liability adequacy tests, which reflect management's best current estimate of future cash flows.

The main assumptions used relate to mortality, morbidity, longevity, investment returns, expenses, lapse and surrender rates and discount rates. The Group bases mortality and morbidity on historical experiences, adjusted when appropriate to reflect the Group's unique risk exposure, product characteristics, target markets and own claims severity and frequency experiences. For those contracts that insure risk related to longevity, prudent allowance is made for expected future mortality improvements as well as wide ranging changes to life style that could result in significant changes to the expected future mortality exposure.

Lapse and surrender rates are based on the Group's historical experience of lapses and surrenders. Discount rates are based on current industry risk rates, adjusted for the Group's own risk exposure.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 Insurance contract liabilities (continued)

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

These include the outstanding claims provision and the incurred but not reported reserve (“IBNR”) (disclosed as insurance payable) and the provision for unearned premium.

Outstanding claims

The outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of these cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim project techniques, based on empirical data and current assumptions that include a margin for adverse variation. The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the obligation to pay a claim expires, is discharged or is cancelled.

Provision for incurred but not reported claims - (“IBNR”)

The provision for incurred but not reported claims (“IBNR”) represents all claims incurred before the reporting date but only reported subsequent to year-end. The IBNR is actuarially determined.

Unearned premium reserves - (“UPR”)

The unearned premium reserve represents that portion of premiums received or receivable that relates to risks that have not yet expired at the reporting date. The reserve is recognised when contracts are entered into and premiums are charged, and is brought to account as premium income over the term of the contract in accordance with the pattern of insurance service provided under the contract.

2.22 Deferred acquisition costs

Insurance contracts acquisition costs are deferred over a period in which the related premiums are earned. The deferred portion is calculated by applying the actual commission rate on the unearned premium reserve balance.

2.23 Reinsurance

The Group cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies, for the primary insurers and balances due from retrocession companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer’s policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer. The impairment loss is recorded in profit or loss.

Gains or losses on buying reinsurance are recognised in statement of comprehensive income immediately at the date of purchase and are not amortised. Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders.

The Group also assumes reinsurance risk in the normal course of business for life insurance and non-life insurance contracts where applicable. Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance assets represent balances due to the Group. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance. Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or have expired or when the contract is transferred to another party.

Reinsurance contracts that do not transfer significant insurance risk are accounted for directly through the statement of financial position.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.24.1 Income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from, or paid to the tax authorities. The tax rates and laws used to compute the amounts are those that are enacted or substantively enacted by the reporting date.

Current income tax relating to items recognised in other comprehensive income or equity is also recognised in other comprehensive income or equity and not in statement of comprehensive income.

Taxable income for the life assurance subsidiary company is calculated in accordance with the insurance formula as laid down in the Eighth Schedule of the Zimbabwe Income Tax Act (Chapter 23:06).

2.24.2 Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except;

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint arrangements, except for deferred tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only were there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognised.
- deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and carry forward of unused tax credits and unused tax losses can be utilised except;
- when the deferred tax asset relating to deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss; and in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

Deferred tax relating to items recognised in other comprehensive income or equity is also recognised in other comprehensive income or equity and not in statement of comprehensive income.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.24.2 Deferred tax (continued)

Management has rebutted the presumption as the objective of its business model is to consume substantially all of the economic benefits embodied in the investment property over time rather than through sale. As a result the Group will continue to apply the income tax rate of 25.75% (2017 : 27.75%) for the purpose of recognising deferred tax for its investment properties with the exception of land. The Group will recover the carrying amount of land recognised as investment property through sale and in that respect, the capital gains tax rate is used to determine deferred tax.

2.24.3 Value added tax

Expenses and assets are recognised net of the amount of value added tax ("VAT"), except when the value added tax incurred on purchase of assets or services is not recoverable from the tax authority, in which case, the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.

The net amount of VAT recoverable from, or payable to, the tax authority is included as part of receivables or payables in the statement of financial position.

The policy relates to all companies that are VAT registered, with the exception of First Mutual Reinsurance (Private) Limited and First Mutual Health Company (Private) Limited that are VAT exempt.

2.25 Employee benefits

The Group operates two defined contribution plans, the assets of which are held in separate trustee administered funds. The pension plans are funded by payments from employees and the relevant group companies. The Group's contributions to the defined contribution pension plans are charged to statement of comprehensive income in the period in which the contributions relate. Retirement benefits are also provided for the Group's employees through the National Social Security Authority ("NSSA") Scheme. The cost of retirement benefits applicable to the NSSA Scheme is determined by the systematic recognition of legislated contributions.

2.26 Shared-based payments: share options

The Group operates an equity-settled, share-based compensation plan, under which the Group receives services from employees as consideration for equity instruments ("options") of the Company. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, the Company's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specific period of time).

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the statement of comprehensive income, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.27 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in statement of comprehensive income net of any reimbursement.

Restructuring provisions are recognised only when the recognition criteria for provisions are fulfilled. The Group has a constructive obligation when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs, and an appropriate timeline. Furthermore, the employees affected have been notified of the plan's main features.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.28 Retrenchment accounting policy

The Group recognises termination benefits as a liability and expense when there is a demonstrable commitment to either terminate the employment of an employee or a group of employees before normal retirement date or provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The Group will recognise such termination benefits when and only when, there is a detailed formal plan for the termination and there is no realistic possibility for withdrawal for such plans. The detailed formal plan will include the location, function and approximate number of employees whose services are to be terminated, the termination benefits for each job classification or function and the time at which the plan will be implemented.

2.29 Earnings per share

a) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.30 Dividends

Provision is made for the amount of any dividend declared being appropriately authorised and no longer at the discretion of the entity on or before the end of the reporting period but not distributed at the end of the reporting period.

2.31 Rounding of amounts

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

2.32 Changes in accounting policies

This note explains the impact of the adoption of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers on the Group's financial statements.

Impact on financial statements

IFRS 9 and IFRS 15 were generally adopted without restating comparative information . The reclassifications and the adjustments arising from the new 'impairment rules are therefore not reflected in the statement of financial position as at 31 December 2017, but are recognised in the opening statement of financial position on 1 January 2018.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.32 Changes in accounting policies (continued)

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail below.

Statement of Comprehensive Income and other comprehensive income (extract) 2017

	2017 US$ As originally presented	IFRS 9	IFRS 15	1 January 2018 US$ Restated
Fee income - investment contracts	3 082 573	-	-	3 082 573
Impairment allowances	(389 615)	(1 985 331)		(2 374 946)
Profit/(loss) before tax	**14 800 126**	**(1 985 331)**	**-**	**12 814 795**
Income tax expense	(2 576 602)	511 223	-	(2 065 379)
Profit after tax	**12 223 524**	**(1 474 188)**	**-**	**10 749 416**

Statement of Consolidated Financial Position Extract	2017 US$ As originally presented	IFRS 9	IFRS 15	1 January 2018 US$ Restated
Assets				
Insurance, tenant and other receivables	34 153 924	(1 899 051)	-	32 254 873
Debt securities at amortised costs	39 390 615	(86 280)	-	39 304 335
Total assets	**73 544 539**	**(1 985 331)**	**-**	**71 559 208**
Liabilities				
Deferred tax	12 366 279	511 223		12 877 502
Total liabilities	**12 366 279**	**511 223**	**-**	**12 877 502**
Retained earnings	**26 735 072**	**(1 474 108)**	**-**	**25 260 964**

Closing retained earnings 31 December 2017 - IAS 39 and IAS 18	**26 735 072**
Increase in provision for insurance, tenant and other receivables	(1 899 051)
IFRS 9 Adjustment for debt securities at amortised costs	(86 280)
Income tax on IFRS 9 Adjustment	511 223
Opening retained earnings 1 January 2018 - IFRS 9 and IFRS 15	**25 260 964**

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In preparation of the Group's financial statements, management is required to make judgements, estimates and assumptions that affect reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However uncertainty about these assumptions, judgements and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

3.1 Judgements other than estimates

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

3.1.1 Classification of property

The Group determines whether a property is classified as investment property or as owner occupied property or inventory. Investment property comprises land and buildings (principally office, industrial and retail property) on which the Group occupies insignificant portion for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but is held primarily to earn rental income or capital appreciation or both. The distinction between investment property and inventory is not always clear and management will make judgement on the classification of the property as investment property or inventory. Property held for trading refers to property acquired or being constructed for sale in the ordinary course of business. Investment property refers to property held to earn rentals or capital appreciation.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

3.1 Judgements other than estimates (continued)

3.1.1 Classification of property (continued)

Owner occupied property comprises property which is owned by the Group and is significantly occupied by group companies, regardless of the leasing of the property being at market related rentals and terms. Significant occupation by group companies is considered as 25% (2017: 25%) of the total lettable space of the property occupied or above. Such owner occupied properties are classified under property, plant and equipment and depreciated in line with the Group's accounting policy for property, plant and equipment.

3.1.2 Insurance contracts and investment contracts

The Group classifies contracts entered into between investment contracts and insurance contracts on the basis of whether the contract is mostly a life assurance contract or a deposit contract and the contract is considered to be insurance contract if it transfers significant insurance risk. In the event of both elements existing in the contract, judgement is applied in determining which of the two elements makes up a more significant portion of the contract, in which case it is classified as such.

3.1.3 Taxes

The Group is subject to income and capital gains taxes in Botswana, Malawi, Mozambique and Zimbabwe. Significant judgement is required to determine the total liability for current income and deferred taxes.

There are many transactions and calculations for which the ultimate tax determination and timing of payment is uncertain. In particular, when calculating deferred tax, the effective tax rate applicable on the temporary differences on investment property depends on the method by which the carrying amount of investment property will be realised.

Management has rebutted the presumption that the carrying amount of investment property measured at fair value will be recovered through sale. Management has rebutted the presumption as the objective of its business model is to consume substantially all of the economic benefits embodied in the investment property over time rather than through sale. As a result the Group applied the income tax rate of 25.75% (2017: 25.75%) for the purpose of recognising deferred tax for its investment property with the exception of land. The Group will recover the carrying amount of land recognised as investment property through sale and in that respect, the capital gains tax rate is used to determine deferred tax.

3.2 Estimates and assumptions

The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur. The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below;

3.2.1 Incurred but not reported ("IBNR")

The provision for IBNR represents an estimate of all claims incurred before the reporting date but only reported subsequent to year end. The IBNR is actuarially determined as at the reporting date.

3.2.2 Insurance contract liabilities (Policyholders' funds) and actuarial assumptions.

The life policyholder funds, under un-matured policies, are computed at the reporting date by the Group's independent actuary, in accordance with prevailing legislation and guidelines issued by the Actuarial Society of South Africa ("SAP104"). Under this method, the insurance contract liabilities are valued using realistic expectations of future experience with margins for prudence. The insurance contract liabilities reflected in the statement of financial position represent the increase or decrease in actuarial liabilities, calculated using the Financial Soundness Valuation method.

The main assumptions used relate to mortality, longevity, investment returns, expenses, lapses, surrender rates and discount rates. Estimates are also made as to future investment income arising from the assets backing the life insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments. Assumptions on future expenses are based on current expense levels adjusted for expected expense inflation adjustments if necessary. Lapse and surrender rates depend on product features, policy duration and external circumstances such as sales trends. Discount rates are based on current expense levels adjusted for expected inflation adjustments if appropriate. Refer to note 18 for the carrying amount of policyholder funds and insurance risk reserve and the assumptions used to determine the carrying amounts.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

3.2 Estimates and assumptions (continued)

3.2.3 Fair value of investment property

The Group carries its investment property at fair value, with changes in fair value being recognised in statement of comprehensive income. The yield method converts anticipated future cash flow benefits in the form of rental income into present value. This approach requires careful estimation of future benefits and the application of investor yield or return requirements. One approach to value property on this basis is to capitalise net rental income on the basis of an initial yield, generally referred to as the “All Risks Yield” approach or “Net Initial Yield” approach.

The determined fair value of the investment property is most sensitive to the estimated yield as well as the long-term void rate.

The property valuations have been undertaken in an environment of poor liquidity conditions and limited transaction evidence. In undertaking the valuations for commercial, industrial and retail properties, reliance has been placed on rental market evidence, void rates and area currently applying to the individual properties in the portfolio. The achieved rentals for the portfolio are generally in line and in some instances higher than the rental rates being achieved in the market. With regards to the residential properties, properties were identified that were sold or which are on sale and situated in comparable residential suburbs. In analysing the comparable properties, the main space equivalent (“MSE”) principle was applied. The total MSE of the comparable property was then used to determine a value per square metre of MSE. The objective is to arrive at a common basis of comparison. After adjustments for quality, location and size, the rates per MSE reflected by the comparables were then applied to the subject residential properties. The yields, have been obtained from the limited concluded transactions and have also been assessed taking into account asking prices and offers that may have been received for properties currently on the market, formally or otherwise, although the transactions may not have been concluded. Refer to note 7 for the carrying amount of investment property and more information on the estimates and assumptions used to determine the fair value of investment property.

3.2.4 Useful lives and residual values of property plant and equipment

The Group assesses the useful lives and residual values of vehicles and equipment each year taking to consideration past experience, technology changes and the local operating environment. No changes to the useful lives and residual values have been considered necessary during the year. Refer to note 6 for the carrying amount of property, vehicles and computer equipment and accounting policy note 2.6 for the useful lives of property, vehicles and equipment.

3.2.5 Allowances for impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. For receivables, the group applied the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 14.1 for further details.

4 GROUP FINANCIAL RISK MANAGEMENT

The Group is exposed to financial risk through its financial assets and liabilities, insurance and reinsurance assets and liabilities. The most important components of financial risk are investment risk, equity price risk, interest rate risk, liquidity risk, currency risk, and credit risk.

4.1 Investment risk

The Group’s investment risk management system operates through a hierarchy of investment limit approvals. Individual fund managers have authority to trade within certain limits. Investments in excess of the specified limits require the approval of the Group Investment Committee.

4 GROUP FINANCIAL RISK MANAGEMENT (continued)

4.2 Equity price risk

Equity price risk is the potential loss arising from changes in the market price of a financial instrument as a result of fluctuations in the market price. A substantial part of the equity portfolio comprises listed counters. Unquoted counters are subjected to periodic financial analysis and review. The Group's equity price risk policy is to manage such risks by setting and monitoring objectives on investments, diversification of portfolios and setting limits on investment in each sector.

+/-10% share price movement	2018 Impact on profit before tax $	2017 Impact on profit before tax $	2018 Impact on equity $	2017 Impact on equity $	2018 Effect on life policyholder liabilities $	2017 Effect on life policyholder liabilities $
Commodity +/-10	798 264	528 972	798 264	528 972	683 916	579 048
Consumer +/-10	3 781 955	2 089 227	3 781 955	2 089 227	2 855 407	1 737 351
Financial +/-10	2 469 836	453 743	2 469 836	453 743	1 641 808	691 085
Manufacturing +/-10	864 698	577 583	864 698	577 583	638 216	447 123
Property +/-10	1 078 325	775 739	1 078 325	775 739	-	109 739
Retail +/-10	-	-	-	-	2 958	2 938
Telecommunication +/-10	1 272 033	754 605	1 272 033	754 605	1 415 989	1 243
Other +/-10	205 844	346 850	205 844	346 850	90 921	376 321
Total +/-10	**10 470 955**	**5 526 719**	**10 470 955**	**5 526 719**	**7 329 215**	**3 944 848**

At the reporting date, the total exposure to equity securities at fair value through profit or loss was US$104 470 545 (2017: US$55 267 195), US$73 292 125 (2017: US$39 448 476) relating to policyholder.

4 GROUP FINANCIAL RISK MANAGEMENT (continued)

4.3 Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. Credit risk arises from cash and cash equivalents with banks and financial institutions, as well as credit exposures to insured, cedants and tenants.

(i) Risk management

Credit risk is managed on a group basis.
The key areas where the Group is exposed to credit risk are:
- amounts due from debt securities;
- amounts due from insurance, tenant and other receivables;
- amounts due from reinsurers;
- balances with banks.

The Group manages and analyses credit risk for each of their customers and clients that includes insured, brokers, agents, tenants and cedants before standard payment and delivery terms and conditions are offered. Exposure limits are set for each counterparty or group of counterparties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an on-going basis. With respect to credit risk arising from other financial assets of the Group, which comprise cash and balances with banks, and debt securities at amortised cost, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

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

Insurance receivables and Reinsurers

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

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

Tenant receivables

Tenants are assessed according to set criteria prior to entering into lease arrangements. Credit risk is managed by requiring tenants to pay rentals in advance in addition to an upfront good tenancy deposit. The credit quality of the tenant is assessed based on an extensive credit rating criteria at the time of entering into a lease agreement. At inception of the lease tenants are classified into good, acceptable and watch list categories.

Outstanding tenants' receivables are regularly monitored and all tenants that accrue arrears are classified in watch list category as rental obligations are payable in advance. An impairment analysis is performed at each reporting date on an individual basis for major tenants. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial asset.

Cash and balances with banks and Debt securities at amortised cost

The Group has a policy that establishes counterparty trading limits for each banking institution that it trades with. These counter party limits are reviewed at least semi-annually and submitted to the Group Investments Committee for approval. In this process the financial results of the banking institutions which are published semi-annually, are reviewed and together with other qualitative factors. The limits worked out are proposed to the Group Investment Committee for approval.

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

4 GROUP FINANCIAL RISK MANAGEMENT (continued)

4.3 Credit risk (continued)

Cash and balances with banks and Debt securities at amortised cost (continued)

Key considerations in the review of limits and security requirements include:-
- compliance with minimum capital requirements as set by the Reserve Bank of Zimbabwe ("RBZ"),
- RBZ periodic CAMELS ratings,
- total shareholder equity,
- total assets,
- ratios such as loan to deposit ratio, cost to income and non-performing loans ("NPLs") to total loans ratio,
- overall profitability and cash generation,
- historical performance and outlook,
- ability of the bank to provide collateral security.

The approved collateral security instruments are as follows:
- treasury Bills and Aftrades;
- ZSE Top Ten Listed equities;
- bankers acceptances; and
- property bonds for long term placements

The Group uses the following parameters in determining the trading limits:-
10% of Group's average shareholders' equity,
1.5% of average total deposits, and
Discounts can be further applied to the established limit based on other qualitative factors covered under the CAMELS rating system of the RBZ.

Qualitative factors include additional opinion formed through market intelligence on the financial institution, shareholder profile, management and segment of market being served.

The banks are classified into three internal categories as set out below:

Tier 1 banks - banks that are considered to have well above the regulatory capital, stable and have a proven performance record. No security is required from these counterparties. The counterparty limit for tier 1 Banks is set as 40% (2016: 40%) of the Group total money market investments.

Tier 2 banks - banks that are assessed to be significantly stable but have lower performance and shareholder ratings than Tier 1 Banks. Security is required for investments with these banks. The counterparty limit for tier 2 Banks is set as 20% (2017: 20%) of Group total money market investments.

Tier 3 banks - banks that are evaluated as currently not suitable to be classified as a trading counterparty.

The Group holds cash accounts with financial institutions with sound financial and capital cover. The financial institutions holding the cash and cash equivalents of the Group have the following internal credit ratings.

	2018 US$	2017 US$
Tier 1	36 049 080	28 229 219
Tier 2	25 034 811	24 798 934
	61 083 891	**53 028 153**

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

4 GROUP FINANCIAL RISK MANAGEMENT (continued)

4.3 Credit risk (continued)

(iii) Impairment of financial assets

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

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

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Insurance, tenant and other receivables

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

The historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of the cedants to settle the receivables.

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

- **Occupancy status of the tenant**

  The tenant who relinquish occupancy of premises and honour agreed payment plans will not be considered for specific write-off, however the period outstanding will be profiled with relevant percentage for general allowance.

- **Length of period of non-payment**

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

- **Analysis of results of collection efforts undertaken so far in order to recover amounts that are past due**

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

Debt securities at amortised cost

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

4 GROUP FINANCIAL RISK MANAGEMENT (continued)

4.3 Credit risk (continued)

(iii) Impairment of financial assets (continued)

Debt securities at amortised cost (continued)

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risks. For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

31 December 2018.	Current	More than 30 days past due	More than 60 days past due	More than 120 days past due	Total
Expected loss rate	24%	27%	23%	26%	
Gross Carrying Amount - Insurance receivables			-	-	-
- Reinsurance	1 181 982	4 889 733	1 432 746	5 310 626	12 815 087
- Short term direct	-	-	-	-	-
- Life assurance including pensions	-	-	-	-	-
- Health insurance	-	-	-	-	-
Gross Carrying Amount - Rental receivables	-	655 221	100 170	1 482 972	2 238 363
Gross Carrying Amount - Other receivables	-	528 281	409 137	4 703 313	5 640 731
Loss allowance	**287 834**	**1 611 615**	**452 713**	**3 006 941**	**5 359 103**

1 January 2018.	Current	More than 30 days past due	More than 60 days past due	More than 120 days past due	Total
Expected loss rate	1%	26%	27%	22%	
Gross Carrying Amount - Insurance receivables					-
- Reinsurance	134 251	3 736 741	2 202 784	4 008 832	10 082 608
- Short term direct	-	-	-	-	-
- Life assurance including pensions	-	-	-	-	-
- Health insurance	-	-	-	-	-
Gross Carrying Amount - Rental receivables	313 446	133 611	162 627	2 764 330	3 374 014
Gross Carrying Amount - Other receivables	-	407 328	240 354	310 431	958 113
Loss allowance	**6 423**	**1 016 788**	**649 356**	**1 513 991**	**3 186 558**

31 December 2018 calculated under IFRS 9	Insurance receivables		
	Reinsurance 2018	Short term direct 2018	Total 2018
31 December – calculated under IAS 39	982 630	169 571	1 152 201
Amounts restated through opening retained earnings	1 039 598	444 663	1 484 261
Opening loss allowance as at 1 January 2018 – calculated under IFRS 9	**2 022 228**	**614 234**	**2 636 462**
Increase in loan loss allowance recognised in profit or loss during the year	471 674	156 453	628 127
Receivables written off during the year as uncollectable	(59 060)	(78 671)	137 731
Unused amount reversed	-	-	-
As at 31 December	**2 434 842**	**692 016**	**3 402 320**

4 GROUP FINANCIAL RISK MANAGEMENT (continued)

4.3 Credit risk (continued)

(iii) Impairment of financial assets (continued)

31 December 2018 calculated under IFRS 9

	Insurance receivables 2018	Rental receivables 2018	Other receivables 2018	Total 2018
31 December – calculated under IAS 39	1 152 200	1 776 737	257 621	3 186 558
Amounts restated through opening retained earnings	1 484 262	126 053	(136 207)	1 474 108
Opening loss allowance as at 1 January 2018 – calculated under IFRS 9	**2 636 462**	**1 902 790**	**121 414**	**4 660 666**
Increase in loan loss allowance recognised in profit or loss during the year	628 127	54 732	7 107	689 966
Receivables written off during the year as uncollectible	(77 731)	-	428 819	351 088
Recovery due to payments	-	(342 617)	-	(342 617)
As at 31 December	**3 186 858**	**1 614 905**	**557 340**	**5 359 103**

	2018				2017		
	IFRS 9				IAS 39		
Impairment stages	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Specific**	**General**	**Total**
Insurance receivables	752 016	-	2 434 843	**3 186 859**	-	1 152 200	**1 152 200**
- Short term direct	752 016	-	-	**752 016**	-	169 571	**169 571**
- Reinsurance	-	-	2 434 843	**2 434 843**	-	982 629	**982 629**
Debt securities at amortised cost	149 226	-	-	**149 226**	-	-	-
Total	**901 242**	**-**	**2 434 843**	**3 336 085**	**-**	**1 152 200**	**1 152 200**

Staging is based on financial assets that have used the general approach in calculating credit allowances. There has not been any significant increase in credit risk during year.

Previous accounting policy for impairment of trade receivables

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectable were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there objective evidence that an impairment had been incurred but not yet was been identified. For these receivables the estimated impairment losses were recognised in a separate provision for impairment.

The Group considered that there was evidence of impairment if any of the following indicators were present:

- significant financial difficulties of the debtor
- probability that the debtor will enter bankruptcy or financial reorganisation, and
- default or late payments (more than 30 days overdue)

4.4 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's borrowings which carry fixed interest rates.

The Group manages interest rate risk at both Board (through Group Investments Committee) and Management level through the regular policy and benchmarks which relate to interest rate risk management. The major areas of intervention involves daily monitoring of costs of funds, monthly analysis of interest re-pricing gaps, monthly interest rate simulations to establish the Group and the relevant subsidiary's ability to sustain a stressed interest rate environment and various interest rate risk hedging strategies. The use of stress testing is an integral part of the interest rate risk management framework and considers both the historical market events as well as anticipated future scenarios. The Group and the relevant subsidiary denominate their credit facilities in the base currency, the US$ in order to minimise cross currency interest rate risk.

4 GROUP FINANCIAL RISK MANAGEMENT (continued)

4.4 Interest rate risk (continued)

As at 31 December 2018, if the interest rate on the long-term borrowings at the date had been 1% higher with all other variables held constant, the recalculated post-tax profit for the year would have been US$17 642 744 (2017: US$12 216 614) lower, mainly as a result of higher interest expense on floating rate borrowings. If the interest rate on the financial assets at amortised cost and money market investments at the date had been 1% higher with all other variables held constant, the recalculated post-tax profit for the year would have been US$18 369 981 (2017: US$12 817 704) higher, mainly as a result of higher interest income.

4.5 Operating lease commitments with the group as lessor

The Group has entered into commercial property leases on its investment property. The Group has determined, based on an evaluation of the terms and conditions of the lease arrangements, that it retains all the significant risks and rewards of ownership of the property and so accounts for the contracts as operating leases. This involves the analysis of likelihood of exercising extension options, lease term analysis, etc. The lease rental in most of the lease arrears are revised on an annual basis.

4.6 Liquidity risk

It is the Group's policy to ensure that cash resources are available at all times to meet commitments as they arise. Cash outflows arise from payment of insurance claims and benefits, purchase of investments and other operating commitments. Such outflows are adequately matched by inflows from premium income, maturing investments and investment income. The Group manages liquidity risk related to market through maintaining and monitoring comprehensive cash flow forecasts and budgets that are reviewed to take any changes on the market as they arise.

Where pension funds withdraw and / or transfer assets to other pension administrators the period of transferring the assets is per agreement between the Fund and the insurer as specified in the policy document and that period spans up to three years allowing for restructuring of assets to meet the cash flow requirements as permitted by the Pensions and Provident Funds Act (Chapter 24:09). The table below summarises the maturity profile of the Group's financial assets and financial liabilities based on contractual and undiscounted payments.

31 December 2018	1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Total
Assets	**$**	**$**	**$**	**$**	**$**
Insurance, tenant and other receivables	616 150	31 797 601	517 894	1 293 967	34 225 612
Debt securities at amortised cost	-	-	-	31 289 076	31 289 076
Equity securities at fair value through profit or loss	-	-	-	104 709 545	104 709 545
Cash and balances with banks	41 320 557	22 347 703	-	-	63 668 260
Total assets	**41 936 707**	**54 145 304**	**517 894**	**137 292 588**	**233 892 493**
Liabilities					
Insurance liabilities - short term	3 540 064	28 676 770	7 453 366	10 902 393	50 572 593
Investment contract liabilities:					
With PDF	-	-	4 875 199	107 688 930	112 564 129
Without PDF	-	-	-	28 010 256	28 010 256
Borrowings	91 665	-	-	-	91 665
Insurance liabilities - life assurance payables	-	2 268 940	-	-	2 268 940
Property business related payables	2 145 397	87 518	-	-	2 232 915
Accrued expenses	732 047	480 869	-	-	1 212 915
Trade payables	1 047 025	-	-	-	1 047 025
Other payables	1 099 121	-	-	-	1 099 121
Total liabilities	**8 655 319**	**31 514 097**	**12 328 565**	**146 601 579**	**199 099 559**
Liquidity gap	**33 281 388**	**22 631 207**	**(11 810 671)**	**(9 308 991)**	**34 792 934**
Cumulative liquidity gap	**33 281 388**	**55 912 595**	**44 101 924**	**34 792 934**	**-**

4 GROUP FINANCIAL RISK MANAGEMENT (continued)

4.6 Liquidity risk (continued)

31 December 2017	1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Total
Assets	**$**	**$**	**$**	**$**	**$**
Insurance, tenant and other receivables	1 654 306	32 499 618	-	-	34 153 924
Debt securities at amortised cost	-	-	388 263	41 802 759	42 191 022
Equity securities at fair value through profit or loss	-	-	-	55 267 195	55 267 195
Cash and balances with banks	33 000 728	20 027 425	-	-	53 028 153
Total assets	**34 655 034**	**52 527 043**	**388 263**	**97 069 954**	**184 640 294**
Liabilities					
Insurance liabilities-short term	2 780 337	17 175 069	5 853 812	8 645 607	39 926 198
Investment contract liabilities:					
- With PDF	2 529	-	-	85 449 449	85 451 978
- Without PDF	-	-	-	20 461 042	20 461 042
Borrowings	-	298 833	851 812	91 666	1 242 310
Insurance liabilities -life assurance payables	-	2 254 045	-	-	2 254 045
Property business related payables	1 842 101	77 176	47 630	-	1 966 907
Accrued expenses	812 117	749 160	-	-	1 561 277
Unpaid losses	357 881	-	-	-	357 881
Trade payables	479 512	146 148	6 455	-	632 115
Other payables	257 381	334 421	215 416	-	807 218
Total liabilities	**6 531 858**	**21 034 852**	**6 975 125**	**114 647 764**	**154 660 971**
Liquidity gap	**28 123 176**	**31 492 191**	**(6 586 862)**	**(17 577 810)**	**35 450 695**
Cumulative liquidity gap	**28 123 176**	**59 615 367**	**53 028 505**	**35 450 695**	-

4.7 Foreign exchange risk

The risk that the fair value of the cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. Currency risks arise from recognised monetary financial assets and liabilities and future commercial transactions, that are not denominated in the functional currency of the Group.

The Group operates regionally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Botswana Pula ("BWP"), Malawi Kwacha ("MWK"), Mozambique Metical ("Metical") and the South African Rand ("ZAR"). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Group manages foreign exchange risk by matching the principal cash outflow to the currency in which the principal cash inflows are denominated. Other regional currencies whose currencies fluctuate significantly against the United States Dollar are translated into United States Dollars.

The following table details the Group's sensitivity to a 10% increase or decrease in the US$ against the relevant foreign currencies with all other variables held constant. 10% represents management's assessment of the reasonable possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and is calculated by adjusting the translation of foreign currency amounts at the period end for a 10% change in foreign currency rates.

4 GROUP FINANCIAL RISK MANAGEMENT (continued)

4.7 Foreign exchange risk (continued)

Consolidated foreign exchange gap analysis as at 31 December 2018

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

Consolidated foreign exchange gap analysis as at 31 December 2017

	ZAR US$ equivalent	EUR US$ equivalent	BWP US$ equivalent	MWK US$ equivalent	TOTAL US$ equivalent
Assets					
Balances with other banks and cash	452 319	-	1 797 916	140 765	2 390 999
Trade and other receivables	270 019	-	411 355	77 918	759 292
Total assets	**722 338**	**-**	**2 209 271**	**218 683**	**3 150 291**
Liabilities					
Trade and other payables	354 110	5 731	78 204	123 701	561 746
Total liabilities	**354 110**	**5 731**	**78 204**	**123 701**	**561 746**
Net currency position	**368 228**	**(5 731)**	**2 131 067**	**94 982**	**2 588 545**

Below are major cross rates to the US$ used by the Group

Currency	2018 Cross rate	2017 Cross rate
SA Rand (“ZAR”)	14.43	12.30
Great Britain Pound (“GBP”)	0.79	0.74
Euro (“EUR”)	0.87	0.83
Botswana Pula (“BWP”)	10.51	9.70
Malawian Kwacha (“MWK”)	730.44	725.69
Mozambique Metical (“Metical”)	64.05	64.05

Impact of 10% increase in exchange rates	ZAR US$	EUR US$	BWP US$	MWK US$	TOTAL US$
For the year ended 31 December 2018					
Assets	128 402	6 223	290 123	22 252	447 000
Liabilities	52 138	-	40 932	7 216	100 286
Net Position	**76 264**	**6 223**	**249 191**	**15 036**	**346 714**
For the year ended 31 December 2017					
Assets	72 234	-	220 927	21 868	315 029
Liabilities	35 411	573	7 820	12 370	56 174
Net Position	**36 823**	**(573)**	**213 107**	**9 498**	**258 855**

4 GROUP FINANCIAL RISK MANAGEMENT (continued)

4.7 Foreign exchange risk (continued)

	31 December 2018			31 December 2017		
Currency	Change in variables US$	Impact on income before tax US$	Impact on equity US$	Change in variables US$	Impact on income before tax US$	Impact on equity US$
South African Rand (“ZAR”)	+10%	108 543	80 593	+10%	36 506	27 105
Malawi Kwacha (“MWK”)	+10%	91 502	67 940	+10%	127 490	94 661
Botswana Pula (“BWP”)	+10%	14 041	10 425	+10%	14 237	10 571
South African Rand (“ZAR”)	-10%	(108 543)	(80 593)	-10%	(36 506)	(27 105)
Malawi Kwacha (“MWK”)	-10%	(91 502)	(67 940)	-10%	(127 490)	(94 661)
Botswana Pula (“BWP”)	-10%	(14 041)	(10 425)	-10%	(14 237)	(10 571)

This method used for deriving sensitivity information and significant variables did not change from the previous period.

Additional sensitivity on the impact of foreign currency has been disclosed in note 32.1.

4.8 Insurance risk

Insurance risk is the risk that future underwriting, policyholder behaviour and expense experience will differ from that assumed in measuring policyholder liabilities and assets and in pricing products. Insurance risk arises due to uncertainty regarding the timing and amount of future cash flows from insurance contracts. This could be due to variations in mortality, morbidity, policyholder behaviour or expense experience in the case of life products, and claims incidence, claim severity or expense experience in the case of short-term insurance products. These could have adverse impacts on the group’s earnings and capital if different from those assumed.

The Group is exposed to insurance risk arising from its insurance contracts with policyholders and other beneficiaries. The main risk that the Group faces is that the actual claims and benefits payments or the timing thereof differ from expectations. The above risk exposure is mitigated by the use of careful selection procedures and implementation of underwriting procedures, use of actuarial models which calculate premiums and monitor claims patterns, as well as the use of reinsurance arrangements.

The insurance risks that the group is exposed to that have the greatest impact on the financial position and comprehensive income are covered below.

General management of insurance risk

The insurance subsidiaries are responsible for the day to day identification, monitoring and assessment of insurance risk. In the addition to the management of risk by the subsidiary companies, the Group has the following insurance risk management controls:

Group Board Risk Committee

The Committee advises Group’s overall risk strategy, current risk exposures, and risk governance. The Committee considers and approves the remit of the risk management function and reviews reports on material breaches of risk limits, as well as the adequacy of remedial action. The Committee also advises the Board on the risks aspects of proposed strategic transactions.

Audit and Actuarial Committee

The Audit and Actuarial Committee deals with insurance companies within the Group. The committee serves to satisfy the Group and operational boards of directors that adequate internal and financial controls are in place and that material risks are managed appropriately. More specifically, this committee is responsible for reviewing the financial statements and accounting policies, the effectiveness of management information and systems of internal control, compliance with statutory and regulatory requirements, interim and final reports, the effectiveness of the internal audit function, external audit plans and findings on their respective reports. This committee reports directly to the Group board of director. The committee meetings are attended by the external and internal auditors and are held at least quarterly.

Statutory actuaries

The statutory actuaries of the insurance subsidiaries report on the capital adequacy and the financial soundness at the year-end date and for the foreseeable future. All new premium rates or premium rates where changes are required are reviewed by the statutory actuaries. Dividends for First Mutual Life Assurance Company (Private) Limited are reviewed and recommended for approval prior to payment to ensure that the insurance subsidiary remain financially sound thereafter.

4 GROUP FINANCIAL RISK MANAGEMENT (continued)

4.8 Insurance risk (continued)

Capital adequacy requirements

A minimum level of solvency is required to be held within each insurance subsidiary to meet the regulatory capital adequacy requirements ("CAR"). For the long-term insurance subsidiaries the CAR is calculated to determine whether the excess of assets over liabilities is sufficient to provide for the possibility of actual future experience departing from the assumptions made in calculating thepolicyholder liabilities and against fluctuations in the value of assets.

Pricing

Pricing risk is managed by carefully establishing criteria by which each potential customer is allocated to the appropriate risk category, applying the underwriting rules, and by establishing prices appropriate to each risk category. Underwriting performance is measured by monitoring the claims loss ratio which is the ratio of claims to premiums.

Reserving

For claims that have been reported by the financial position date, expert assessors estimate the expected cost of final settlement. For expected claims that have not been reported by the financial position date an incurred but not reported ("IBNR") provision is calculated using appropriate techniques. Consideration is also given to any stipulated minimum IBNR prescribed by regulations. These provisions for claims are not discounted for the time value of money due to the expected short duration of settlement. Using the experience of a range of specialist claims assessors, provisions are reviewed regularly to ensure they are sufficient.

Catastrophic

Catastrophic risk has the potential to cause significant loss or impact on current year earnings and capital through a single event or a number of correlated events. Reinsurance and the diversification of types of short-term insurance offered are used to reduce risks from single catastrophic events or accumulations of risk. Various reinsurance arrangements are in place, with retention levels and catastrophe cover levels varying by line of business.

4.8.1 Life insurance risks

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) valuation of insurance contract liabilities; and
(b) life insurance contract liabilities

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

The main assumptions used relate to mortality, longevity, investment returns, expenses, lapse and surrender rates and discount rates. The Group bases mortality on historical experiences, adjusted when appropriate to reflect the Group's unique risk exposure, product characteristics, target markets and own claims severity and frequency experiences. For those contracts that insure risk related to longevity, prudent allowance is made for expected future mortality improvements as well as wide ranging changes to life style that could result in significant changes to the expected future mortality exposure.

Lapse and surrender rates are based on the Group's historical experience of lapses and surrenders.

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

The main risks that the Group is exposed to are as follows:

- mortality risk – risk of loss arising due to policyholder death experience being different than expected
- longevity risk – risk of loss arising due to the annuitant living longer than expected
- investment return risk – risk of loss arising from actual returns being different than expected
- expense risk – risk of loss arising from expense experience being different than expected
- policyholder decision risk – risk of loss arising due to policyholder experiences (lapses and surrenders) being different than expected

These risks do not vary significantly in relation to the location of the risk insured by the Group, type of risk insured or by industry.

4 GROUP FINANCIAL RISK MANAGEMENT (continued)

4.8 Insurance risk (continued)

4.8.1 Life insurance risks (continued)

4.8.1.1 Mortality and morbidity risk

Mortality risk is the risk of adverse financial impact due to actual mortality (death) claims being higher than anticipated. Morbidity risk is the risk of adverse financial impact due to policyholder health related (disablement and dread disease) claims being higher than expected.

The Group has the following processes and procedures in place to manage mortality and morbidity risk:

Pricing

Premium rates are differentiated by factors which historical experience has shown are significant determinants of mortality and morbidity claim experience. Prior to taking on individual risk policies, appropriate underwriting processes are conducted, which influence pricing on the policy prior to acceptance.

The actual claims experience is monitored on a monthly basis so that deteriorating experience can be timeously identified. At the point of issuing new policies, consideration is given to update product pricing if the change in the experience, as evidenced by the commissioned periodic investigations, has become sustained and cannot be mitigated. Further, the valuation of liabilities is periodically updated with the new parameters arising from the periodic investigations. Detailed mortality and morbidity investigations are conducted on a bi-annual basis for key products. Allowance for special effects of specified medical conditions is made in product pricing as well as in the measurement of policyholder liabilities and assets.

Terms and conditions

The policy terms and conditions contain exclusions for nonstandard and unpredictable risks that may result in severe financial loss. Terms are built into the policy contracts that permit risk premiums to be reviewed on expiry of a guarantee period. In particular:

- for individual risk business, most in-force risk premiums are subject to review; and
- for institutional risk business, the risk premiums can be reviewed annually.

Underwriting

Underwriting guidelines concerning authority limits and procedures to be followed in accepting new business are in place. For individual and institutional business, larger sums assured in excess of specified limits are subjected to underwriting and evaluated against established guidelines for accepting new business. The annually reviewable terms on institutional business enable premiums to keep pace with emerging claim experience. Part of the underwriting process involves assessing the health condition and family medical history of applicants. Terms and conditions are varied accordingly. Non-standard risks such as hazardous pursuits and medical conditions are assessed at underwriting stage. The expertise of reinsurers is used in the rating of non-standard risks. Financial underwriting is used where necessary to determine insurable interest.

Claims management

For mortality, claims are validated against policy terms and conditions. For morbidity, experienced claims assessors determine the merits of the claim in relation to the policy terms and conditions. In the case of disability annuitants, claim management ensures the continued eligibility for monthly income and includes interventions that may result in the full or partial medical recovery of the claimant. The actual disability experience is highly dependent on the quality of the claim assessment.

Reinsurance

Reinsurance is used by the Group to reduce exposure to a particular line of business, a particular individual, a single event, and to benefit from the risk management support services and technical expertise offered by reinsurers. The Group has a centralised reinsurance function that works closely with business units and subsidiaries to optimise and monitor reinsurance at a group level and to ensure consistent governance and execution of the Group's reinsurance strategy. Regular reviews, which consider risk appetite, are conducted on reinsurance arrangements for new business. The levels of reinsurance purchased for new business written in 2017 were broadly similar to those in recent previous years. Given that large proportions of the Group's business is long term individual risk business, where the proportion of the risk that is reinsured is fixed for life at the inception of the policy, the Group's overall reinsurance result is heavily influenced by historical reinsurance arrangements. In some instances where underlying policyholder benefits are annually renewable, for example institutional business, reinsurance is annually renewable. Existing reinsurance arrangements include proportional reinsurance (quota share and surplus type arrangements) on both a treaty and facultative basis and catastrophe reinsurance which is renewed annually. Catastrophe reinsurance is consolidated across business units and is in place to reduce the risk of many claims arising from the same event. Various events are excluded from the catastrophe reinsurance (e.g. epidemics and radioactive contamination).

4 GROUP FINANCIAL RISK MANAGEMENT (continued)

4.8 Insurance risk (continued)

4.8.1 Life insurance risks (continued)

4.8.1.2 Longevity risks

Longevity risk is the risk of adverse financial impact due to actual annuitant mortality being lower than anticipated, that is annuitants living longer than expected. For life annuities, the loss arises as a result of the Group having undertaken to make regular payments to policyholders for their remaining lives, and possibly to the policyholders' spouses for their remaining lives. The most significant risks on these liabilities are continued medical advances and improvements in social conditions that lead to longevity improvements being better than expected. The Group manages the longevity risk by:

- annually monitoring the actual longevity experience and identifying trends over time;
- making allowance for future mortality rates falling in the pricing of new business and the measurement of policyholder liabilities. This allowance will be based on the trends identified in experience investigations and external data; and
- regularly verifying annuitants are still alive.

Life insurance contract sensitivity analysis

At 31 December 2018	Change in assumptions	Impact on liabilities	Impact on net liabilities	Impact on profit before income tax	Impact on equity
Base					
Mortality	+10%	1 921 558	1 921 558	(1 921 558)	(1 426 757)
Mortality	-10%	(1 754 959)	(1 754 959)	1 754 959	1 303 057
Investment return	+1%	4 353 112	4 353 112	(4 353 112)	(3 232 186)
Expense	+10%	1 634 287	1 634 287	(1 634 287)	(1 213 458)
Lapse and surrenders rate	+10%	(611 468)	(611 468)	611 468	454 015
At 31 December 2017					
Base					
Mortality	+10%	1 842 255	1 842 255	(1 842 255)	(1 367 874)
Mortality	-10%	(1 852 540)	(1 852 540)	1 852 540	1 375 511
Investment return	+1%	4 436 260	4 436 260	(4 436 260)	(3 293 923)
Expenses	+10%	1 228 949	1 228 949	(1 228 949)	(912 495)
Lapse and surrenders rate	+10%	(558 805)	(558 805)	558 805	414 913

Concentration risk

The Group's underwriting strategy is designed to ensure that risks are well diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and number of contracts written per product type. The following tables show the concentration of life insurance liabilities and investment contract liabilities by type of contract.

	Investment contract liabilities with DPF US$	Investment contract liabilities without DPF US$	Insurance contract liabilities with DPF US$	Insurance contract liabilities without DPF US$	Total Insurance and investment contract liabilities US$
At 31 December 2018					
Pensions	98 526 708	28 682 924	15 150 568	16 681 087	159 041 287
Individual life	11 071 571	-	102 931	12 197 828	23 372 330
Group life	-	-	-	156 081	156 081
Total	**109 598 279**	**28 682 924**	**15 253 499**	**29 034 996**	**182 569 698**
31 December 2017					
Pensions	74 664 959	20 461 042	13 111 798	11 465 457	119 703 256
Individual life	10 787 019	-	149 971	12 279 313	23 216 303
Group life	-	-	-	169 301	169 301
Total	**85 451 978**	**20 461 042**	**13 261 769**	**23 914 071**	**143 088 860**

4 GROUP FINANCIAL RISK MANAGEMENT (continued)

4.8.1 Health insurance risk

Health insurance claims development table

Treatment year	Before First half 2016 US$	First half 2016 US$	Second half 2016 US$	First half 2017 US$	Second half 2017 US$	First half 2018 US$	Second half 2018 US$
At end of treatment half	48 828 450	25 271 814	45 631 939	27 978 820	49 250 534	29 703 243	52 928 677
One half later	48 828 450	25 271 814	45 631 939	27 978 820	49 250 534	29 703 243	-
Two halves later	48 828 450	25 271 814	45 631 939	27 978 820	49 250 534	-	-
Three halves later	48 828 450	25 271 814	45 631 939	27 978 820	-	-	-
Four halves later	48 828 450	25 271 814	45 631 939	-	-	-	-
Five halves later	48 828 450	25 271 814	-	-	-	-	-
Six halves later	48 828 450	-	-	-	-	-	-
Current estimate of cumulative claims incurred	**48 828 450**	**25 271 814**	**45 631 939**	**27 978 820**	**49 250 534**	**29 703 243**	**52 928 677**

Treatment year	Before First half 2016 US$	First half 2016 US$	Second half 2016 US$	First half 2017 US$	Second half 2017 US$	First half 2018 US$	Second half 2018 US$
At end of treatment half	46 235 077	22 745 038	41 281 488	24 810 652	46 736 503	27 176 483	49 679 188
One half later	49 093 280	26 720 139	44 032 339	28 453 089	49 388 012	29 713 705	-
Two halves later	49 412 525	26 907 631	44 081 580	28 502 220	49 404 676	-	-
Three halves later	49 460 354	26 939 081	44 090 153	28 507 229	-	-	-
Four halves later	49 478 650	26 948 039	44 092 145	-	-	-	-
Five halves later	49 481 063	26 948 039	-	-	-	-	-
Six halves later	49 481 088	-	-	-	-	-	-
Cumulative payments to date	**49 481 088**	**26 948 039**	**44 092 145**	**28 507 229**	**49 404 676**	**29 713 705**	**49 679 188**
Outstanding claims as at 31 December 2018	**(652 638)**	**(1 676 225)**	**1 539 794**	**(528 409)**	**(154 142)**	**(10 462)**	**3 249 489**
Less IBNR 31 December 2018							**(1 813 728)**
Outstanding claims 31 December 2018							**1 435 761**

4.8.2 Short term Insurance risk

The principal risk the Group faces under insurance contracts is that the actual claims and payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims and actual payments made. Therefore, the objective of the Group is to ensure that sufficient reserves are available to cover these liabilities. The risk exposure is mitigated by diversification across a large portfolio of insurance contracts. The variability of risks is also improved by careful selection and implementation of underwriting guidelines, as well as the use of reinsurance arrangements. The Group purchases reinsurance as part of its risks transfer programme. Reinsurance ceded is placed on both a proportional and non–proportional basis. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. The Group's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Group substantially dependent upon any single reinsurance contract.

The Group principally issues the following types of general insurance contracts: fire, engineering, motor, guarantee, marine, miscellaneous accident, liability, aviation and agriculture. Risks usually cover twelve months duration. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors. Risk management is very vital starting from pre-risk acceptance where some large risks or business perceived risky is surveyed and improvement recommendations passed before cover commences. Selected running risks are also surveyed for risk improvement and mitigating chances and severity of losses.

4 GROUP FINANCIAL RISK MANAGEMENT (continued)

4.8.2 Short term Insurance risk (continued)

Risk management is thus filtered into the whole underwriting process to manage the portfolio. Furthermore, firm claim management policies to assess all new and on-going claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are all policies and procedures put in place to reduce the risk exposure of the Group. The Group further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the business. The Group has also limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events. The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes based on the Group's risk appetite as decided by management.

Underwriting strategy

The variability of risks is also improved by careful selection and implementation of underwriting strategies, as well as the use of reinsurance arrangements. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Commissions are payable on retroceded business in a manner consistent with retrocession costs as per the retrocession agreements.

Concentration of insurance risk and policies mitigating the concentrations

Within the insurance process, concentrations of risk may arise where a particular event or series of events could impact heavily upon the Group's resources. The Group monitors the concentration risk by class of business and geographical spread.

Types of contracts

Fire: provide indemnity for loss or damage to property caused by perils such as fire, lightning, explosion, earthquakes, floods and malicious damage.
Accident: provide indemnity for third party bodily injury, property damage, professional indemnity, group personal accident and legal expenses.
Motor: provide indemnity for loss or damage to the insured motor vehicle.
Engineering: provide indemnity for losses sustained through use of machinery and equipment or erection of buildings or structures.
Marine: provide indemnity for cargo, hull and third party bodily injury or property damage classes of business.
Agriculture: provide indemnity for loss of income or crop damage due to hail, floods, pests and fire.
Aviation: provide indemnity for cargo, hull and third party bodily injury or property damage classes of business.

Key assumptions

The principal assumption underlying the liability estimates is that the Group's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example: once–off occurrence; changes in market factors such as public attitude to claiming: economic conditions: as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Sensitivities

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

The analysis below is performed for reasonably possible movements in the key assumption with all other assumptions held constant, showing the impact on net liabilities, profit before income tax and equity of the movement in incurred but not reported ("IBNR") claims. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear.

Assumption	Change in assumption %	Reported value US$	Change in profit before income tax US$	Change in equity US$
December 2018				
Increase in IBNR	15%	1 781 588	(267 238)	(198 424)
Decrease in IBNR	15%	1 781 588	267 238	198 424
December 2017				
Increase in IBNR	15%	1 645 202	(246 780)	(183 234)
Decrease in IBNR	15%	1 645 202	246 780	183 234

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

4 GROUP FINANCIAL RISK MANAGEMENT (continued)

4.8.2 Short term insurance risk (continued)

Sensitivities (continued)

Exposure relating to catastrophe events

The Group sets out the total aggregate exposure that it is prepared to accept in Zimbabwe and Botswana to a range of events such as natural catastrophes. The aggregate position is reviewed annually. The Group's policy for mitigating catastrophe risk exposure include the use of both proportional and excess of loss reinsurance. In the event of major catastrophe the net retained loss is US$150,000 (2017:US$150,000). This is based on the Group's risk appetite as determined by the level of capital. The Group has a retrocession program in place with various reinsurers to cushion it in the event of a catastrophe.

Claims development

The Group is liable for all insured events that occur during the term of the contract, even if the loss is discovered after the end of the contract term, subject to predetermined time scales dependent on the nature of the insurance contract. The Group is therefore exposed to the risk that claims reserves will not be adequate to fund the historical claims ("run off risk"). To manage run off risk the Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures and adopts sound reserving practices. The reserves created over time proved to be sufficient to fund the actual claims paid. Further the Group does not participate on any policies with unlimited liability. The Group is liable for all insured events in terms of the contract. All underlying policies have reporting conditions that restrict the timeline within which a claim should reasonably be made. Delays however sometimes occur between the time insurers process claims and recover from reinsurers. Reserves are maintained for this contingency.

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

In terms of IFRS 4, 'Insurance contracts', an insurer need only disclose claims run off information where uncertainty exists about the amount and timing of claim payments not resolved within one year.

The table below indicates the claims development of the Group for the period 2013 to date. The presentation of the claims development is based on the actual date of the event that caused the claim (accident year basis).

Property and Casualty claims development table

Accidental year	2013	2014	2015	2 016	2 017	2 018	Total
	US$	US$	US$	US$	US$	US$	US$
Gross cumulative incurred claims							
Year incurred							
0	1 884 542	3 050 948	2 801 862	2 211 474	2 528 235	2 608 394	-
1	1 866 961	3 319 941	2 761 474	3 304 617	2 807 746	-	-
2	2 029 912	3 609 349	2 906 976	3 554 885	-	-	-
3	2 073 410	3 668 015	3 019 575	-	-	-	-
4	2 088 697	3 706 286	-	-	-	-	-
5	2 089 785	-	-	-	-	-	-
Current estimate of cumulative claims incurred	**2 089 785**	**3 706 286**	**3 019 575**	**3 554 885**	**2 807 746**	**2 608 394**	**17 786 671**
Gross cumulative paid claims							
Year paid							
0	1 204 542	2 256 360	2 954 897	1 345 389	1 480 410	847 295	-
1	2 418 705	3 658 868	3 866 503	3 208 075	2 929 290	-	-
2	2 585 190	3 964 623	4 026 948	3 513 106	-	-	-
3	2 629 053	4 023 288	4 143 718	-	-	-	-
4	2 640 600	4 061 774	-	-	-	-	-
5	2 641 688	-	-	-	-	-	-
Cumulative payments to date	**2 641 688**	**4 061 774**	**4 143 718**	**3 513 106**	**2 929 290**	**847 295**	**18 136 871**
Current estimate of cumulative claims incurred less payments to date	**(551 903)**	**(355 488)**	**(1 124 143)**	**41 779**	**(121 544)**	**1 761 099**	**(350 200)**

4 GROUP FINANCIAL RISK MANAGEMENT (continued)

4.8.2 Short term insurance risk (continued)

Claims development (continued)

Claims development

Accidental year	2013	2014	2015	2 016	2 017	2 018	Total
	US$	US$	US	US$	US$	US$	US$
Net cumulative claims incurred							
0	1 884 542	3 050 948	2 801 862	2 211 474	2 528 235	2 608 394	-
1	1 866 961	3 319 941	2 761 474	3 304 617	2 807 746	-	-
2	2 029 912	3 609 349	2 906 976	3 554 885	-	-	-
3	2 073 410	3 668 015	3 019 575	-	-	-	-
4	2 088 697	3 706 286	-	-	-	-	-
5	2 089 785	-	-	-	-	-	-
Cumulative claims incurred to date	**2 089 785**	**3 706 286**	**3 019 575**	**3 554 885**	**2 807 746**	**2 608 394**	**17 786 671**
Cumulative claims paid							
0	982 919	1 946 430	1 903 826	1 229 993	1 475 919	848 994	-
1	1 835 183	3 319 941	2 752 771	2 782 759	2 766 497	-	
2	3 015 868						
3	2 041 632	3 668 015	3 010 872	-	-		-
4	2 053 179	3 706 286		-	-	-	-
5	2 054 268		-		-	-	
Current estimate of cumulative claims paid	**2 054 268**	**3 706 286**	**3 010 872**	**3 015 868**	**2 766 497**	**848 994**	**15 402 785**
Current estimate of cumulative claims incurred less payments to date	**35 517**	**-**	**8 703**	**539 017**	**41 249**	**1 759 400**	**2 383 886**

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

4.9 Capital management policies

The Group's capital comprises share capital, share premium, non distributable reserves and retained profits. It is the Group's objective to retain a capital position that supports the development of the business. The Group manages its capital structure and makes adjustments to it, in light of changes in the economic conditions. Where necessary, capital is redeployed to subsidiaries from the holding company through dividends received or its own capital resident at the holding company.

There were no changes made to the objectives, processes, or policies during the year ended 31 December 2018 (2017: none).

The subsidiaries were capitalised as follows:

At 31 December 2018	Capital employed US$	Capital Regulatory US$
Company		
First Mutual Reinsurance Company (Private) Limited	10 468 619	5 000 000
FMRE Property and Casualty (Proprietary) Limited	3 569 537	3 000 000
TristarInsurance Company (Private) Limited	3 149 936	2 500 000
First Mutual Life Assurance Company (Private) Limited	16 449 953	5 000 000
NicozDiamond Insurance Company Limited	14 747 485	2 500 000
First Mutual Microfinance (Private) Limited	200 000	20 000

4 GROUP FINANCIAL RISK MANAGEMENT (continued)

4.9 Capital management policies (continued)

At 31 December 2017	Capital employed US$	Capital Regulatory US$
Company		
First Mutual Reinsurance Company Limited	10 468 619	5 000 000
FMRE Property and Casualty (Proprietary) Limited	3 569 537	3 000 000
TristarInsurance Company Limited	3 149 936	2 500 000
First Mutual Life Assurance Company (Private) Limited	16 449 953	5 000 000
NicozDiamond Insurance Company Limited	14 746 174	2 500 000

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

5 SEGMENT INFORMATION

Segment information is presented in respect of the Group's operating segments. The Group's businesses are organised and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The business segments are based on the Group management and internal reporting structures. The individual businesses are aggregated into segments with similar economic characteristics.

Measurement of segment assets and liabilities and segment income, expenses and results is based on the accounting policies set out in the accounting policy notes.

Intersegment transactions, which occurred during the year, are conducted at an arm's length basis

The Group comprises four reportable operating segments:

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

Health insurance
This relates to the medical insurance business.

Property and casualty insurance (short term insurance)
The segment comprises direct insurance and reinsurance.

Property
This relates to the property management and development.

Other segment
Other segment comprises the holding company, microfinance, funeral services and wealth management.

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

5 SEGMENT INFORMATION (continued)

Segmental analysis As at 31 December 2018	Life assurance US$	Property and casualty US$	Health US$	Property US$	Other US$	Gross figures US$	Consolidation entries US$	Total consolidated US$
Net premium earned	43 027 612	25 990 378	62 894 927	-	-	131 912 917	21 935 481	153 848 398
Rental income	-	-	-	8,031,693	-	8 031 693	(347 061)	7 684 632
Investment income and fair value adjustment on investment property	30 243 033	914 648	5 613 475	6 305 253	19 905 856	62 982 265	(21 864 923)	41 117 342
Fee income and other income	7 117 554	796 253	210 221	437 113	4 725 559	13 286 700	(6 681 566)	6 605 134
Total income	**80 388 199**	**27 701 279**	**68 718 623**	**14 774 059**	**24 631 415**	**216 213 575**	**(6 959 069)**	**209 255 506**
Total expenses	(72 296 696)	(26 716 547)	(51 501 271)	(4 083 000)	(4 158 297)	(158 755 811)	(25 731 261)	(184 487 072)
Deferred acquisition costs	-	1 654 021	-	-	-	1 654 021	1 279 656	2 933 677
Total assets	209 187 826	78 969 666	38 756 644	148 722 258	88 424 520	564 060914	(171 784 334)	392 276 580
Movement in insurance contract liabilities	(3 526 129)	-	-	-	-	(3 526 129)	-	(3 526 129)
Movement in investment contract liabilities	(34 661 364)	-	-	-	-	(34 661 364)	-	(34 661 364)
Total liabilities	187 237 876	43 454 550	12 990 958	17 894 295	846 789	262 424 468	(2 802 142)	259 622 326
Cash flows generated from / (used in) operating activities	32 818 933	3 520 704	6 368 691	2 612 659	(308 569)	45 012 418	(16 229 508)	28 782 910
Cash flows generated from / (used in) investing activities	(19 429 640)	(992 776)	(6 553 642)	(2 293 556)	1 548 175	(27 721 439)	9 858 708	(17 862 731)
Cash generated from / (utilised in) financing activities	-	(141 663)	-	(1 100 000)	(2 451 261)	(3 692 924)	1 618 273	(2 074 651)
Profit before income tax	8 091 503	816 435	10 745 248	8 876 080	20 473 118	49 002 384	(24 187 284)	24 815 100
Income tax (expense) / credit	(708 454)	(159 128)	-	(5 062 252)	(16 771)	(5 946 605)	(1 224 667)	(7 171 272)

5 SEGMENT INFORMATION (continued)

Segmental analysis As at 31 December 2017	Life assurance US$	Property and casualty US$	Health US$	Property US$	Other US$	Gross figures US$	Consolidation entries US$	Total consolidated US$
Net premium earned	34 850 560	23 540 571	56 866 745	-	-	115 257 876	(134 862)	115 123 014
Rental income	-	-	-	7 416 742		7 416 742	(946 668)	6 470 074
Investment income and fair value adjustment on investment property	30 397 793	1 917 785	5 929 519	(562 857)	16 683 817	54 366 057	(21 735 521)	32 630 536
Fee income and other income	6 082 535	449 724	234 232	559 580	4 370 022	11 696 093	(6 176 534)	5 519 559
Total income	**71 330 888**	**25 908 080**	**63 030 496**	**7 413 465**	**21 053 839**	**188 736 768**	**(28 993 585)**	**159 743 183**
Total expenses	(64 008 868)	(24 100 498)	(51 501 271)	(4 083 000)	1 370 586	(142 323 051)	(2 633 486)	(144 956 537)
Deferred acquisition costs	-	1 595 139	-	-	-	1 595 139	-	1 595 139
Total assets	164 536 511	70 237 735	28 157 145	143 485 657	71 743 124	478 160 172	(142 824 779)	335 335 393
Movement in insurance contract liabilites	(3 246 899)	-	-	-	-	(3 246 899)	-	(3 246 899)
Movement in investment contract liabilities	(30 605 435)	-	-	-	-	(30 605 435)	-	(30 605 435)
Total liabilities	147 905 829	36 732 268	12 052 352	15 741 522	946 882	213 378 853	(1 717 126)	211 661 727
Cash flows generated from / (used in) operating activities	6 800 476	(930 390)	6 138 031	773 789	(1 650 900)	11 131 006	7 120 078	18 251 084
Cash flows generated from / (used in) investing activities	(9 098 320)	6 040 909	(2 810 462)	627 204	(17 653 767)	(22 894 436)	6 508 356	(16 386 080)
Cash generated from / (utilised in) financing activities	5 096 975	470 339	-	(793 036)	24 044 152	28 818 430	(14 975 523)	13 842 907
Profit before income tax	7 322 020	100 215	11 529 225	3 149 550	15 842 037	37 943 046	(23 142 920)	14 800 126
Income tax (expense) / credit	(1 120 063)	85 673	-	(1 454 944)	(110 816)	(2 600 150)	23 548	(2 576 602)

Analysis of additions during the year

Additions to non-current assets	Office equipment US$	Motor vehicles US$	Office furniture US$	Investment property US$	Total US$
31 December 2018	1 214 929	368 472	65 952	2 485 216	4 134 569
31 December 2017	783 218	93 845	167 994	748 552	1 793 609

Geographical concentration of gross premium written

	Life Insurance US$	Property and Casualty US$	Health US$	31 December 2018 US$	31 December 2017 US$
Zimbabwe	46 291 555	60 661 291	62 894 927	169 847 773	116 476 666
Other countries	43 833	10 736 491	-	10 780 324	8 450 205
Total	**46 335 388**	**71 397 782**	**62 894 927**	**180 628 097**	**124 926 871**

6 GROUP - PROPERTY, PLANT AND EQUIPMENT

Year ended 31 December 2017	Land and buildings US$	Office equipment US$	Motor vehicles US$	Office furniture US$	Total US$
Cost					
As at 1 January 2017	9 372 647	2 881 863	2 530 792	809 699	15 595 001
Acquisition of NDIL - opening balance	80 000	555 155	1 310 855	365 157	2 311 167
Additions	-	783 218	93 845	167 994	1 045 057
Disposals	-	(27 009)	(269 768)	(102)	(296 879)
As at 31 December 2017	**9 452 647**	**4 193 227**	**3 665 724**	**1 342 748**	**18 654 346**
Accumulated depreciation					
As at 1 January 2017	1 483 508	2 132 534	2 264 314	463 661	6 344 017
Acquisition of NDIL	-	394 402	791 486	218 960	1 404 848
Charge for the year	187 453	370 542	282 429	106 477	946 901
Depreciation on disposals	-	(8 969)	(290 910)	-	(299 879)
As at 31 December 2017	**1 670 961**	**2 888 509**	**3 047 319**	**789 098**	**8 395 887**
Net book amount					
As at 31 December 2017	**7 781 686**	**1 304 718**	**618 405**	**553 650**	**10 258 459**
Year ended 31 December 2018					
Cost					
As at 1 January 2018	9 452 647	4 193 227	3 665 724	1 342 748	18 654 346
Additions	-	1 214 929	368 472	65 952	1 649 353
Disposals	-	(82 015)	-	(16 916)	(98 931)
As at 31 December 2018	**9 452 647**	**5 326 141**	**4 034 196**	**1 391 784**	**20 204 768**
Accumulated depreciation					
As at 1 January 2018	1 670 961	2 888 509	3 047 319	789 099	8 395 888
Charge for the year	187 453	470 815	570 419	62 007	1 290 694
Depreciation on disposals	-	(7 142)	-	(15 214)	(22 356)
As at 31 December 2018	**1 858 414**	**3 352 182**	**3 617 738**	**835 892**	**9 664 226**
Net book amount					
As at 31 December 2018	**7 594 233**	**1 973 959**	**416 458**	**555 892**	**10 540 542**

“A loan of US$5.5 million was sourced from Barclays Bank of Zimbabwe Limited in 2013 to partially fund the acquisition of the land in Mount Pleasant, Harare. Stand 14908 of Salisbury Township called First Mutual Park with a net book amount of US$7.6 million was pledged as security. This building is owner occupied, thus classified as property, plant and equipment. Property pledged as security can not be sold until the loan is repaid. The loan was subsequently repaid in full in January 2019.”

6 COMPANY - PROPERTY, PLANT AND EQUIPMENT

Year ended 31 December 2017	Office equipment US$	Motor vehicles US$	Office furniture US$	Total US$
Cost				
As at 1 January 2017	320 749	168 674	46 707	536 130
Additions	39 768	-	1 536	41 304
Disposals	(17 994)	(61 301)	(102)	(79 397)
As at 31 December 2017	**342 523**	**107 373**	**48 141**	**498 037**
Accumulated depreciation				
As at 1 January 2017	289 785	107 803	29 538	427 126
Charge for the year	26 659	23 039	4 740	54 438
Depreciation on disposals	-	(40 213)	-	(40 213)
As at 31 December 2017	**316 444**	**90 629**	**34 278**	**441 351**
Net book amount				
As at 31 December 2017	**26 079**	**16 744**	**13 863**	**56 686**
Year ended 31 December 2018				
Cost				
At 1 January 2018	342 523	107 373	48 141	498 037
Additions	23 533	-	18 778	42 311
As at 31 December 2018	**366 056**	**107 373**	**66 919**	**540 348**
Accumulated depreciation				
At 1 January 2018	316 444	90 629	34 278	441 351
Charge for the year	17 298	2 073	5 877	25 248
As at 31 December 2018	**333 742**	**92 702**	**40 155**	**466 599**
Net book amount				
As at 31 December 2018	**32 314**	**14 671**	**26 764**	**73 749**

7 INVESTMENT PROPERTY

	Group 2018 US$	Group 2017 US$	Company 2018 US$	Company 2017 US$
As at 1 January	136 432 500	124 302 000	-	-
Acquisition of NicozDiamond opening balance	-	11 675 500	-	-
Total additions	2 485 217	748 552	-	-
Additions to properties under development	2 215 371	170 000	-	-
Improvements to existing properties	269 846	578 552	-	-
Transfer to associate	(589 017)	-	-	-
Fair value adjustments	6 841 300	(293 552)	-	-
As at 31 December 2018	**145 170 000**	**136 432 500**	**-**	**-**

Investment property with a total carrying amount of US$12.7 million (2017: US$12.7 million) was encumbered as at 31 December 2018.

7.1 Fair value hierarchy

The following table shows an analysis of the fair values of investment property recognised in the statement of financial position by level of the fair value hierarchy;

31 December 2018	Level 1 US$	Level 2 US$	Level 3 US$	Total US$	Total gain / (loss) in the period in the statement of comprehensive income US$
CBD retail	-	-	20 800 000	20 800 000	299 535
CBD offices	-	-	31 550 000	31 550 000	293 042
Office parks	-	-	33 460 000	33 460 000	1 947
Suburban retail	-	-	11 560 000	11 560 000	542 874
Industrial	-	-	11 630 000	11 630 000	-
Commercial lodge	-	-	100 000	100 000	(130 000)
Residential	-	-	11 400 000	11 400 000	1 986 635
Land*	-	-	24 670 000	24 670 000	3 847 267
Total	**-**	**-**	**145 170 000**	**145 170 000**	**6 841 300**
31 December 2017					
CBD retail	-	-	19 700 000	19 700 000	(28 235)
CBD offices	-	-	28 501 500	28 501 500	380 906
Office parks	-	-	33 244 162	33 244 162	(200 000)
Suburban retail	-	-	10 930 000	10 930 000	42 907
Industrial	-	-	11 630 000	11 630 000	(401 542)
Commercial lodge			230 000	230 000	-
Residential	-	-	11 255 838	11 255 838	31 821
Land*	-	-	20 941 000	20 941 000	(119 409)
Total	**-**	**-**	**136 432 500**	**136 432 500**	**(293 552)**

* This consists of land earmarked for future developments.

Gains and losses recorded in statement of comprehensive income for recurring fair value measurements categorised within level 3 of the fair value hierarchy amount to US$6.841 million (2017: US$0.294 million) and are presented in the consolidated statement of comprehensive income in line item; ‘fair value adjustments – investment property’.

All gains and losses recorded in statement of comprehensive income for recurring fair value measurements categorised within level 3 of the fair value hierarchy are attributable to changes in unrealised gains or losses relating to investment property held at the end of the reporting period.

7 INVESTMENT PROPERTY (continued)

7.1 Fair value hierarchy (continued)

Valuation techniques used to derive level 3 fair values

The table below presents the following for each class of the investment property:

- The fair value measurements at the end of the reporting period;
- The level of the fair value hierarchy (in this case level 3) within which the fair value measurements are categorized in their entirety;
- A description of the valuation techniques applied;
- The inputs used in the fair value measurement, including the ranges of rent charged to different units within the same building; and
- Level 3 fair value measurements, quantitative information about the significant observable inputs used in the fair value measurement

Class of Property	Fair Value 31 December 2018 US$	Fair Value 31 December 2017 US$	Valuation Technique	Key unobservable Inputs	2018 Range	2017 Range
CBD retail	20 800 000	19 700 000	Income capitalisation	Rental per square metre	US$7.00-US$12.00	US$10.00-US$25.00 (US$18.00)
				Prime yield	8.00%-10.00%	7.00%-8.00% (7.50%)
				Void rate	10.00%-65.00%	0.00%-40.00% (20.00%)
CBD offices	31 550 000	28 501 500	Income capitalisation	Rental per square metre	US$7.00-US$12.00	US$7.00-US$12.00 (US$10.00)
				Prime yield	7.00%-8.00%	8.00%-9.00% (9.00%)
				Void rate	10.00%-15.00%	0.00%-100.00%(50.00%)
Office parks	33 460 000	33 244 162	Income capitalisation	Rental per square metre	US$10.00-US$25.00	US$7.00-US$12.00 (US$10.00)
				Prime yield	7.00%-8.00%	5.00%-15.00% (10.00%)
				Void rate		0.00%-100.00%(50.00%)
Suburban retail	11 560 000	10 930 000	Income capitalisation	Rental per square metre	US$3.00-US$15.00	US$10.00-US$25.00 (US$17.50)
				Prime yield	7.00%-8.00%	7.00%-13.00% (10.00%)
				Void rate	-	0.00%-3.00% (1.50%)
Industrial	11 630 000	11 630 000	Income capitalisation	Rental per square metre	US$1.50-US$4.00	US$1.50-US$4.00 (US$3.00)
				Prime yield	11.00%-13.00%	11.00%-13.00%(12.00%)
				Void rate	10.00%-100.00%	40.00%-60.00%(50.00%)
Commercial lodge	100 000	230 000	Rental yield	Annual yield	US$7.00 - US$12.00	US$4.50
Land:						
- Residential	60 000	50 000	Market comparable	Rate per square metre	US$15.00-US$35.00	US$15.00-US$50.00 (US$33.00)
- Commercial	24 610 000	20 891 000	Market comparable	Rate per square metre	US$40.00-US$85.00	US$50.00-US$80.00 (US$65.00)
Residential	11 400 000	11 255 838	Market comparable		US$220 000	(3 Bed Flats: US$100,000 to US$120,000)
				Comparable transacted properties prices	US$110 000	(2 Bed Flats: US$45,000 to US$55,000) (3 Bed Flats: US$80,000 - US$110,000)
Total	**145 170 000**	**136 432 500**				

*Rent is also charged based on a percentage of turnover revenue.

7 INVESTMENT PROPERTIES (continued)

7.1 Fair value hierarchy (continued)

Descriptions and definitions

The table below includes the following descriptions and definitions relating to valuation techniques and key unobservable inputs made in determining the fair values:

i. Income capitalisation method

Under the income capitalisation method, a property's fair value is estimated based on the normalised net operating income generated by the property, which is divided by the capitalisation rate (discounted by the investor's rate of return). Under the income capitalisation method, over (above market rent) and under-rent situations are separately capitalised (discounted on yield rate).

ii. Market comparable method

Under the market comparable method (or market comparable approach), a property's fair value is estimated based on comparable transactions. The unit of comparison applied by the Group is the price per square metre (sqm).

iii. Rent per square metre

The rent at which space could be let in the market conditions prevailing at the date of valuation. The unit of comparison is the rental rate per square metre.

iv. Void rate

The Group determines the void rate which can be based on the percentage of estimated vacant space divided by the total lettable area.

v. Prime yield

The prime yield is defined as the internal rate of return of the cash flow from the property, assuming a rise to estimated rental value ("ERV") at the next review, but with no further rental growth.

Sensitivity analysis to significant changes in unobservable inputs within level 3 of the hierarchy.

The significant unobservable inputs used in the fair value measurement categorised within level 3 of the value hierarchy of the Group's portfolio of investment property are :

- Prime yield;
- Void rate;
- Rental per square metre; and
- Comparable transacted properties

Significant increases / (decreases) in the comparable transacted properties and rental per square metre in isolation would result in a higher / (lower) fair value measurement.

Significant increases / (decreases) in the long-term void rate and prime yield in isolation would result in a lower / (higher) fair value measurement.

Analysis of property portfolio	Lettable space m2		% of portfolio	
Sector	31 December 2018 US$	31 December 2017 US$	31 December 2018 US$	31 December 2017 US$
Industrial	32 518	19 253	26%	16%
CBD offices	25 770	32 839	21%	27%
Office parks	20 327	25 852	16%	21%
Suburban retail	7 723	7 723	6%	6%
CBD retail	38 069	36 616	31%	30%
Total	**124 407**	**122 283**	**100%**	**100%**

7 INVESTMENT PROPERTIES (continued)

7.1 Fair value hierarchy (continued)

Investment property is stated at fair value, which is determined based on valuations performed by Knight Frank Zimbabwe, an accredited independent property valuer, as at 31 December 2018. Investment property is stated based on a full valuation. Knight Frank Zimbabwe is an industry specialist in valuing these types of investment properties. The fair values of some properties have determined with using comparable transactions. Valuation models in accordance with those recommended by the International Valuation Standards Committee have been applied.

Valuation process

The Group's valuation policies and procedures for property are determined by a management committee. Each year, the committee decides, after advising the Audit and Actuarial Committee, which external valuer to appoint to be responsible for the external valuation of the Group's property portfolio. The selection criteria includes market knowledge, reputation, independence and whether professional standards are maintained. Consideration is normally given to rotate external valuers every five years.

The management committee decides, after discussions with the Group's external valuers and the Group's Valuation Department:

- Whether a property's fair value can be reliably determined;
- Which valuation method should be applied for each property (the methods that are applied for fair value measurements categorised within level 3 of the fair value hierarchy are market comparables and the income capitalization method) and;
- The assumptions made for the unobservable inputs that are used in the valuation methods (the major observable inputs are rental per square metre, rate per square metre, vacancy rate and prime yield).

As at each year-end, all properties are valued by external valuers. At each reporting date, the Valuation Department analyses the movements in each property value. For this analysis, the Valuation Department verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts (for example rent amounts in lease agreements), market reports (for example market rent, capitalisation rates in property market reports) and other relevant documents. In addition, the accuracy of the computation is tested on a sample basis. For each property, the latest valuation is compared with the valuations of the preceding annual periods. If fair value changes (positive or negative) are abnormal, the changes are further analysed for example by having discussions with external valuers.

The Internal Valuation Department also compares each property's change in fair value with relevant external sources (e.g. the investment property database or other relevant benchmark) to determine whether the change is reasonable.

On an annual basis, after the Management Committee discusses the valuations with the Valuation Department, they present the valuation results with the Group's external valuers to the Audit and Actuarial Committee and the Group's independent auditor. This includes a discussion of the major assumptions used in the valuations, with an emphasis on:

- Properties with fair value changes that are abnormal; and
- Investment property under construction.

Yield rate risk and sensitivity

The rental rate yield represents the net income expected in year zero divided by the current property values (historic or trailing income yield). The risk arises when void levels in the portfolio increase. This increase will consequently result in a reduction in net incomes. Where net incomes remain constant, a reduction in the yield rates will result in the increased property values. The table below highlights the sensitivity to a reasonable possible change in the yield rate applied to values of the investment properties. With all other variables held constant, the Group's profit before tax, investments property, and deferred taxation are affected through the impact on the fluctuating yield rate as follows:

Sensitivity analysis.	Increase in yield 10% US$	Decrease in yield 10% US$
Investment property	(22 541 267)	32 596 110
Income tax (deferred) effect	5 804 376	(8 393 498)
Profit for the year	(16 736 891)	24 202 612
Equity	(16 736 891)	24 202 612

As at 31 December 2018, if the average yield was 10% higher holding other variables constant, investment property value will decrease to $22 541 267 and deferred tax liabilities will decrease by US$5 804 376. As at 31 December 2018, if the average yield rate was 10% lower holding other variables constant, investment property value will increase by US$32 596 110 and the deferred tax liabilities will increase by US$8 393 498.

		Group 2018 US$	Group 2017 US$	Company 2018 US$	Company 2017 US$
8	**INTANGIBLE ASSETS - SOFTWARE**				
	Cost				
	Year ended 31 December 2018				
	At 1 January 2018	2 259 608	1 058 087	-	-
	Acquisition of NDIL	-	738 357	-	-
	Additions	4 358	463 164	-	-
	As at 31 December 2018	**2 263 966**	**2 259 608**	**-**	**-**
	Accumulated amortisation and impairment losses				
	Year ended 31 December 2018				
	At 1 January 2018	1 155 258	998 935	-	-
	Charge for the year	211 265	156 323	-	-
	At 31 December 2018	**1 366 523**	**1 155 258**	**-**	**-**
	Carrying amount				
	As at 31 December 2018	**897 443**	**1 104 350**	**-**	**-**

Intangible assets refer to the short-term insurance business, Premia system and the HIP system in the Health insurance business. The intangible assets are amortised over their useful economic lives, determined by management to be five years, which results in 20% per annum amortisation, using the straight-line method and recognized in statement of comprehensive income. As at 31 December 2018, these assets were tested for impairment, and management determined that no impairment is required in respect of these intangibles (2017: US$nil).

9 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

		Shareholding percentage 2018	Shareholding percentage 2017	Group 2018 US$	Group 2017 US$	Company 2018 US$	Company 2017 US$
	Investment in subsidiaries (note 9.1)			-	-	77 143 625	61 473 288
	Investment in associates (note 10)			1 491 033	1 992 014	-	-
	Total investments accounted for using the equity method			**1 491 033**	**1 992 014**	**77 143 625**	**61 473 288**
9.1	**Investment in subsidiaries**						
	First Mutual Life Assurance Company (Private) Limited	100%	100%	-	-	22 226 831	15 383 583
	First Mutual Health Company (Private) Limited	80%	80%	-	-	20 638 710	12 899 940
	First Mutual Microfinance Private Limited	100%	-	-	-	200 000	-
	First Mutual Reinsurance Company Limited	100%	100%	-	-	10 237 196	10 806 843
	FMRE Property and Casualty (Proprietary) Limited	100%	100%	-	-	4 083 010	3 569 537
	First Mutual Wealth Management	100%	100%	-	-	827 447	1 051 540
	TristarInsurance Company Limited	100%	98%	-	-	2 480 389	3 092 605
	NicozDiamond Insurance Company Limited	100%	100%	-	-	15 650 042	14 669 240
	First Mutual Funeral Services Private Limited	100%	-	-	-	800 000	-
	Total			**-**	**-**	**77 143 625**	**61 473 288**

9 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

9.1 Investment in subsidiaries (continued)

Summarised financial information of subsidiary companies

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

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

Statement of comprehensive income **As at 31 December 2017**	**Total revenue US$**	**Total expenses US$**	**Profit before tax US$**
First Mutual Life Assurance Company (Private) Limited	71 330 887	(64 008 868)	7 322 019
First Mutual Health Company (Private) Limited	63 030 496	(51 501 271)	11 529 225
First Mutual Microfinance (Private) Limited	-	-	-
First Mutual Reinsurance Company (Private) Limited	16 921 850	(15 895 287)	1 026 563
FMRE Property and Casualty (Proprietary) Limited	4 524 405	(3 928 476)	595 929
First Mutual Wealth Management (Private) Limited	1 802 497	(1 316 964)	485 533
TristarInsurance Company (Private) Limited	2 721 764	(3 463 040)	(741 276)
NicozDiamond Insurance Company Limited	24 553 422	(20 981 024)	3 572 398
First Mutual Funeral Services (Private) Limited	-	-	-

Statement of financial position **As at 31 December 2017**	**Total assets US$**	**Total liabilities US$**	**Total equity US$**
First Mutual Life Assurance Company (Private) Limited	164 536 511	147 905 829	16 630 682
First Mutual Health Company (Private) Limited	28 157 145	12 052 352	16 104 793
First Mutual Microfinance (Private) Limited	-	-	-
First Mutual Reinsurance Company (Private) Limited	19 203 333	8 734 713	10 468 620
FMRE Property and Casualty (Proprietary) Limited	7 389 386	3 819 850	3 569 536
First Mutual Wealth Management (Private) Limited	1 229 172	177 632	1 051 540
TristarInsurance Company (Private) Limited	6 074 170	2 924 234	3 149 936
NicozDiamond Insurance Company Limited	37 480 459	16 883 529	20 596 930
First Mutual Funeral Services (Private) Limited	-	-	-

9.1.1 Acquisition of NicozDiamond Insurance Company Limited ("NDIL")

On 8 December 2017 the Company acquired 50.89% of the issued share capital of NDIL from National Social Security Authority ("NSSA"), a Group with interest in short term insurance in Zimbabwe, Malawi Mozambique and Zambia. A further 30.03% shareholding in NDIL was acquired on 29 December 2017 from NSSA. The acquisition has significantly increased the Group's market share in the short-term insurance industry.

9 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

9.1 Investment in subsidiaries (continued)

9.1.1 Acquisition of NicozDiamond Insurance Company Limited (“NDIL”) (continued)

9.1.1.1 Purchase consideration

The acquisition of both the 50.89% and 30.03% shareholding was financed through the issue of 59 813 383 and 35 291 087 First Mutual Holdings Limited shares respectively in exchange of 477 424 440 NDIL shares.

9.1.1.2 Business combinations under common control

At the time of acquisition, NSSA controlled both First Mutual Holdings Limited and NDIL as determined by IFRS 10, “ Consolidated Financial Statement. IFRS 3, “Business Combinations” scopes out business combinations under common control. There is no guidance in IFRS on how combinations under common control are accounted for. For the purposes of accounting for the acquisition of NDIL in the financial statements of the Group guidance was obtained from US GAAP of reference can be made to IFRS 3 in determining a policy for such transactions and decide to adopt the acquisition method as their accounting policy.

9.1.1.3 Mandatory offer to NDIL non-controlling stake

The International Financial Reporting Interpretations Committee, (“IFRS IC”) received a request to address the accounting for mandatory purchases of non-controlling interests that arise as a result of business combinations. The submission noted that IFRS 3 does not specifically address the accounting for a sequence of transactions that begins with an acquirer gaining control of an entity and is followed shortly thereafter by the acquisition of additional ownership interests as a result of a regulatory requirement that obliges the acquirer to offer to purchase the ownership interests of non-controlling-interest shareholders. At its November 2012 meeting, the IFRS IC tentatively agreed that the initial acquisition of the controlling stake and the subsequent mandatory tender offer (“MTO”)should be treated as a single acquisition. The IFRS IC tentatively decided to propose that the guidance in IFRS10 Consolidated Financial Statements on how to determine whether the disposal of a subsidiary achieved in stages should be accounted for as one transaction, or as multiple transactions, should also be applied to circumstances in which the acquisition of a business is followed by successive purchases of additional interests in the acquiree. The IFRS IC tentatively decided to propose to the International Accounting Standards Board (“IASB”) that it should amend IFRS 3 through annual improvements

9.1.1.4 Acquisition of the remaining ordinary share of NicozDiamond Insurance Company Limited through Mandatory tender offer

Subsequent to the acquisition of 80.92% of NicozDiamond Insurance Company Limited (“NDIL”) shareholding by First Mutual Holdings Limited (“FMHL”) in 2017, FMHL made a mandatory tender offer to NDIL minority shareholders to acquire the remaining 19.08% shareholding in terms of the Zimbabwe Stock Exchange (“ZSE”) Listing Requirements. NDIL non-controlling shareholders, at the scheme meeting, all voted in favour of the proposal to buy them out on 28 June 2018 and the transaction was completed on 10 August 2018. NDIL was delisted from the ZSE on 20 August 2018. The acquisition was completed through issue of shares for those that opted for FMHL shares and cash offer for those that opted for cash.

9.1.1.5 During the year the Group obtained licence to establish First Mutual Microfinance (Private) Limited from the Reserve Bank of Zimbabwe (“RBZ”). The Company offers a diverse range of products including personal loans, SME loans, agricultural loans, asset loans and order financing. The subsidiary will start trading in 2019.

9.1.1.6 During the year the Group obtained licence to establish First Mutual Funeral Services (Private) Limited.

First Mutual Funeral Services (“FMFS”) is a fully fledged events management company with its primary focus on funeral services that caters for the needs of the Zimbabwean market.

9 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

9.1 Investment in subsidiaries (continued)

9.1.1 Acquisition of NicozDiamond Insurance Company Limited ("NDIL") (continued)

9.1.1.7 Common control transaction

The NDIL results and balances are incorporated prospectively from the date on which the business combination between entities under common control occurred. Below are the carrying values of assets and liabilities recognised as a result of the acquisition as at 1 December 2017:

	1 December 2017
Assets	
Property, plant and equipment	788 322
Intangible assets	838 355
Investment property	11 519 912
Financial assets:	
- Equity securities at fair value through profit or loss	3 859 387
- Unquoted equity securities	17 493
-Debt securities held to maturity	2 782 301
Deferred acquisition costs	1 015 241
Investment in associate	2 211 591
Inventory	39 502
Insurance and other receivables	4 803 572
Tax asset	80 445
Cash and balances with banks	5 978 078
Total assets	**33 934 199**
Liabilities	
Insurance contract liabilities - short term	14 413 199
Other payables	296 316
Tax payable	186 485
Deferred tax	424 354
Total liabilities	**15 320 354**
Net assets	**18 613 845**
Reconciliation gain recognised in statement of changes in equity	
Net assets as at 1 December 2017	18 613 845
Total purchase consideration	**14 575 160**
Acquisition of 50.82% shareholding in NDIL	6 570 988
Acquisition of 30.09% shareholding in NDIL	3 890 614
Mandatory tendor offer	4 113 558
Gain recognised direct in statement of changes in equity	**4 038 685**
Reconciliation of net assets as at 31 December 2017	
Net assets as at 1 December 2017	18 613 845
Profit from date of acquisition to 31 December 2017	94 080
Net assets as at 31 December 2017	**18 707 925**

10 INVESTMENT IN ASSOCIATE

Investment in associates

A part of the acquisition of NDIL, the Group acquired three associates; United General Insurance Limited ("UGI") involved in short-term insurance, Diamond Seguros ("DS") involved in short-term insurance and Clover Leaf Panel Beaters involved in panel beating. The Acquisition of the short-term insurance associates through NDIL enhances the Group's penetration in the regional market. Management is currently reviewing the performance and strategic fit of the foreign associates with a view to increase shareholding. Set out below are the associates as at 31 December 2018 which, in the opinion of the directors, are material to the Group. The entities listed below have share capital consisting solely of ordinary shares, which are held indirectly through NDIL. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

	Group 2018 US$	Group 2017 US$	Company 2018 US$	Company 2017 US$
Reconciliation of the carrying amount				
As at 1 January	1 992 014	-	-	-
Recognised on acquisition of NDIL on 1 December	-	2 055 648	-	-
Disposal	(699 672)	(77 114)	-	-
Share of associates other comprehensive income	152 025	-	-	-
Share of associates profit	46 666	13 480	-	-
Share of associates profit	311 323	372 592	-	-
Impairment allowance	(264 657)	(359 112)	-	-
As at 31 December	**1 491 033**	**1 992 014**	**-**	**-**

Name of entity	Country of incorporation	% of ownership through NDIL 2018	% of ownership through NDIL 2017	Method of measurement	Closing carrying amount 31-Dec-18	Closing carrying amount 31-Dec-17
United General Insurance Company Limited ("UGI")	Malawi	34%	46%	Equity method	1 047 412	1 558 769
Diamond Seguros Insurance Company Limited ("DS")	Mozambique	27%	24%	Equity method	-	44 273
Clover Leaf Panel Beaters (Private) Limited ("CLPB")	Zimbabwe	45%	46%	Equity method	443 621	388 972
					1 491 033	**1 992 014**

The tables below provide summarised financial information for the associates.

Summarised Statement of Financial Position for associates

	UGI 2018	UGI 2017	DS 2018	DS 2017	CLPB 2018	CLPB 2017
Non-current assets	2 377 565	2 341 956	34 336	31 759	1 926 018	124 883
Current assets	7 422 601	7 074 901	2 456 415	2 898 464	618 945	929 317
Non-current liabilities	-	-	(93 347)	(96 590)	(1 102 810)	(15 786)
Current liabilities	(6 717 812)	(6 942 183)	(2 266 174)	(2 651 663)	(456 328)	(65 432)
Total equity	3 082 354	2 474 674	131 230	181 970	985 825	972 982

Summarised Statement of Comprehensive Income for associates

	UGI 2018	UGI 2017	DS 2018	DS 2017	CLPB 2018	CLPB 2017
Total revenue	1 363 002	9 241 397	2 261 511	2 914 800	3 041 413	2 299 220
Total expenses	(580 973)	(7 860 169)	(2 193 090)	(2 846 802)	(2 878 390)	(2 220 993)
Profit before income tax	782 029	1 381 228	68 421	67 998	163 023	(78 227)

10 INVESTMENT IN ASSOCIATE (continued)

Reconciliation of carrying amount for associates

	UGI 2018	UGI 2017	DS 2018	DS 2017	CLPB 2018	CLPB 2017
Opening net assets as at 1 January 2018	**2 474 674**	**2 462 160**	**181 970**	**209 129**	**972 982**	**941 137**
Impairment	-	-	-	-	-	-
Profit for the year	175 661	12 514	(68 421)	(27 159)	12 036	31 845
Other comprehensive income	432 019	-	17 681	-	807	-
Dividends paid	-	-	-	-	-	-
Net assets as at 31 December 2018	**3 082 354**	**2 474 674**	**131 230**	**181 970**	**985 825**	**972 982**
Group's share in %	34%	46%	27%	24%	45%	45%
Group's share of net assets	1 047 411	1 138 350	35 432	44 273	443 621	437 842
Impairment	-	-	(35 432)	-	-	-
Goodwill	-	371 549	-	-	-	-
Carrying amount	**1 047 411**	**1 509 899**	**-**	**44 273**	**443 621**	**437 842**

11 CLASSIFICATION OF FINANCIAL ASSETS

The Group's financial instruments are summarised by category as follows:

Financial assets	Group 2018 US$	Group 2017 US$	Company 2018 US$	Company 2017 US$
Financial assets at fair value through profit or loss (note 11.1)	104 709 545	55 267 195	4 982 577	2 289 740
Debt securities at amortised cost (note 11.2.1)	29 799 120	39 390 615	-	-
Total financial assets	**134 508 665**	**94 657 810**	**4 982 577**	**2 289 740**
Insurance, tenant and other receivables				
Insurance receivables (note 14.1)	30 404 873	24 383 450	-	-
Tenant receivables (note 14.2)	616 150	1 654 306	-	-
Other receivables excluding prepayments (note 14.4)	3 204 589	8 116 168	1 332 155	849 350
Total insurance, tenant and receivables	**34 225 612**	**34 153 924**	**1 332 155**	**849 350**
Cash and balances with banks (note 15)	61 083 891	53 028 153	3 845 248	4 898 332
Total financial assets	**229 818 168**	**181 839 887**	**10 159 980**	**8 037 422**

11.1 Financial assets at fair value through profit or loss

As at 1 January	55 267 195	19 863 340	2 289 740	138 607
Acquisition of NDIL	-	4 182 142	-	-
Purchases	32 145 685	11 029 423	1 746 583	3 487 899
Disposals	(1 237 393)	(9 178 016)	-	(476 089)
Fair value gain on unquoted investments	20 760	10 319	-	-
Fair value gain / (loss) on quoted equities	18 513 298	29 359 987	946 254	(860 677)
Total financial assets at fair value through profit or loss	**104 709 545**	**55 267 195**	**4 982 577**	**2 289 740**
Non current - RTGS	94 330 116	-	-	-
- USD	10 379 429	55 267 195	4 982 577	2 289 740
Total	**104 709 545**	**55 267 195**	**4 982 577**	**2 289 740**

11 CLASSIFICATION OF FINANCIAL ASSETS (continued)

		Group 2018 US$	Group 2017 US$	Company 2018 US$	Company 2017 US$
11.2	**Debt securities held to maturity investments**				
	As at 1 January	39 390 615	20 291 754	-	-
	Acquisition of NDIL	-	1 711 014	-	-
	Purchases	-	60 913 944	-	-
	Maturities of investments	-	(43 526 097)	-	-
	Reclassification to debt securities at amortised cost	(39 390 615)	-		
	As at 31 December 2018	**-**	**39 390 615**	**-**	**-**
	Current	-	6 632 551	-	-
	Non current	-	32 758 064	-	-
	Total	**-**	**39 390 615**	**-**	**-**
11.2.1	**Debt securities at amortised cost**				
	As at 1 January	-	-	-	-
	IFRS 9 reclassification from debt securities held to maturity investments	39 390 615	-	-	-
	Purchases	64 404 379	-	-	-
	Maturities of investments	(73 995 874)	-	-	-
	As at 31 December 2018	**29 799 120**	**-**	**-**	**-**
	Current	-	-	-	-
	Non current	29 799 120	-	-	-
	Total	**29 799 120**	**-**	**-**	**-**

Impairment and risk exposure

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

11.3 Determination of fair value and fair values hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- **Level 1:** quoted (unadjusted) prices in active markets for identical assets and liabilities.
- **Level 2:** other techniques for which all inputs which have a significant effect on the recorded fair value are observable, directly or indirectly.
- **Level 3:** techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

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

	Level 1 US$	Level 2 US$	Level 3 US$	Total fair value US$
As at 31 December 2018				
Financial assets measured at fair value through profit or loss	104 688 785	-	20 760	104 709 545
Total financial assets recorded at fair value	**104 688 785**	**-**	**20 760**	**104 709 545**
As at 31 December 2017				
Financial assets measured at fair value through profit or loss	55 267 195	-	-	55 267 195
Total financial assets recorded at fair value	**55 267 195**	**-**	**-**	**55 267 195**

During the year there were no transfers of financial assets between levels 1, 2 and 3 (2017: US$nil).

Valuation techniques for financial assets measured at fair value

Quoted equity investments valuation

Level 1 is made up of the Group's investments in equities securities quoted on the Zimbabwe Stock Exchange.

The carrying values of the financial instruments approximates their fair values because of their short term in nature.

11 CLASSIFICATION OF FINANCIAL ASSETS (continued)

11.4 Comparison of carrying amounts and fair values for assets and liabilities not held at fair value

The fair value is an estimate of the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following table summarises the fair value of assets and liabilities not measured at fair value on the entity's statement of financial position.

	2018 US$ Carrying value	2018 US$ Fair value	2017 US$ Carrying value	2017 US$ Fair value
Financial assets				
Debt securities at amortised cost	29 799 120	29 799 120	39 390 615	39 390 615
Insurance, tenant and other receivables (excluding prepayments and statutory receivables)	25 729 137	25 729 137	23 993 899	23 993 899
	55 528 257	**55 528 257**	**63 384 514**	**63 384 514**

The carrying amount of debt securities at amortised cost and insurance, tenant and other receivables closely approximates its fair value.

	2018 US$ Carrying value	2018 US$ Fair value	2017 US$ Carrying value	2017 US$ Fair value
Financial liabilities				
Trade and other payables (excluding statutory liabilities)	8 026 350	8 026 350	8 445 625	8 445 625
Borrowings	91 665	91 665	1 191 665	1 191 665
	8 118 015	**8 118 015**	**9 637 290**	**9 637 290**

The carrying amounts of financial liabilities carried at amortised cost closely approximate their fair values. The impact of discounting on borrowings and trade and other payables is not significant due to the market terms (rates and tenor) available (borrowings) and because the instruments are short term in nature (trade and other payables).

12 DEFERRED ACQUISITION COSTS

	Group 2018 US$	Group 2017 US$	Company 2018 US$	Company 2017 US$
As at 1 January	2 680 940	1 085 801	-	-
Net movement	252 737	1 595 139	-	-
Acquisition of NDIL	-	989 894	-	-
Expenses deferred during the year	1 611 836	1 307 249	-	-
Amortisation	(1 359 099)	(702 004)	-	-
As at 31 December 2018	**2 933 677**	**2 680 940**	**-**	**-**
Current	2 933 677	2 680 940	-	-
Non current	-	-	-	-
Total	**2 933 677**	**2 680 940**	**-**	**-**

13 INVENTORY

	Group 2018 US$	Group 2017 US$	Company 2018 US$	Company 2017 US$
Consumables	804 119	497 061	39 619	37 676
Total	**804 119**	**497 061**	**39 619**	**37 676**

There was no write off of inventories during the year ended 31 December 2018 (2017: US$nil). The cost of inventory recognised as an expense included in the income statement was US$803 660 (2017: US$174 483)

14 INSURANCE, TENANT AND OTHER RECEIVABLES

	Group 2018 US$	Group 2017 US$	Company 2018 US$	Company 2017 US$
Insurance receivables (note 14.1)	30 404 873	24 383 450	-	-
Tenant receivables (note 14.2)	616 150	1 654 306	-	-
Amounts due from group companies (note 14.3)	-	-	1 083 257	549 013
Other receivables (note 14.4)	3 204 589	8 116 168	248 898	300 337
Total	**34 225 612**	**34 153 924**	**1 332 155**	**849 350**
Current	32 931 646	31 136 948	1 115 278	632 473
Non current	1 293 966	3 016 976	216 877	216 877
Total	**34 225 612**	**34 153 924**	**1 332 155**	**849 350**

14.1 Insurance receivables

	Group 2018 US$	Group 2017 US$	Company 2018 US$	Company 2017 US$
Due from cedants	15 759 241	8 942 788	-	-
Due from policyholders under the direct and health business	2 008 499	3 897 609	-	-
Due from agents, brokers and intermediaries	7 801 255	5 972 659	-	-
Retrocession on IBNR	6 808 976	5 389 234	-	-
Retrocession recoveries*	1 213 760	1 333 360	-	-
Gross insurance receivables	**33 591 731**	**25 535 650**	**-**	**-**
Allowance for credit losses	(3 186 858)	(1 152 200)	-	-
Net insurance receivables	**30 404 873**	**24 383 450**	**-**	**-**
Current - RTGS	26 145 480	-	-	-
- USD	4 259 393	24 383 450	-	-
Non current	-	-	-	-
Total	**30 404 873**	**24 383 450**	**-**	**-**

***** Retrocession recoveries were previously classified as other receivables. The reclassification has no impact on key ratios or cash flow but was deemed necessary as it improves the fair presentation of financials as retrocession recoveries are directly linked to insurance contracts and receivables.

Impairment and risk exposure

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

Allowance for credit losses on insurance receivables	Group 2018 US$	Group 2017 US$	Company 2018 US$	Company 2017 US$
As at 31 December calculated under IAS 39	1 152 200	1 094 991	-	-
Amounts restated through opening retained earnings	1 484 261	-	-	-
Opening loss allowance as at 1 January 2018 – calculated under IFRS 9	**2 636 461**	**1 094 991**	**-**	**-**
Charge for the year	628 127	81 443	-	-
Receivables written off during the year as uncollectable	(77 730)	(24 234)	-	-
As at 31 December 2018	**3 186 858**	**1 152 200**	**-**	**-**

14.2 Tenant receivables

	Group 2018 US$	Group 2017 US$	Company 2018 US$	Company 2017 US$
Tenant cost recoveries	478 840	859 925	-	-
Rental receivables	1 752 214	2 571 118	-	-
Gross tenant receivables	**2 231 054**	**3 431 043**	**-**	**-**
Allowance for credit losses	(1 614 904)	(1 776 737)	-	-
Net tenant receivables	**616 150**	**1 654 306**	**-**	**-**
Current	616 150	1 654 306	-	-
Non current	-	-	-	-
Total	**616 150**	**1 654 306**	**-**	**-**

14 INSURANCE, TENANT AND OTHER RECEIVABLES (continued)

14.2 Tenant receivables (continued)

14.2.1 Impairment and risk exposure

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

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

	Group 2018 US$	Group 2017 US$	Company 2018 US$	Company 2017 US$
As at 1 January	1 776 737	2 170 799	-	-
Amounts restated through opening retained earnings	126 053	-	-	-
Opening loss allowance as at 1 January 2018 – calculated under IFRS 9	**1 902 790**	**2 170 799**	**-**	**-**
Charge for the year	54 732	308 172	-	-
Recovery due to payments	-	(643 696)	-	-
Utilised during the year	(342 617)	(58 538)	-	-
As at 31 December 2018	**1 614 905**	**1 776 737**	**-**	**-**
Allowance relating to existing tenants	1 140 151	1 278 141	-	-
Allowance relating to previous tenants	474 754	498 596	-	-
Total	**1 614 905**	**1 776 737**	**-**	**-**
14.3 Amounts due from group companies				
First Mutual Health Company (Private) Limited	-	-	69 226	7 846
First Mutual Life Assurance (Private) Limited	-	-	649 823	383 163
FMRE Life and Health (Private) Limited	-	-	-	5 328
FMRE Property and Casualty (Private) Limited	-	-	-	110 749
FMRE Property and Casualty (Proprietary) Limited	-	-	79 459	2 359
TristarInsurance Company Limited	-	-	82 747	14 990
First Mutual Wealth Management (Private) Limited	-	-	202 002	24 578
Total	**-**	**-**	**1 083 257**	**549 013**
Current	-	-	1 083 257	549 013
Non current	-	-	-	-
Total	**-**	**-**	**1 083 257**	**549 013**

Terms and conditions of transactions with related parties

Outstanding balances at the year-end are unsecured, have agreed payment terms and settlement occurs in cash.

The sale and purchase transactions between related parties are made at terms equivalent to those that prevail in arm's length transactions. The amounts outstanding are unsecured and will be settled on normal terms. No expense has been recognised in the current or prior periods for impairment in respect of the amounts owed by related parties.

14 INSURANCE, TENANT AND OTHER RECEIVABLES (continued)

		Group 2018 US$	Group 2017 US$	Company 2018 US$	Company 2017 US$
14.4	**Other receivables**				
	Sundry debtors	203 179	590 086	108 291	23 000
	Cash balances with closed banking institutions	-	164 000	-	-
	Tax credits - withholding tax	164 000	305 559	-	-
	Outstanding balance from the disposal of subsidiary	-	160 000	-	160 000
	Staff debtors	1 910 428	2 973 438	73 678	57 794
	As at 31 December 2018	**2 277 607**	**4 193 083**	**181 969**	**240 794**
	Allowance for credit losses	(557 340)	(257 621)	-	-
	Other receivables excluding prepayments	**1 720 267**	**3 935 462**	**181 969**	**240 794**
	Prepayments	1 484 322	4 180 706	66 929	59 543
	Total other receivables	**3 204 589**	**8 116 168**	**248 898**	**300 337**
	Current	1 910 623	5 099 191	32 021	83 460
	Non current	1 293 967	3 016 977	216 877	216 877
	Total	**3 204 590**	**8 116 168**	**248 898**	**300 337**

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

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

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

15 CASH AND BALANCES WITH BANKS

	Group 2018 US$	Group 2017 US$	Company 2018 US$	Company 2017 US$
Money market investments with original maturities less than 90 days	42 816 255	20 027 425	2 167 806	-
Cash at bank and on hand	18 267 636	33 000 728	1 677 442	4 898 332
Cash and balances with banks	**61 083 891**	**53 028 153**	**3 845 248**	**4 898 332**
Current - RTGS	57 383 376	-	3 799 370	-
- USD	3 700 515	53 028 153	45 878	4 898 332
Cash and balances with banks	**61 083 891**	**53 028 153**	**3 845 248**	**4 898 332**

15 CASH AND BALANCES WITH BANKS (continued)

Cash at bank earns interest at floating rates based on daily bank deposit rates. Money market investments are made of varying periods as between one day and six months depending on the immediate cash requirements of the Group and earn interest at the short-term deposit rates. Included in cash and cash equivalents are balances with banks. These balances are used for transacting on a daily basis. The Reserve Bank of Zimbabwe (''RBZ'') through the Exchange Control Operations Guide 8 (ECOGAD8) introduced a foreign payments priority list that has to be followed when making foreign payments. Any foreign payments that we make from the bank balances above are ranked based on the RBZ prioritisation criteria and paid subject to banks having adequate funds with its foreign correspondent banks. Cash and cash equivalents include bond notes. Bond notes are a debt instrument which has been disclosed under cash and cash equivalents since it meets the definition of cash and cash equivalents and is pegged at 1:1 with the United States of America dollar.

16 SHARE CAPITAL

		Group 2018 US$	Group 2017 US$	Company 2018 US$	Company 2017 US$
16.1	**Authorised**				
	1 000 000 000 ordinary shares with a nominal value of US$0.001 each	**1 000 000**	**1 000 000**	**1 000 000**	**1 000 000**
16.2	**Issued and fully paid**				
	720,731,498 (2017: 696 137 739)ordinary shares with a nominal value of US$0,001 each	**720 731**	**696 138**	**730 731**	**696 138**
16.2.1	**Reconciliation of the issued capital**				
	As at 1 January	718 563	380 201	718 563	380 201
	Acquisition of NDIL through share swap	16 990	95 105	16 990	95 105
	Rights offer	-	210 371	-	210 371
	Share options exercised during the year	7 603	10 461	7 603	10 461
	Subtotal	**743 156**	**696 138**	**743 156**	**696 138**
	NDIL mandatory offer*	(22 425)	22 425	(22 425)	22 425
	As at 31 December	**720 731**	**718 563**	**720 731**	**718 563**

* NDIL mandatory tender offer were reversed in the current period and the actual additional shares issued have been processed.

16.3	**Unissued shares**				
	279,268,502 unissued shares, under the control of directors.	**279 269**	**303 862**	**279 269**	**303 862**

16.4 Rights offer

First Mutual made a renounceable rights offer of 210,371,395 (two hundred and ten million three hundred and seventy-one thousand three hundred and ninety five) new FMHL shares to registered FMHL Shareholders as of the FMHL Rights Offer Record Date at a price of US 8.20 cents to raise US$17.25 million in October 2017. Below is the reconciliation of the rights offer and allocation to equity.

16 SHARE CAPITAL (continued)

	Group 2018 US$	Group 2017 US$	Company 2018 US$	Company 2017 US$
Total proceeds	-	17 250 454	-	17 250 454
Share capital @ nominal value US$0.001	-	210 371	-	210 371
Share premium	-	17 040 083	-	17 040 083

16.5 Employee share option scheme.

The Group has a Share Option Scheme that was approved by shareholders. The objective is to attract, retain and motivate key employees and agents of the Group. 19 010 038 (nineteen million ten thousand and thirty eight) shares, representing 5% of the issued ordinary share capital of the Company at the commencement of the scheme, were set aside by the Board for purposes of the Share Option Scheme. With effect from 10 August 2017, a further 8,426,271 (eight million four hundred and twenty six thousand two hundred and seventy one) shares were set aside in terms of section 11 of the Scheme Rules.

Participants to whom an option has been granted under the scheme shall only be entitled to exercise the options as follows:

- On the first anniversary of the date of grant, the participant shall be entitled to exercise up to one third (1/3) of the shares offered to him/her under that particular option;
- On the second anniversary of the date of grant, the participant shall be entitled to exercise an additional one third (1/3) of the shares offered to him/her under that option;
- On the third anniversary of the date of grant, the participant shall be entitled to exercise an additional one third (1/3) of the shares offered to the participant under that option.
- Options not exercised within five (5) years from the date of grant shall lapse.

Details of the share options granted as at 31 December 2018 are as follows:

Date of grant	Exercise price	Number of shares US$
30 April 2014	0.065	7 073 114
30 April 2015	0.030	7 500 000
30 April 2016	0.022	5 085 742
10 August 2017	0.117	8 426 271

In terms of the Share Option Scheme, options were granted on 30 April 2014. The estimated fair value of the options granted on that date was US$72 204. The Group recognised total expenses of US$328 625 (2017: US$63 151) in respect of the share options that are granted. The options granted mature in batches at every anniversary date and hence will be amortised over the exercisable periods.

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

Grant date	30 April 2018	30 April 2017
Grant date share price (US$)	0.022	0.022
Exercise price of option (US$)	0.022	0.022
Risk-free interest rate	9%	9%
Annualised standard deviation	82%	82%
Dividend yield	0%	0%
Weighted average remaining contractual life	3.25 years	3.25 years
Expected volatility	82%	82%

The standard deviation was calculated over a 3 year period, that from January 2013 to December 2015 but it should be noted that the share is generally not very liquid on the Zimbabwe Stock Exchange. The risk free rate was determined on the power-related bonds issued by Infrastructure Development Bank of Zimbabwe ("IDBZ") on behalf of Zimbabwe Electricity Transmission and Distribution Company (Private) Limited ("ZETDC") and Zimbabwe Power Company (Private) Limited ("ZPC").

16 SHARE CAPITAL (continued)

16.5 Employee share option scheme (continued)	**2018 Number of shares**	**2017 Number of shares**
Movement for the year		
As at 1 January	16 975 193	19 010 038
Options granted during the year	-	8 426 271
Options exercised during the year	(7 603 060)	(10 461 116)
As at 31 December 2018	**9 372 133**	**16 975 193**
Exercisable	**3 454 091**	**2 658 427**

Reconciliation of shares exercised

2018 Exercise price	2018 Number of shares exercised	2018 Cash received Total	2017 Exercise price	2017 Number of shares exercised	2017 Cash received Total
0.065	991 133	64 424	0.065	4 267 643	277 397
0.030	2 629 109	78 873	0.030	3 493 146	104 794
0.022	2 683 509	59 037	0.022	2 700 327	59 407
0.117	1 299 309	152 019	0.110	-	-
	7 603 060	**354 353**		**10 461 116**	**441 598**

16.6 Non distributable reserves

	Change in functional currency US$	Foreign currency translation reserve US$	Revaluation reserve US$	Solvency reserve US$	Share based payment reserve US$	Re-denomination of share capital US$	Total US$
Group							
At 1 January 2017	**196 730**	**(358 780)**	**2 281 350**	**109 758**	**62 210**	**(216 775)**	**2 074 493**
Acquisition of a subsidiary	-	-	-	-	-	4 038 686	4 038 686
Other comprehensive income	-	294 426	-	-	-	-	294 426
Share based payments	-	-	-	-	63 151	-	63 151
At 31 December 2017	**196 730**	**(64 354)**	**2 281 350**	**109 758**	**125 361**	**3 821 911**	**6 470 756**
At 1 January 2018	**196 730**	**(64 354)**	**2 281 350**	**109 758**	**125 361**	**3 821 911**	**6 470 756**
Other comprehensive income	-	(125 958)	-	-	-	-	(125 958)
Share based payments	-	-	-	-	328 625	-	328 625
At 31 December 2018	**196 730**	**(190 312)**	**2 281 350**	**109 758**	**453 986**	**3 821 911**	**6 673 423**
Company							
At 1 January 2017	**-**	**-**	**291 047**	**-**	**-**	**-**	**291 047**
Share based payments	-	-	-	-	63 180	-	63 180
At 31 December 2017	**-**	**-**	**291 047**	**-**	**63 180**	**-**	**354 227**
At 1 January 2018	**-**	**-**	**291 047**	**-**	**63 180**	**-**	**354 227**
Share based payments					328 625		328 625
At 31 December 2018	**-**	**-**	**291 047**	**-**	**391 805**	**-**	**682 852**

16.7 Treasury shares

The shareholders, at the annual general meeting held on 14 June 2017 passed an ordinary resolution for the company purchase its shares in terms of section 79 of the Zimbabwe Companies Act (Chapter 24:03) and the Zimbabwe Stock Exchange Listing Requirements. Purchased shares were be used for treasury purposes. Acquisitions was of ordinary shares which in aggregate in the financial year 2017 did not exceed 10% of the Company's issued Ordinary share capital.

16 SHARE CAPITAL (continued)

	GROUP 2018 US$	GROUP 2 017 US$
16.8 Acquisition of additional interest in First Mutual Properties		
The Group acquired an additional interest in the voting shares of First Mutual Properties Limited, increasing its ownership interest at 69.60% (2017: 62.70%).		
Cash consideration paid to non-controlling shareholders	5 089 716	606 047
Carrying value of the additional interest in First Mutual Properties Limited	(8 398 994)	(2 215 093)
Difference recognised in retained profits	**(3 309 278)**	**(1 609 046)**

17 INSURANCE AND INVESTMENT CONTRACT LIABILITIES	Group 2018 US$	Group 2017 US$	Company 2018 US$	Company 2017 US$
17.1 Insurance contract				
Insurance contract with DPF (note 17.3)	13 154 971	13 261 769	-	-
Insurance contract without DPF (note 17.3)	15 615 404	11 982 477		
Shareholder risk reserve (note 17.3)	11 669 534	11 931 594	-	-
Total insurance contract liabilities	**40 439 909**	**37 175 840**	**-**	**-**
Current	-	-	-	-
Non current	40 439 909	37 175 840	-	-
Total	**40 439 909**	**37 175 840**	**-**	**-**
17.2 Investment contract				
Investment contract with DPF (note 17.3)	112 564 128	85 451 978	-	-
Investment contract without DPF (note 17.7)	28 010 256	20 461 042	-	-
Total investment contract liabilities	**140 574 384**	**105 913 020**	**-**	**-**
Current	-	-	-	-
Non current	140 574 384	105 913 020	-	-
Total	**140 574 384**	**105 913 020**	**-**	**-**

17.3 Life insurance contract and investment contract with and without DPF liabilities

Life insurance contract with DPF				
Balance as at 1 January	13 261 769	15 521 731	-	-
Movement	(106 798)	(2 259 962)	-	-
Balance as at 31 December	**13 154 971**	**13 261 769**	**-**	**-**
Life insurance contract without DPF				
Balance as at 1 January	11 982 477	6 475 616	-	-
Movement	3 632 927	5 506 861	-	-
Balance as at 31 December	**15 615 404**	**11 982 477**	**-**	**-**
Shareholder risk reserve				
Balance as at 1 January	11 931 594	12 922 437	-	-
Movement	(262 060)	(990 843)	-	-
Balance as at 31 December	**11 669 534**	**11 931 594**	**-**	**-**

Shareholder risk reserve relates to funds set aside by the shareholder to meet claims on risk products as they fall due. Risk products are those which are underwritten by the shareholder and payable on death or other claim event.

Investment contract with DPF				
Balance as at 1 January	85 451 978	66 775 134	-	-
Movement	27 112 150	18 676 844	-	-
Balance as at 31 December	**112 564 128**	**85 451 978**	**-**	**-**

17	INSURANCE AND INVESTMENT CONTRACT LIABILITIES	Group 2018 US$	Group 2017 US$	Company 2018 US$	Company 2017 US$
17.4	**Total life insurance contract and investment contract with and without DPF liabilities**				
	Balance as at 1 January	122 627 818	101 694 918	-	-
	Transfer from statement of comprehensive income	58 386 475	20 932 900	-	-
	Balance as at 31 December	**181 014 293**	**122 627 818**	**-**	**-**
17.5	**Reconciliation of life insurance contract with and without DPF and investment contract with DPF liabilities**				
	Balance as at 1 January	110 696 224	88 772 481	-	-
	Movement in insurance contracts and investment contracts with DPF liabilities	36 226 074	25 294 452	-	-
	Premiums	27 759 656	20 542 346	-	-
	Claims	(11 052 821)	(10 028 647)	-	-
	Commissions	(605 201)	(542 179)	-	-
	Branch expenses	(470 339)	(268 353)	-	-
	Actuarial and other fees	(720 601)	(476 770)	-	-
	Investment income	21 647 164	16 728 042	-	-
	Tax	(331 784)	(659 987)	-	-
	Fees charged by the shareholder	(5 587 795)	(3 370 709)	-	-
	Balance as at 31 December	**141 334 503**	**110 696 224**	**-**	**-**
17.6	**Reconciliation of shareholder risk reserve**				
	Balance at 1 January	11 931 594	12 922 437	-	-
	Movement in shareholder risk reserve	(262 060)	(990 843)	-	-
	Funeral cash plan	(262 060)	(835 214)	-	-
	Annuities expense reserve	-	(153 253)	-	-
	Mortgage protection plan	-	(2 376)	-	-
	Balance at 31 December	**11 669 534**	**11 931 594**	**-**	**-**
	Breakdown				
	Funeral cash plan (note 17.6.1)	11 592 611	11 831 908	-	-
	Data reserve	76 923	99 685	-	-
	Total	**11 669 534**	**11 931 593**	**-**	**-**
17.6.1	**Reconciliation of funeral cash plan liability**				
	Balance as at 1 January	11 831 908	12 667 123	-	-
	Impact of correction policy status	(3 118 264)	911 344	-	-
	Alterations and data impact	(203 382)	110 056	-	-
	Exists	703 464	(2 828 815)	-	-
	Impact of time	2 706 355	3 047 129	-	-
	New entrants	(68 985)	(131 047)	-	-
	Reinstatement	641 715	1 493 461	-	-
	Change in assumptions: Expense	(620 602)	-	-	-
	Mortality	(920 410)	-	-	-
	Lapse	198 868	(2 387 871)	-	-
	Inflation	381 679	-		
	Valuation adjustments	60 265	-		
	Correction of paid up policy expenses		(760)	-	-
	Miscellaneous	-	(284 318)	-	-
	Balance as at 31 December before discretionary margins	**11 592 611**	**12 596 302**	**-**	**-**
	Discretionary margins	-	(764 394)	-	-
	Balance as at 31 December	**11 592 611**	**11 831 908**	**-**	**-**

17 INSURANCE AND INVESTMENT CONTRACT LIABILITIES (continued)

	Group 2018 US$	Group 2017 US$	Company 2018 US$	Company 2017 US$
17.7 Investment contact liabilities				
Balance at 1 January	20 461 042	8 532 451	-	-
Net cash flows	483 858	(5 042)	-	-
Transfer from statement of comprehensive income	7 065 356	11 933 633	-	-
Balance as at 31 December	**28 010 256**	**20 461 042**	**-**	**-**
17.7.1 Investment contract liabilities				
Balance as at 1 January	20 461 042	8 532 451	-	-
Investments performance	7 065 356	11 933 633	-	-
Net cash flows	483 858	(5 042)	-	-
Premium	1 796 128	2 059 306	-	-
Claims and policy benefits	(974 519)	(1 653 355)	-	-
Fees to shareholder	(177 478)	(153 392)	-	-
Investment expenses	(160 273)	(181 441)	-	-
Other charges and transfers	-	(76 160)	-	-
Balance as at 31 December	**28 010 256**	**20 461 042**	**-**	**-**

All insurance contract liabilities and investment contracts with DPF liabilities as at 31 December 2018 and 2017 were actuarially determined using the Financial Soundness Valuation method.

In calculating gross premium liabilities above, best estimate assumptions were used plus compulsory margins as defined in SAP 104. The best estimate assumptions were derived from experience investigations carried out during the year. The primary assumptions used in the gross premium valuation (excluding compulsory margins) are as follows:

- a mortality investigation was carried out for the five years ended December 2018. The mortality investigation revealed that actual death outgo was lower than the projected death outgo using the SA56-62 mortality assumption.
- lapse assumptions were changed to reflect 2018 experience.
- the long term lapse assumption was reduced from 7.5% to 7% for the funeral cash plan.
- expense assumptions of US$28 (2017: US$28) per policy was maintained.
- expense inflation assumption has been increased to 5% (2017: 4%).
- withdrawal rates are based on the current experience.
- the real investment return assumption was revised to 7% (2017: 3%).

	% p.a. 2018	% p.a. 2017
Investment - untaxed	7.0%	7.0%
Expense inflation	5.0%	4.0%

- A contingency reserve to cover for possible data problems of US$76 923 (2017: US$99 684) was held as a discretionary reserve. In addition to the above compulsory margins were allowed for as outlined in SAP104.

A bonus smoothing account is used to reduce policyholders' exposure to positive or negative market movements. During periods of relatively strong investment performance of the fund's investments, a portion of investment growth is not declared as a bonus. It is held back, so that in times of poor investment performance, there are funds available to declare a higher bonus than would otherwise have been.

17 INSURANCE AND INVESTMENT CONTRACT LIABILITIES (continued)

17.7 Change in assumptions from the prior year (continued)

Lapse assumptions
A lapse investigation was carried out as at 31 October 2018 which showed that lapse rates used in the previous valuation were slightly higher for some products. The assumptions were updated to match the emerging experience.

Below are the lapse assumptions used for 2018 and 2017.

2018 **Product**	**1st year**	**2nd year**	**3rd year**	**4th year**	**Subsequent**
Funeral cash plan	30%	21%	18%	15%	10%
Wealth life plan	25%	15%	6%	17%	7%
Platinum plan	20%	8%	2%	1%	0%
Early harvest plan	18%	14%	38%	25%	15%
2017 **Product**					
Funeral cash plan	25%	20%	10%	10%	10%
Wealth life plan	15%	7%	5%	5%	5%
Platinum plan	10%	7%	5%	0%	0%
Early harvest plan	10%	7%	5%	0%	0%

Mortality assumptions
Mortality for individual business have been changed to 90% of SA56-62 to allow for actual experience which is lower than that implied by SA56-62.

The detailed mortality assumptions used are as follows:

Individual assurance (exc. AIDS)	90% SA56-62
Annuities	PA(90)-5

Table showing AIDS assumption

Product	**2018** **% HA1**	**2017** **% HA1**
FCP main member	4%	4%
FCP spouse	4%	4%
FCP adult	12%	12%
Other individual products	4%	4%

For children the following assumptions were used

Age group (years)	**0-5**	**5-10**	**10-15**	**15-20**	**20-25**
Male mortality rates	0.000851	0.000439	0.000494	0.000501	0.000713
Female mortality rates	0.000647	0.000346	0.000659	0.000581	0.000776

Expense inflation

The expense inflation assumption was increased to 5 % (2017: 4%).

18 BORROWINGS

	Group 2018 US$	Group 2017 US$	Company 2018 US$	Company 2017 US$
Borrowings				
As at 1 January	1 191 665	4 309 240	-	2 017 573
Interest charged	52 634	326 882	-	326 882
Interest paid	(52 634)	(326 882)	-	(326 882)
Loan repayment	(1 100 000)	(3 117 575)	-	(2 017 573)
Total	**91 665**	**1 191 665**	**-**	**-**
Current	91 665	1 100 000	-	-
Non current	-	91 665	-	-
Total	**91 665**	**1 191 665**	**-**	**-**

A loan of US$5.5 million (2017: US$5.5 million) was sourced from Barclays Bank of Zimbabwe Limited on 19 December 2013 to partially fund the acquisition of the land in Mount Pleasant of Harare at a rate of 10% per annum. The tenure of the facility is 5 years from 26 December 2013 and stand 14908 of Salisbury Township called First Mutual Park has been pledged as security. The last instalment is due on 27 January 2019.

The Group settled its motor vehicle facility of US$265,000 in 2017 from the People's Own Savings Bank ("POSB"), with the security for the loan being a Notarial General Covering Bond on the vehicles financed. Interest was initially charged at 11% and later reduced to 7% in 2017. The repayments for the loan were made monthly over three years.

A loan facility amounting to US$2 000 000, was sourced from National Social Security Authority ("NSSA") the ultimate parent company of the Group to capitalise TristarInsurance Company Limited . The loan was granted on 31 December 2015 and has 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%. Investment property known as 99 Jason Moyo Avenue with a carrying amount of US$7 781 686 at 31 December 2018 was pledged as security. The loan was settled in full from the Rights Issue Proceeds in October 2017.

19 INSURANCE LIABILITIES

19.1 Insurance liabilities-short term

		Group 2018 US$	Group 2017 US$	Company 2018 US$	Company 2017 US$
Outstanding claims		7 994 779	8 578 952	-	-
Reinsurance		8 555 522	4 997 724	-	-
Losses incurred but not reported		13 017 955	11 756 276	-	-
Members savings liabilities (note 19.1.1)		5 526 326	5 263 845	-	-
Premium received in advance		2 524 057	1 965 138	-	-
Unearned premium reserve (note 19.1.2)		12 930 002	7 348 652	-	
Commissions		24 312	15 611	-	-
Total		**50 572 953**	**39 926 1978**	**-**	**-**
Current	- RTGS	39 235 063	-	-	-
	- USD	4 773 292	34 662 353	-	-
Non current	- RTGS	5 722 252	-	-	-
	- USD	842 346	5 263 845	-	-
Total		**50 572 953**	**39 926 198**	**-**	**-**

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

19 INSURANCE LIABILITIES (continued)

19.1 Insurance liabilities-short term (continued)	**Group 2018 US$**	**Group 2017 US$**	**Company 2018 US$**	**Company 2017 US$**
19.1.1 Members savings liabilities				
As at 1 January	5 263 845	5 149 051	-	-
Movement	262 481	114 794	-	-
Arising during the year	9 434 239	8 342 454	-	-
Utilised during the year	(9 171 758)	(8 227 660)	-	-
Balance at 31 December	**5 526 326**	**5 263 845**	**-**	**-**
Current	2 558 663	2 865 198	-	-
Non current	2 967 663	2 398 647	-	-
Total	**5 526 326**	**5 263 845**	**-**	**-**

Members savings liabilities balance refers to amounts held on behalf of health care clients as an accumulation from their contributions. The amounts accumulated are meant to cover selected future medical claims as well as to qualifying members for a cash back arrangement if they meet certain claims thresholds. The savings liability nolonger accrue interest post 2017 in line with fund rules approved by members.

19.1.2 Unearned premium reserve				
As at 1 January	7 348 652	4 074 377	-	-
Movement in unearned premiums	2 837 333	930 911	-	-
Gross Premium written during the year	180 628 097	124 926 871	-	-
Outward retrocession premium	(23 942 366)	(8 872 946)	-	-
Premiums earned during the year	(153 848 398)	(115 123 014)	-	-
Gain on exchange	2 744 017	2 343 364	-	-
As at 31 December	**12 930 002**	**7 348 652**	**-**	**-**
Reconciliation of unearned premium reserve				
Gross unearned premium reserve	16 267 582	9 581 408	-	-
Reinsurer's share	(3 337 580)	(2 232 756)	-	-
Net unearned premium reserve	**12 930 002**	**7 348 652**	**-**	**-**

		Group 2018 US$	Group 2017 US$	Company 2018 US$	Company 2017 US$
19	**INSURANCE LIABILITIES (continued)**				
19.2	**Insurance liabilities-life assurance payables**				
	Outstanding claims	1 235 388	1 409 292	-	-
	Losses incurred but not reported	684 375	517 020	-	-
	Commissions	349 177	327 733	-	-
	Total	**2 268 940**	**2 254 045**	**-**	**-**
20	**OTHER PAYABLES**				
		6 950 769	10 255 644	376 317	680 115
	Other payables	1 099 123	818 038	-	-
	Provisions	2 179 638	3 109 370	50 986	230 402
	Payroll and statutory payables	1 412 068	3 776 954	89 151	1 962
	Accrued expenses	1 212 916	1 561 277	133 294	242 699
	Trade payables	844 224	990 005	102 886	205 052
	Property business related liabilities	2 232 913	1 966 934	-	-
	Amounts due to group companies (note 20.2)	-	-	44 053	89 132
	Total	**9 183 682**	**12 222 578**	**420 370**	**769 247**
	Current - RTGS	5 413 665	-	333 245	-
	- USD	3 770 017	12 222 578	87 125	769 247
	Non current	-	-	-	-
	Total	**9 183 682**	**12 222 578**	**420 370**	**769 247**

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

20.1	**Leave pay provision reconciliation**				
	As at 1 January	636 946	585 031	59,613	66,907
	Additional provision	692 176	313 749	69,154	19,056
	Amounts paid	(821 395)	(261 833)	(80 972)	(26 350)
	As at 31 December	**507 727**	**636 947**	**47 795**	**59 613**

Employee entitlement annual leave are recognised on an ongoing basis. The liability for annual leave as a result of services rendered by the employee is accrued up to the reporting date. Provision is made for leave pay when staff members accrue leave days. In the event the staff members leave the employment of the Group they are entitled the cash equivalent of their leave days. In the event that it is impractical for staff members to exhaust their leave days according to their leave plan, part of the accumulated days can be cashed and the rest utilized by the staff member. There is uncertainty on when a staff member may decide to leave the Group and the liability is calculated based on the normal pay rates.

20.2	**Amounts due to group companies**				
	First Mutual Reinsurance Company Limited	-	-	24 786	-
	First Mutual Properties Limited	-	-	19 267	89 132
	Total	**-**	**-**	**44 053**	**89 132**

20.2.1 Terms and conditions of transactions with related parties

Outstanding balances at the year end are unsecured with agreed payment terms and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.

The sale and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions. The amounts outstanding are unsecured and will be settled on normal terms. No expense has been recognised in the current or prior periods for bad or doubtful debts in respect of the amounts owed by related parties

		Group 2018 US$	Group 2017 US$	Company 2018 US$	Company 2017 US$
21	**TAX**				
21.1	**Deferred tax**				
	As at 1 January	12 366 279	10 786 966	-	-
	Impact of adopting IFRS 9	511 223	-	-	-
	Recognised through statement of comprehensive income	3 558 459	1 579 313	-	-
	As at 31 December 2018	**16 435 961**	**12 366 279**	**-**	**-**
	Current	1 027 248	641 153	-	-
	Non current	15 408 713	11 725 126	-	-
	Total	**16 435 961**	**12 366 279**	**-**	**-**
	Analysis of deferred tax				
	Arising on vehicles and equipment	107 325	6 192	-	-
	Arising on investment properties	16 531 310	13 191 350	-	-
	Arising on financial assets at fair value through profit or loss	1 047 095	-	-	-
	Arising from life business (schedule 8 Income Tax Act (Chapter 23:06))	1 227 351	1 139 742	-	-
	Arising from assessable losses	(88 978)	(257 422)	-	-
	Payables and provisions	(2 388 144)	(1 713 583)	-	-
	As at 31 December 2018	**16 435 961**	**12 366 279**	**-**	**-**
21.2	**Net current income tax asset**				
	As at 1 January	81 919	23 744	-	-
	Tax asset	(530 182)	(86 982)	-	-
	Tax liability	612 101	110 726	-	-
	Charge for the year	3 101 591	997 289	-	-
	Paid during the year	(3 750 277)	(939 114)	-	-
	Balance as at 31 December	**(566 767)**	**81 919**	**-**	**-**
	Disclosed as;				
	Income tax asset	(621 598)	(530 182)	-	-
	Income tax liability	54 831	612 101	-	-
	Total	**(566 767)**	**81 919**	**-**	**-**
21.3	**Income tax expense**				
	Deferred tax expense	4 069 681	1 579 313	-	-
	Current income tax expense	3 101 591	997 289	-	-
	Total	**7 171 272**	**2 576 602**	**-**	**-**
21.4	**Reconciliation of income tax expense**				
	Profit before income tax	24 815 100	14 800 126		
	Standard tax rate 25.75% (2017: 25.75%)	6 389 888	3 811 032	-	-
	Financial assets at fair value through profit or loss taxed at different rate	185 133	(366 862)	-	-
	Investment property taxed at different rates	383 915	(1 982 485)		
	Effect of expenses not deductible for tax purposes	212 336	1 114 917	-	-
	Tax charge for the year	**7 171 272**	**2 576 602**	**-**	**-**

22 NET PREMIUM WRITTEN

	Group 2018 US$	Group 2017 US$	Company 2018 US$	Company 2017 US$
Pension and savings business	27 838 222	20 619 294	-	-
Life assurance	15 654 902	14 650 007		
Health insurance	62 894 927	56 866 745	-	-
Property and casualty	74 240 046	32 790 825	-	-
Gross premium written	**180 628 097**	**124 926 871**	**-**	**-**
Less: reinsurance	(23 942 366)	(8 872 946)	-	-
Net premium written	**156 685 731**	**116 053 925**	**-**	**-**

23 RENTAL INCOME

	Group 2018 US$	Group 2017 US$	Company 2018 US$	Company 2017 US$
Office	4 211 996	4 848 109	-	-
Retail	2 235 815	483 520	-	-
Industry	1 203 322	561 901	-	-
Other	33 499	576 544	-	-
Total rental income	**7 684 632**	**6 470 074**	**-**	**-**

All rental income earned is from investment property.

Leasing arrangements

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

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

	Group 2018 US$	Group 2017 US$
Within 1 year	7 963 095	7 137 578
Later than one year but not later than 5 years	26 938 422	24 822 622
Later than 5 years	4 538 397	4 387 469
Total	**39 439 914**	**36 347 669**

24 INVESTMENT INCOME

	Group 2018 US$	Group 2017 US$
Dividend received - cash	7 438 060	824 473
Dividend received - scrip	5 290 802	-
Fair value gain on unquoted equities at fair value through profit or loss	20 760	10 319
Fair value gain on quoted equities at fair value through profit or loss	18 513 299	29 359 987
Total investment income before interest income	**31 262 921**	**30 194 779**
Interest income	3 013 121	2 729 309
Total investment income	**34 276 042**	**32 924 088**

25 OTHER INCOME

25.1 Fee income

	Group 2018 US$	Group 2017 US$
Insurance contracts	1 640 896	1 425 918
Investment contracts	3 697 810	3 082 573
Investment contracts with DPF	3 520 332	2 929 181
Investment contracts without DPF	177 478	153 392
Total fee income	**5 338 706**	**4 508 491**

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

		Group 2018 US$	Group 2017 US$
25.2	**Other income**		
	Tenant interest	148 958	257 173
	Profit on disposal of vehicles and equipment	73 999	(2 315)
	Motor pool dividend income	45 005	51 546
	Net clinic fee income	113 004	152 506
	Bad debts recovered	3 763	9 862
	Other fee income	881 699	542 296
	Total	**1 266 428**	**1 011 068**
26	**NET INSURANCE CLAIMS AND BENEFITS**		
	Insurance claims and loss adjustment expenses		
	Health insurance	48 979 188	45 001 738
	Life assurance	4,231,913	4 831 111
	Property and casualty	31 895 494	12 084 170
	Total insurance claims	**85 106 595**	**61 917 019**
	Less: insurance claims and loss adjustment expenses recovered from reinsurers	(7 443 621)	(826 670)
	Net total insurance claims expense	**77,662,974**	**61,090,349**
	Pensions benefits	11 052 821	10 028 647
	Net insurance claims and benefits	**88 715 795**	**71 118 996**
27	**ACQUISITION OF INSURANCE AND INVESTMENT CONTRACTS EXPENSES**		
27.1	**Net commission**		
	Commissions paid	16 046 068	9 284 242
	- Insurance contracts	15 440 867	8 742 063
	- investment contracts with DPF	605 201	542 179
	Commissions received	(6 344 450)	(2 181 783)
	Net commissions paid	**9 701 618**	**7 102 459**
27.2	**Other acquisition expenses**		
	Staff costs	1 524 688	363 011
	Office costs	422 930	360 834
	Communications	46 050	46 502
	Business travel	62 286	47 212
	Actuarial fees	388 461	450 476
	Other fees	547 597	225 814
	Total other acquisition expenses	**2 992 012**	**1 493 849**
	Total acquisition of insurance and investment contracts expenses	**12 693 630**	**8 596 308**

The Group has an agents force which is made up of tied and independent agents who write new business of the Life Assurance segment. The agents are located in major cities and towns across the country. Area offices were established to house and facilitate operations of the agency force. All costs of maintaining the agency force are classified as acquisition expenses which include staff costs, rentals, travel related expenses paid for agency and communication expenses.

Other fees include registration fees for agents with the Insurance and Pensions Commission, medical fees paid when taking new policyholders on board, as well as bank charges.

Acquisition expenses are charged to statement of comprehensive income in the period in which they are accrued.

		Group 2018 US$	Group 2017 US$
28	**ADMINISTRATION EXPENSES**		
	The profit before income tax is shown after charging:		
	Staff costs (note 28.1)	19 770 024	14 352 565
	Directors' fees - FMHL	140 187	120 935
	-Group companies	475 067	269 049
	Property expenses (note 28.4)	2 109 658	1 603 169
	Depreciation of property, vehicles and equipment (note 6)	1 290 693	946 901
	Amortisation of intangible assets (note 8)	211 265	156 323
	Audit fees:	630 983	397 832
	Current	424 712	185 034
	Prior year	206 271	212 798
	Tax recovery / Tax amnesty covered by prior years	23 027	358 406
	Other costs (note 28.5)	14 654 774	10 082 314
	Total administration expenses	**39 305 678**	**28 287 494**

* The agreed external audit fees for 31 December 2018 year end audit was US$721 573 (2017: US$391 305).

28.1	**Staff costs**		
	Wages and salaries	9 400 218	7 220 042
	Non-pensionable allowances	1 944 787	1 823 280
	Allowances	1 932 812	618 011
	Social security and health insurance costs	570 121	433 223
	Defined contribution pension costs	978 870	740 168
	Long-term incentives	328 625	63 151
	Short-term incentives	420 000	826 549
	Motoring benefit	1 250 698	1 135 599
	Movement in leave pay provision	269 506	217 402
	Staff training	809 902	587 400
	Other staff costs	347 395	687 740
	Total staff costs	**19 770 024**	**14 352 565**

Staff Pension and Life Assurance scheme

All employees are members of the First Mutual Staff Pension and Life Assurance Scheme, which is a defined contribution pension plan. The Group's contributions to the defined contribution pension plan are charged to the statement of comprehensive income in the year in which they relate.

National Social Security Authority Scheme

The Group and its employees contribute to the National Social Security Authority Pension Scheme. This is a social security scheme, which was promulgated under the National Social Security Act (Chapter 17:04). The Group obligations under the scheme are limited to specific contributions legislated from time to time.

28.2	**Impairment allowances**		
	Allowance for credit losses (note 28.3.1)	689 966	389 615
	Total	**689 966**	**389 615**
28.3.1	**Allowance for credit losses**		
	Insurance receivables (note 14.1)	628 127	81 443
	Tenant receivables (note 14.2)	54 732	308 172
	Other receivables (note 14.4)	7 107	-
	Total	**689 966**	**389 615**

28 ADMINISTRATION EXPENSES (continued)

		Group 2018 US$	Group 2017 US$
28.4	**Property expenses**		
	Operating costs recoveries	608 980	796 953
	Maintenance costs	1 256 950	736 019
	Valuation fees	18 972	23 975
	Property security and utilities	224 756	46 222
	Total	**2 109 658**	**1 603 169**
	Property expenses arising from investment properties that generated rental income	1 884 902	1 556 947
	Property expenses arising from investment properties that did not generate rental income	224 756	46 222
	Total	**2 109 658**	**1 603 169**

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

28.5	**Other costs**		
	Marketing and corporate relationship management	2 893 301	1 753 026
	Information technology expenses	2 502 193	1 910 897
	Office costs	1 716 476	661 687
	Fees and other charges	529 240	280 412
	Actuarial fees	545 550	597 891
	Ipec fees	744 617	431 454
	Expensed VAT	754 687	424 570
	Bank charges	326 307	239 807
	Communication expenses	509 652	293 603
	Subscriptions	337 859	176 415
	Investor relations	269 258	195 365
	Administration travel	645 714	567 824
	Rent & rates	650 078	329 801
	Project costs	1 308 000	987 769
	Staff welfare	312 387	752 076
	Other expenses	609 454	479 717
	Total	**14 654 773**	**10 082 314**

29 EARNINGS / (LOSS) PER SHARE ("EPS")

Basic EPS amounts are calculated by dividing the profit / (loss) for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS amounts are calculated by dividing the profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

29.1 Basic earnings per share

Profit attributable to ordinary equity holders of the company	16 524 850	11 591 605
Weighted average number of shares in issue	707 018 727	545 021 722
Basic earnings per share (US cents)	**2.34**	**2.13**

29 EARNINGS / (LOSS) PER SHARE ("EPS") (continued)

		Group 2018 US$	Group 2017 US$
29.2	**Diluted earnings per share**		
	Profit attributable to ordinary equity holders of the company	16 524 850	11 591 605
	The following reflects the share data		
	Weighted average number of shares in issue	707 018 727	594 342 872
	Effect of dilution of share option	1 891 407	-
	Weighted number of shares adjusted for the effects of dilution	**708 910 134**	**594 342 872**
	Diluted earnings per share (US cents)	**2.33**	**1.95**

30 COMMITMENT AND CONTINGENT LIABILITIES

30.1 Commitments

30.1.1 Operating lease commitments

As lessor

The Group holds operating leases with terms that expire after 3 to 5 year lease periods. Future lease payments could not be determined as rental rates are reviewed on an annual basis.

The Group anticipates to generate rental income of US$7 963 095 (2017: US$7 137 578) out of its existing operating leases in the next 12 months.

30.1.2 Capital commitments

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

Investment property	168 028	18 443
Total	**168 028**	**18 443**

30.2 Contingencies

The Group and the Company do not have significant contingent liabilities that require disclosure as at 31 December 2018 (2017: US$nil).

31 RELATED PARTY DISCLOSURES

Related companies

Related party transactions exist between First Mutual Holdings Limited and its fellow subsidiaries.

The National Social Security Authority ("NSSA") is the ultimate parent company of First Mutual Holdings Limited. NSSA holds 68.81% (2017: 68.81%) directly in First Mutual Holdings and 11.41% (2017: 11.41%) indirectly through Capital Bank as at 31 December 2018.

NSSA owns 84% (2017: 84%) of Capital Bank Limited, under liquidation.

31 RELATED PARTY DISCLOSURES (continued)

31.1 Subsidiaries and associates

The financial statements comprise the financial statements of First Mutual and its subsidiaries and associate companies listed in the following table (indicating the extent of ownership):

Subsidiaries	2018	2017
First Mutual Life Assurance Company (Private) Limited	100%	100%
First Mutual Health Company (Private) Limited	100%	100%
First Mutual Reinsurance Company Limited	100%	100%
FMRE Property and Casualty (Proprietary) Limited*	100%	100%
TristarInsurance Company Limited	100%	100%
First Mutual Properties Limited	69.60%	62.70%
First Mutual Wealth Management (Private) Limited	100%	100%
NicozDiamond Insurance Limited	100%	81%
United General Insurance Limited**	46%	46%
Diamond Seguros***	24%	24%
Clover Leaf Panel Beaters (Private) Limited	45%	45%
First Mutual Properties Limited is owned 69.60% (2017: 62.70%) by First Mutual Group as follows:		
First Mutual Holdings Limited - the company	3.07%	1.46%
First Mutual Life Assurance Company (Private) Limited - shareholders	17.67%	13.73%
First Mutual Life Assurance Company (Private) Limited - policyholders	40.85%	40.24%
First Mutual Reinsurance Company Limited	2.21%	2.21%
TristarInsurance Company Limited - shareholders	0.35%	0.35%
First Mutual Wealth Management (Private) Limited	0.00%	0.18%
First Mutual Health Company (Private) Limited - shareholders	5.35%	4.43%
First Mutual Properties Limited (treasury shares)	0.10%	0.10%
Total	**69.60%**	**62.70%**

* This company is incorporated, registered and operates in Botswana
** This company is incorporated, registered and operates in Malawi
*** This company is incorporated, registered and operates in Mozambique

31 RELATED PARTY DISCLOSURES (CONTINUED)

31.2 Transactions and balances with related companies:

31.2.1 Summary of related party transactions

The following table provide the total amount of transactions that have been entered into with related parties during the year ended 31 December 2018:

	Relationship to First Mutual Holdings Limited	Purchases from related parties US$	Amount owed to related parties US$	Amount owed by related parties US$	Loans owed to related parties US$	Carrying amounts of investments in subsidiaries US
NicozDiamond Insurance Company Limited	subsidiary	-	-	-	-	15 650 042
First Mutual Life Assurance Company (Private) Limited	subsidiary	-	-	649 823	-	22 226 831
TristarInsurance Company Limited	subsidiary	14 461	-	82 747	-	2 480 389
First Mutual Reinsurance Company Limited	subsidiary	-	24 786	-	-	10 237 196
FMRE Property and Casualty (Proprietary) Limited	subsidiary	-	-	79 459	-	4 083 010
First Mutual Health Company (Private) Limited	subsidiary	-	-	69 226	-	20 638 710
First Mutual Properties Limited	subsidiary	-	18 267	-	-	-
First Mutual Wealth Management (Private) Limited	subsidiary	-	-	202 002	-	827 447
First Mutual Funeral Services	subsidiary	-	-	-	-	800 000
First Mutual MicroFinance	subsidiary	-	-	-	-	200 000
		14 461	**44 053**	**1 083 257**	**-**	**77 143 625**

31.2.2 Transactions and balances with related companies:

The following table provide the total amount of transactions that have been entered into with related parties during the year ended 31 December 2017

	Relationship to First Mutual Holdings Limited	Purchases from related parties US$	Amount owed to related parties US$	Amount owed by related parties US$	Loans owed to related parties US$	Carrying amounts of investments in subsidiaries US
NicozDiamond Insurance Company Limited	subsidiary	-	-	-	-	14 669 240
First Mutual Life Assurance Company (Private) Limited	subsidiary	-	-	383 163	-	15 383 583
First Mutual Insurance Company Limited	subsidiary	12 446	-	14 990	-	3 092 605
First Mutual Reinsurance Company Limited	subsidiary	-	-	116 077	-	10 806 843
FMRE Property and Casualty (Proprietary) Limited	subsidiary	-	-	2 359	-	3 569 537
First Mutual Health Company (Private) Limited	subsidiary	-	-	7 846	-	12 899 940
First Mutual Properties Limited	subsidiary	-	89 132	-	-	-
First Mutual Wealth Management (Private) Limited	subsidiary	-	-	24 578	-	1 051 540
		12 446	**89 132**	**549 013**	**-**	**61 473 288**

31 RELATED PARTY DISCLOSURES (continued)

31.3 Compensation of key management:

Key management personnel includes executive directors and senior management of the Group

	Group 2018 US$	Group 2017 US$
Short term employment benefits	3 668 180	3 553 446
Post-employment pension and medical benefits	317 687	298 860
Share based payments	328 625	63 151
Total compensation paid to key management personnel	**4 314 492**	**3 915 457**

31.4 Loans to directors and officers

	Group 2018 US$	Group 2017 US$
Executive directors	-	-

31.5 Directors and other key management's interest in the employee share option scheme:

In terms of the share option scheme 19,010,038 options were granted to key management on 30 April 2014. A further 8 426 271 were granted on 9 August 2017. No share options were granted in the current year. As at year end total share options granted but not exercised by executive members of the Board of Directors to purchase ordinary shares of the Group were as follows:

	2018 Number of shares	2017 Number of shares
Douglas Hoto	1 935 635	3 417 264
William M Marere	946 459	1 830 863
Other key management	6 490 039	12 727 066
	9 372 133	**16 975 193**

31.6 Material partly-owned subsidiary

Financial information of subsidiary that have material non-controlling interests are provided below;

Portion of equity interest held by non-controlling interest

Name	Country of incorporation and operation	Group 2018 US$	Group 2017 US$
First Mutual Properties Limited	Zimbabwe	29.34%	37.00%
Accumulated balances of material non-controlling interest			
First Mutual Properties Limited		44 635 148	49 777 592
Profit allocated to non-controlling interest:			
First Mutual Properties Limited		1 118 977	631 919

31 RELATED PARTY DISCLOSURES (continued)

31.6 Material partly-owned subsidiary (continued)

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

	Group 2018 US$	Group 2017 US$
Revenue	8 014 375	7 414 502
Allowance for credit losses	(54 732)	335 524
Property expenses	(1 923 172)	(1 590 996)
Net property income	**6 036 471**	**6 159 030**
Employee related expenses	(1 808 074)	(1 415 597)
Other expenses	(2 042 047)	(1 399 672)
Net property income after other expenses	**2 186 350**	**3 343 761**
Fair value adjustments	6 305 253	(593 552)
Other income	437 113	237 953
Finance income	-	287 868
Finance costs	(52 634)	(126 479)
Profit before income tax	**8 876 082**	**3 149 551**
Income tax expense	(5 062 252)	(1 454 945)
Profit for the year	**3 813 830**	**1 694 606**
Other comprehensive (loss)/income	-	-
Total comprehensive income	**3 813 830**	**1 694 606**
Attributable to non-controlling interest	1 118 977	455 009
Dividends paid to non-controlling interest	(272 789)	(317 158)
Summarised statement of financial position as at 31 December		
Investment property	146 150 000	137 457 000
Property, plant and equipment and other non-current financial assets	771 946	697 253
Inventories, cash and bank, current financial assets and other receivables (current)	1 800 312	5 331 404
Non-current liabilities (deferred tax only)	(16 710 582)	(12 762 112)
Long term liabilities	(91 665)	(1 191 666)
Trade and other payable (current)	(1 092 047)	(1 787 745)
Total equity	**130 827 964**	**127 744 134**
Summarised cash flow information for the year ending 31 December		
Operating	2 612 659	773 789
Investing	(2 293 556)	727 204
Financing	(1 100 000)	(793 036)
Net increase in cash and cash equivalents	**(780 897)**	**607 957**

32 SUBSEQUENT EVENTS

There were no material subsequent events requiring adjustments to be effected on the interim financial statements or disclosure in the financial statements, except the one noted in 32.1 below:

32.1 EVENTS AFTER THE BALANCE SHEET DATE

On 20 February 2019, the RBZ Governor announced a new ("Monetary Policy Statement") MPS whose highlights were:

- Denomination of RTGS balances, bond notes and coins collectively as RTGS dollars "RTGS $". RTGS dollars become part of the multi-currency system.
- RTGS Dollars to be used by all entities (including government) and individuals in Zimbabwe for purposes of pricing of goods and services, record debts, accounting and settlement of domestic transactions .
- Establishment of an inter-bank foreign exchange market where the exchange rate will be determined by market forces. The interbank market opened trading at a rate of US$1 to RTGS$ 2.5

The monetary policy announcement was followed by the publication of Statutory Instrument 33 of 2019 (SI33) on 22 February 2019. The Statutory Instrument gave effect to the Introduction of the RTGS Dollar as legal tender and prescribed that "for accounting and other purposes" certain assets and liabilities and the effective date would be deemed to be RTGS dollars at a rate of 1:1 to the USD and would become opening RTGS Dollar values from the effective date. The Directors, based on their interpretation of IFRS had considered the MPS of 20 February 2019, and the subsequent emergence of an interbank exchange rate to be an adjusting event in terms of International Accounting Standard 10 (IAS 10) "Events after the reporting period" as it was considered as reflective of underlying conditions as at the reporting date of 31 December 2018. In particular the promulgation of RTGS Dollar as currency, in the opinion of the Directors, was legal confirmation of market practice which had come to regard RTGS balances and transactions as representing an underlying de-facto currency. However given the accounting restrictions imposed by SI33, the past balance sheet events have not been adjusted for.

The impact on the 2018 Balance Sheet of applying different exchange rates is shown on the next page:

Sensitivity of financial statements to application of different exchange rates

The determination of functional and presentation currency became a matter of significant judgement in Zimbabwe. The Public Accountants and Auditors Board ("PAAB") came up with recommended disclosures to provide users of financial statements with more information assuming the application of different exchange rates to the statement of financial position and statement of comprehensive income for US$ business written during the period 1 October 2018 to 31 December 2018.

For the purposes of sensitivity, three difference exchange rates were used. The following rates were used;

- 1:2.5 US$ to RTGS$. 2.5 being the official exchange rate on 22 February 2019 when SI33 was issued;
- 1:3.1277 US$ to RTGS$ being the official interbank exchange rate on 10 April 2019 when the financial statements were approved by the Board.

32.2 EVENTS AFTER THE BALANCE SHEET DATE (continued)

CONSOLIDATED AND COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

SENSITIVITY ANALYSIS FOR EVENTS AFTER THE REPORTING DATE

	Component of reported amounts			Sensitivity analysis	
		Total USD$	Total RTGS$	Total RTGS$	Total RTGS$
ASSETS	**Notsro FCA US$**	**RTGS $**	**@ 1:1**	**@ 1:2.5**	**@ 1:3.1277**
Monetary					
Debt securities at amortised cost	-	29 799 120	29 799 120	29 799 120	29 799 120
Deferred acquisition costs	508 070	2 425 607	2 933 677	3 695 781	4 014 697
Income tax asset	-	621 598	621 598	621 598	621 598
Insurance, tenant and other receivables	4 259 393	29 966 219	34 225 612	40 614 702	47 547 715
Cash and balances with banks	3 700 515	57 383 376	61 083 891	66 634 664	68 957 477
Total Monetary	**8 467 978**	**120 195 920**	**128 663 898**	**141 365 865**	**150 940 607**
Non Monetary					
Property, plant and equipment	82 171	10 458 371	10 540 542	10 663 800	10 715 378
Investment property	-	145 170 000	145 170 000	145 170 000	145 170 000
Intangible assets	3 857	893 586	897 443	903 228	905 649
- equity securities at fair value through profit or loss	10 379 429	94 330 116	104 709 545	120 278 688	126 793 856
Investment in associate	-	1 491 033	1 491 033	1 491 033	1 491 033
Inventory	-	804 119	804 119	804 119	804 119
Total Non-Monetary	**10 465 457**	**253 147 225**	**263 612 682**	**279 310 868**	**285 880 035**
TOTAL ASSETS	**18 933 435**	**373 343 145**	**392 276 580**	**420 676 733**	**436 820 062**
LIABILITIES					
Monetary					
Borrowings	-	91 665	91 665	91 665	91 665
Insurance contract liabilities - short term	5 615 639	38 148 339	50 572 953	52 187 434	55 712 370
Insurance liabilities - life assurance	-	2 268 940	2 268 940	2 268 940	2 268 940
Other payables	3 770 018	5 413 664	9 183 682	15 101 045	17 467 485
Current income tax liabilities	-	54 831	54 831	54 831	54 831
Total Monetary	**9 385 657**	**45 977 439**	**62 172 071**	**69 703 915**	**75 595 291**
Non Monetary					
Life insurance contracts liabilities with DPF	-	13 154 971	13 154 971	13 154 971	13 154 971
Life insurance contracts liabilities without DPF	5 010 950	10 604 454	15 615 404	23 131 829	26 277 203
Investment contract liabilities:					
- with DPF	-	112 564 128	112 564 128	112 564 128	112 564 128
- without DPF	-	28 010 256	28 010 256	28 010 256	28 010 256
Shareholder risk reserve	-	11 669 534	11 669 534	11 669 534	11 669 534
Deferred income tax	92 154	16 343 807	16 435 961	16 574 192	16 632 037
Total Non-Monetary	**5 103 104**	**192 347 150**	**197 450 254**	**205 104 910**	**208 308 129**
TOTAL LIABILITIES	**14 488 761**	**238 324 589**	**259 622 325**	**274 808 825**	**283 903 420**
TOTAL EQUITY	**4 444 674**	**135 018 556**	**132 654 255**	**145 867 908**	**152 917 222**

32.2 EVENTS AFTER THE BALANCE SHEET DATE (continued)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

AS AT 31 DECEMBER 2018

SENSITIVITY ANALYSIS FOR EVENTS AFTER THE REPORTING DATE

	Component of reported amounts			Sensitivity analysis	
	Notsro FCA US$ (1 Oct-31 Dec)	RTGS $ (1 Jan -31 Dec)	Total US$ @ 1:1	Total RTGS$ @ 1:2.5	Total RTGS$ @ 1:3.1277
INCOME					
Gross premium written	4 522 369	176 105 728	180 628 097	187 411 651	190 250 342
Reinsurance	(1 774 383)	(22 167 983)	(23 942 366)	(26 603 941)	(27 717 721)
Net premium written	**2 747 986**	**153 937 745**	**156 685 731**	**160 807 710**	**162 532 621**
Unearned premium reserve	(319 742)	(2 517 591)	(2 837 333)	(3 316 946)	(3 517 648)
Net premium earned	**2 428 244**	**151 420 154**	**153 848 398**	**157 490 764**	**159 014 973**
Rental income	-	7 684 632	7 684 632	7 684 632	7 684 632
Fair value gain - investment property	-	6 841 300	6 841 300	6 841 300	6 841 300
Investment income	(80 442)	34 356 484	34 276 042	34 155 379	34 104 886
Fee income:	-	-	-	-	-
- insurance contracts	85 256	1 555 640	1 640 896	1 768 781	1 822 296
- investment contracts	-	3 697 810	3 697 810	3 697 810	3 697 810
Other income	73 937	1 192 491	1 266 428	1 377 333	1 423 743
Total income	**2 506 995**	**206 748 511**	**209 255 506**	**213 015 999**	**214 589 640**
EXPENDITURE			-	-	-
Insurance benefits	(564 922)	(10 487 899)	(11 052 821)	(11 900 204)	(12 254 805)
Insurance claims and loss adjustment expenses	(936 682)	(84 169 913)	(85 106 595)	(86 511 619)	(87 099 574)
Insurance claims and loss adjustment expenses recovered from reinsurers	-	7 443 621	7 443 621	7 443 621	7 443 621
Net insurance benefits and claims	**(1 501 604)**	**(87 214 191)**	**(88 715 795)**	**(90 968 202)**	**(91 910 758)**
Movement in insurance liabilities	-	(36 226 073)	(36 226 073)	(36 226 073)	(36 226 073)
Movement in shareholder risk reserve	-	262 060	262 060	262 060	262 060
Investment profit on investment contract liabilities	-	(7 065 356)	(7 065 356)	(7 065 356)	(7 065 356)
Acquisition of insurance and investment contracts expenses	(120 781)	(12 572 849)	(12 693 630)	(12 874 802)	(12 950 616)
Administration expenses	(351 966)	(38 953 712)	(39 305 678)	(39 833 627)	(40 054 556)
Impairment allowances	(140 775)	(549 191)	(689 966)	(901 128)	(989 493)
Finance cost on borrowings	-	(52 634)	(52 634)	(52 634)	(52 634)
Total expenditure	**(2 115 126)**	**(182 371 946)**	**(184 487 072)**	**(187 659 762)**	**(188 987 426)**
Profit before share of profit of associate	**391 869**	**24 376 565**	**24 768 434**	**25 356 237**	**25 602 214**
Share of profit of associate	-	46 666	46 666	46 666	46 666
Profit before income tax	**391 869**	**24 423 231**	**24 815 100**	**25 402 903**	**25 648 880**
Income tax expense	(27 740)	(7 143 532)	(7 171 272)	(7 212 882)	(7 230 295)
Profit for the year	**364 129**	**17 279 699**	**17 643 828**	**18 190 021**	**18 418 585**

33 PROPOSED DIVIDEND ON ORDINARY SHARES

At a meeting held on 10 April 2019, the Board resolved that a final dividend of RTGS$2,100,000 being 0.29 cents per share be declared from the profits for the year ended 31 December 2018. The dividend will be payable on or about 24 May 2019 to all shareholders of the company registered at close of business on 10 May 2019. The shares of the Company will be traded cum-dividend on the Zimbabwe Stock Exchange up to the market day of 7 May 2019 and ex-dividend as from 8 May 2019.

34 GOING CONCERN

The Directors have assessed the ability of the Group to continue operating as a going concern, including the impact of SI33, and believe that the preparation of these financial statements on a going concern basis is still appropriate.

TOP 20 SHAREHOLDERS

AS AT 31 DECEMBER 2018

Rank	Account name	Shares	%
1	NATIONAL SOCIAL SECURITY AUTHORITY	479 031 386	66.46
2	CAPITAL BANK CORPORATION LIMITED	76 343 373	10.59
3	LHG MALTA HOLDINGS LIMITED	33 718 991	4.68
4	STANBIC NOMINEES (PVT)LTD	21 048 421	2.92
5	GUMBALL INVESTMENTS	4 531 232	0.63
6	MEGA MARKET (PVT) LTD	4 274 925	0.59
7	ZISCO	4 220 237	0.59
8	LOXMILL	3 449 314	0.48
9	COLOSSUS INVESTMENTS (PVT) LTD	3 383 466	0.47
10	ZIMBABWE ASSOCIATION OF CHURCH RELATED HOSPITALS (ZACH) PENSION SCHEME	3 329 940	0.46
11	GURAMATUNHU FAMILY TRUST	2 904 735	0.40
12	FIRST MUTUAL LIFE STAFF PENSION SCHEME	2 629 900	0.36
13	RENAISSANCE SECURITIES NOMINEES (TWO) (PRIVATE) LIMITED	2 392 456	0.33
14	LOCAL AUTHORITIES PENSION FUND	2 323 701	0.32
15	COLNEST ZIMBABWE PENSION PLAN	1 281 135	0.18
16	KABELO FAMILY TRUST	1 200 000	0.17
17	NYAMBIRI FRANCIS	1 113 779	0.15
18	AUTUMN GOLD GROUP PENSION PLAN	1 113 163	0.15
19	TFS NOMINEES (PVT) LTD	804 964	0.12
20	MIMOSA MINING COMP P/F-INVESCI	797 342	0.12
	TOTAL	**649 892 460**	**90.17**
	Other Shareholders	**70 839 038**	**9.83**
	Total number of shares	**720 731 498**	**100.00**

NOTICE TO SHAREHOLDERS

Notice is hereby given that the sixteenth Annual General Meeting of the shareholders of FIRST MUTUAL HOLDINGS LIMITED will be held at Meikles Hotel, Palm Court, Harare on Thursday, 27 June 2019 at 14.30 for the purpose of transacting the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Financial Statements and Reports of the Directors and Auditors for the financial year ended 31 December 2018.

2. To elect directors:

   Mr G Baines, Ms E Mkondo and Mr E K Moyo retire as directors of the Company in terms of Article 106 of the Articles of Association. Being eligible, all offer themselves for re-election. Mrs D Tomana, who was appointed during the year, also retires and being eligible, offers herself for re-election in terms of Article 113.

   In terms of section 174 of the Companies Act [Chapter 24:03], directors will be elected by separate resolutions.

3. To fix the remuneration of the Directors.

4. To confirm the remuneration of the Auditors, PricewaterhouseCoopers Chartered Accountants, Zimbabwe (PWC), for the past year and to appoint PWC Chartered Accountants (Zimbabwe) as Auditors of the Company until the conclusion of the next Annual General Meeting.

5. To confirm the final dividend of RTGS$0.29 cents per share declared on 10 April 2019.

SPECIAL BUSINESS

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

6. Establishment of a Share Appreciation Rights Scheme

AS AN ORDINARY RESOLUTION

THAT the Directors be and are hereby authorised to implement the First Mutual Holdings Limited Share Appreciation Rights Plan (2018) and to set aside an allocation of ordinary shares in the capital of the Company equivalent to 5% of the Company's issued share capital (equating to 36,079,397 shares at the commencement of the Plan), subject to the Zimbabwe Stock Exchange's Listing Rules.

Note: The Scheme document shall be available for inspection at the registered office of the Company for fourteen (14) days prior to the date of the Annual General Meeting.

7. Loans to Executive Directors

AS AN ORDINARY RESOLUTION

THAT the Company be and is hereby authorised to make any loan to any Executive Director or to enter into any guarantee or provide any security in connection with a loan to such Executive Director for the purpose of enabling him to properly perform his duty as an officer of the Company as may be determined by the Group Human Resources and Governance Committee, provided that the amount of the loan or the extent of the guarantee or security shall not exceed the annual remuneration of that Director. Any such loans, securities or guarantees made or provided during the six months preceding this Annual General Meeting are hereby ratified.

8. General Authority to Buy Back Shares

AS A SPECIAL RESOLUTION

THAT the Company authorises in advance, in terms of section 79 of the Companies Act [Chapter 24:03] and the Zimbabwe Stock Exchange listing requirements the purchase by the Company of its own shares subject to the following terms and conditions:

a. The authority in terms of this resolution shall expire on the date of the Company's next Annual General Meeting; and
b. Acquisitions shall be of ordinary shares which, in the aggregate in any one financial year shall not exceed 10% of the Company's issued ordinary share capital; and
c. The maximum and minimum prices, respectively, at which such ordinary shares may be acquired will be the weighted average of the market price at which such ordinary shares are traded on the Zimbabwe Stock Exchange, as determined over the five business days immediately preceding the day of purchase of such ordinary share of the Company and shall not be less than the nominal value of the company's shares; and
d. All shares purchased pursuant to this resolution shall be utilised for treasury purposes or cancelled at the discretion of the Board of Directors from time to time.
e. If the maximum number of shares that can be purchased pursuant to the authority is purchased, the Directors believe that:
    i) the Company will be able, in the ordinary course of business, to pay its debts for a period of twelve months after the date of this notice;
    ii) the assets of the Company will be in excess of the liabilities of the Company and the Group;
    iii) there will be adequate ordinary capital and reserves in the Company for a period of 12 months after the date of this notice; and
    iv) there will be adequate working capital in the Company for a period of 12 months after the date of this notice.

9. Any Other Business

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

Note:

i) In terms of the Companies Act (Chapter 24:03) a member entitled to attend and vote at a meeting is entitled to appoint a proxy to attend and vote on a poll and speak in his stead. A proxy need not be a member of the Company.
ii) Proxy forms must be lodged at the registered office of the Company not less than forty-eight hours before the time for holding the meeting.
iii) The registration of members attending the meeting will commence at 14:00 hours on 27 June 2019, at the meeting venue.

BY ORDER OF THE BOARD

S Lorimer

S. F. Lorimer (Mrs.)
Company Secretary
HARARE

Registered Office
First Mutual Park
100 Borrowdale Road
Borrowdale
HARARE

CORPORATE INFORMATION

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

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

IMPORTANT CONTACT DETAILS
Group Company Secretary
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Group Marketing:
+263 (242) 850325
Group Audit and Risk Management:
+263 (242) 886046
(Executive) +263 (242) 886 041
(General) +263 (242) 886 070
Website: www.firstmutualholdings.com

BUSINESS
First Mutual Holdings Limited ("the Company") is incorporated and domiciled in Zimbabwe, and is an investment holding company.

The main business of the Company and its subsidiaries, (together "the Group") is that of provision of life and pensions insurance, health insurance, short-term insurance, reinsurance, property management and development, and wealth management.

REPORTING PERIOD
The current reporting period is from 1 January 2018 to 31 December 2018. The comparative report period is for the period 1 January 2017 to 31 December 2017. The reporting and functional currency is the United States of America dollar.

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

TRANSFER SECRETARIES
First Transfer Secretaries (Private) Limited
1 Armagh Avenue
Eastlea
Harare
Contact Details: +263 (242) 782869/72, +263 (242) 782869
Email: ftsgen@mercantileholdings.co.zw

STATUTORY ACTUARY
Giles Waugh
BW Deloitte, Building 17
The Woodlands
Western Service Road
Woodmead
Johannesburg
Republic of South Africa

PRINCIPAL BANKERS
Standard Chartered Bank Zimbabwe Limited
Stanbic Bank Zimbabwe Limited
Barclays Bank Zimbabwe Limited

PRINCIPAL PROPERTY VALUERS
Knight Frank Zimbabwe (Private) Limited
P.O. Box 3526
1st Floor Finsure House
Harare
Zimbabwe

PRINCIPAL LEGAL ADVISORS
Scanlen & Holderness
CABS Centre
74 Jason Moyo
P.O. Box 188
Harare
Zimbabwe

Atherstone & Cook
Praetor House
Josiah Chinamano Avenue
Harare
Zimbabwe

Proxy Form

I / We, ____
(full names)
of ____
(full address)
being the registered holder / s of ____ Ordinary shares in

FIRST MUTUAL HOLDINGS LIMITED, do hereby appoint:

____
(full names)
of ____
(full address)
or failing him / her the Chairman of the meeting as my / our proxy to vote for me / us on my / our behalf at the ANNUAL GENERAL MEETING of the Company to be held on 27 June 2019 and at any adjournment thereof.

I / We instruct my / our proxy or proxies to vote in the following way:
(Please mark the appropriate box with an "X" next to each resolution)

	ORDINARY BUSINESS	For	Against	Abstain
1	THAT the Audited Financial Statements and Reports of the Directors and Auditors for the financial year ended 31 December 2018 be adopted.			
2	THAT Mr G Baines be re-elected as a director of the Company in terms of Article 106 of the Articles of Association.			
3	THAT Ms E Mkondo be re-elected as a director of the Company in terms of Article 106 of the Articles of Association.			
4	THAT Mr E K Moyo be re-elected as a director of the Company in terms of Article 106 of the Articles of Association.			
5	THAT Mrs D Tomana's appointment as a director of the Company be confirmed in terms of Article 113 of the Articles of Association.			
6	THAT the remuneration of the Directors be confirmed.			
7	THAT the remuneration of the Auditors for the past year be confirmed.			
8	THAT PricewaterhouseCoopers (PWC) Chartered Accountants Zimbabwe be appointed as Auditors of the Company until the conclusion of the next Annual General Meeting.			
9	THAT the final dividend of 0.29 RTGS cents per share declared on 10 April 2019 be and is hereby confirmed.			
	SPECIAL BUSINESS			
10	That the Directors be authorised to implement the First Mutual Holdings Limited Share Appreciation Rights Plan (2018) and to set aside an allocation of ordinary shares equivalent to 5% of the Company's issued share capital, subject to Zimbabwe Stock Exchange Listing Rules.			
11	THAT the Company be authorised to make loans to Executive Directors in terms of Section 177 of the Companies Act [Chapter 24:03], subject to certain conditions.			
12	As a Special Resolution THAT the Company be authorised in terms of section 79 of the Companies Act [Chapter 24:03] to purchase its own shares, subject to certain conditions.			

Proxy Form

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

Signed this ____ day of ____ 2019

____
SIGNATURE OF SHAREHOLDER

NOTES:

1. In terms of section 129 of the Companies Act (Chapter 24:03), a member of the Company is entitled to appoint one or more persons to act in the alternative as his proxy, to attend and vote and speak in his stead. A proxy need not be a shareholder of the Company.

2. Unless otherwise instructed, the proxy will vote as he / she thinks fit.

3. This proxy form must be deposited at the Registered Office of the Company which is situated at First Floor, First Mutual Park, Borrowdale Road, Harare so as to be received by the Secretary not less than 48 hours before the meeting.

4. The proxy form must be signed and dated for it to be valid. Any alterations or corrections to this form must be initialled.

5. Anyone signing this proxy form in a representative capacity must be authorised to do so. Please stamp this form with your company or organisation's stamp and enclose proof of authorisation.

6. The return of this proxy form will not prevent you from attending the meeting and voting in person. However, should this happen, the proxy will be revoked.

GRI STANDARDS CONTENT INDEX – 'Core'

GENERAL STANDARD DISCLOSURES		
GENERAL STANDARD DISCLOSURES	**PAGE (S)**	**EXTERNAL ASSURANCE**
STRATEGY AND ANALYSIS		
G GRI102-14	26	Assured
GRI102-1	Front Cover	Not Assured
GRI102-2	12-22	Not Assured
GRI102-3	162	Not Assured
GRI102-4	10-11	Not Assured
GRI102-5	10-11	Not Assured
GRI102-6	10-11	Not Assured
GRI102-7	66-67	Not Assured
GRI102-8	53	Not Assured
GRI102-41	N/A	Not Assured
GRI102-9	N/A	Not Assured
GRI102-10	N/A	Not Assured
GRI102-11	55	Not Assured
GRI102-12	54	Not Assured
GRI102-13	54	Not Assured
INDENTIFIED MATERIAL ASPECTS AND BOUNDARIES		
GRI102-45	152	Not Assured
GRI102-46	51	Not Assured
GRI102-47	51	Not Assured
GRI103-1	51	Not Assured
GRI102-48	N/A	Not Assured
GRI102-49	N/A	Not Assured
STAKEHOLDER ENGAGEMENT		
GRI102-40	49-50	Not Assured
GRI102-42	49	Not Assured
GRI102-43	49-50	Not Assured
GRI102-44	49-51	Not Assured
REPORT PROFILE		
GRI102-50	3	Not Assured
GRI102-51	51	Not Assured
GRI102-52	3	Not Assured
GRI102-53	3	Not Assured
GRI102-54	3,51	Not Assured
GRI102-55	165-166	Not Assured
GOVERNANCE		
GRI102-18	32,36-37,38	Not Assured
ETHICS AND INTEGRITY		
GRI102-16	33,39	Not Assured

GRI STANDARDS CONTENT INDEX – 'Core' (cont;d)

SPECIFIC STANDARD DISCLOSURES			
MATERIAL ASPECTS: DMA AND INDICATORS	PAGE (s)	OMMISSION	ASSURANCE
ECONOMIC			
Economic Performance			
GRI201-1: Direct Economic Value Generated and distributed	52	N/A	Assured
GRI201-3: Coverage of the organisation's defined Contribution plan obligation	52	N/A	Assured
ENVIRONMENTAL			
Energy			
GRI302-1: Energy consumption within the organisation	52	N/A	Not Assured
GRI302-2: Energy Consumption outside the organisation	52	N/A	Not Assured
Water			
GRI303-1: Water withdrawn by source	53	N/A	Not Assured
SOCIAL			
Employment			
GRI401-1: Total number and rates of new employee hires and employee turnover	53	N/A	Not Assured
GRI403-2: Total injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work related fatalities	53	N/A	Not Assured
Training and Education			
GRI404-1: Average hours of training per year per employee	53	N/A	Not Assured

Notes

Notes

FIRST MUTUAL

HOLDINGS LIMITED

Go Beyond

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