

Trading Update FOR THE PERIOD ENDED 31 MARCH 2020



We can STOP the Corona Virus

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FINANCIAL HIGHLIGHTS

The financial highlights for the three months ended 31 March 2020 are as follows:

Comprehensive income highlights

	INFLATION ADJUSTED		HISTORICAL	
	Unaudited 31-Mar-20 ZWL000	Audited 31-Mar-19 ZWL000	Unaudited 31-Mar-20 ZWL000	Unaudited 31-Mar-19 ZWL000
Gross premium written (GPW)	412,660	450,390	350,018	73,497
Net earned premium	301,562	373,645	263,883	48,779
Rental income	207,534	11,216	17,400	2,392
Investment income	71,266	(29,315)	223,608	(8,932)
Total expenditure	(356,271)	(313,274)	(631,320)	(40,342)
Profit before income tax	201,109	47,744	509,973	5,144
Profit for the period	71,070	31,308	383,522	3,379

Financial position highlights

	INFLATION ADJUSTED		HISTORICAL	
	Unaudited 31-Mar-20 ZWL000	Audited 31-Dec-19 ZWL000	Unaudited 31-Mar-20 ZWL000	Audited 31-Dec-19 ZWL000
Total assets	3,455,053	3,485,237	3,380,455	2,308,897

Historical financial performance analysis

Gross Premium Written (GPW) at \$350.1 million was 376% higher than prior year. The growth was mainly due to organic growth, revision of sums insured in line with inflation and the weakening of the USD:ZWL rate as well as an increased contribution from the Botswana based reinsurance subsidiary.

Rental income increased by 627% from prior year largely due to quarterly rental reviews during 2019 and at the beginning of 2020 coupled by increase in occupancy rates. Occupancy rates improved from 75.36% in 2019 to 86.85%.

Administration expenses increases by 460% in line with the prevailing inflationary environment, however, the growth rate was lower than the average year on year reported inflation for the quarter of 563.3%.

Total assets increased by 46% due to revaluation of investment property, fair value gains on equity investments, revaluation of USD denominated assets and the profit the period.

Impact of Coronavirus pandemic

The Coronavirus pandemic has diminished the short-term growth prospects of the economy as well as the Group. The full impact of the pandemic on the Group is yet to be realised as the situation continues to evolve. Group revenues for the month of April 2020 were in line with plan. The Group has implemented strategies to minimise impact of the pandemic and has sufficient reason to remain confident in overcoming the repercussions of the Coronavirus pandemic.

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 MARCH 2020

	INFLATION ADJUSTED		HISTORICAL	
	UNAUDITED 31-Mar-20 ZWL000	UNAUDITED 31-Mar-19 ZWL000	UNAUDITED 31-Mar-20 ZWL000	UNAUDITED 31-Mar-19 ZWL000
INCOME				
Gross premium written	412,660	450,390	350,018	73,497
Reinsurance	(71,975)	(49,215)	(61,129)	(20,881)
Net premium written	340,685	401,175	288,889	52,616
Unearned premium reserve	(39,123)	(27,530)	(25,006)	(3,837)
Net premium earned	301,562	373,645	263,883	48,779
Rental income	25,404	11,216	17,400	2,392
Fair value adjustments - investment property	(70,323)	-	590,136	-
Investment income	171,266	(29,315)	223,608	(8,932)
Interest income	1,368	10,918	937	1,407
Fee income:				
- Insurance contracts	14,448	7,713	12,322	1,410
- Investment contracts	264	284	212	52
Other income	17,754	(776)	12,160	(100)
Foreign currency exchange gain	30,127	3,709	20,635	478
Monetary gain/(loss) - IAS29	65,510	(16,375)	-	-
Total income	557,380	361,018	1,141,293	45,486
EXPENDITURE				
Pension benefits	(7,192)	(12,247)	(6,693)	(3,185)
Insurance claims and loss adjustment expenses	(182,360)	(181,091)	(148,260)	(25,068)
Insurance claims and loss adjustment expenses recovered from reinsurers	13,681	2,360	11,123	1,919
Net insurance benefits and claims	(175,871)	(190,978)	(143,830)	(26,334)
Movement in insurance contract liabilities	20,806	(13,803)	(313,280)	(231)
Movement in shareholder risk reserve	(11,804)	(507)	(698)	(68)
Investment gain on investment contract liabilities	(57,792)	25,334	(58,510)	3,524
Acquisition of insurance and investment contracts expenses	(27,520)	(20,582)	(26,604)	(2,691)
Administration expenses	(99,713)	(110,251)	(84,021)	(14,209)
Impairment allowances	(3,767)	(2,484)	(3,767)	(333)
Finance cost on borrowings	(610)	(3)	(610)	(0)
Total expenditure	(356,271)	(313,274)	(631,320)	(40,342)
Profit before income tax	201,109	47,744	509,973	5,144
Income tax expense	(130,039)	(16,436)	(126,451)	(1,765)
Profit for the period	71,070	31,308	383,522	3,379
Other comprehensive income/(loss)				
Other comprehensive income/(loss) to be reclassified to statement of comprehensive income in subsequent period				
Exchange gain/(loss) on translating foreign operations	23,104	6,937	23,104	4,719
Other comprehensive income/(loss) to be reclassified to statement of comprehensive income in subsequent periods	23,104	6,937	23,104	4,719
Total comprehensive profit for the period	94,174	38,245	406,626	8,098
Profit/(loss) attributable to:				
Non-controlling interest	(19,902)	1,996	139,190	257
Equity holders of the parent	90,972	29,312	244,332	3,122
Profit/(loss) for the period	71,070	31,308	383,522	3,379
Comprehensive income attributable to:				
Non-controlling interest	(19,902)	1,996	139,190	257
Equity holders of the parent	114,076	36,249	267,436	7,841
Total comprehensive income for the period	94,174	38,245	406,626	8,098
Basic profit per share (ZWL cents)	12.57	4.07	33.77	0.43
Diluted profit per share (ZWL cents)	12.56	4.05	33.74	0.43

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020

	INFLATION ADJUSTED		HISTORICAL	
	UNAUDITED GROUP 31-Mar-20 ZWL000	AUDITED GROUP 31-Dec-19 ZWL000	UNAUDITED GROUP 31-Mar-20 ZWL000	AUDITED GROUP 31-Dec-19 ZWL000
ASSETS				
Property, plant and equipment	37,832	67,630	30,548	18,499
Investment property	1,998,012	2,068,335	1,998,012	1,413,176
Right of use of assets - IFRS 16	27,848	27,848	4,503	3,068
Intangible assets	8,459	9,381	2,646	2,693
Investment in associates	28,037	28,037	9,958	10,352
Financial assets:				
- Equity securities at fair value through profit or loss	593,205	521,939	593,205	348,767
- Debt securities at amortised cost	15,334	13,747	15,334	9,416
Deferred acquisition costs	31,067	11,235	13,170	7,648
Income tax asset	614	172	614	117
Inventory	11,317	20,505	9,137	6,309
Insurance, tenant and other receivables	320,071	305,662	320,071	208,348
Cash and balances with banks	383,257	410,746	383,257	279,516
TOTAL ASSETS	3,455,053	3,485,237	3,380,455	2,307,909
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent				
Share capital	9,100	9,100	723	723
Share premium	491,032	491,032	39,045	39,045
Non-distributable reserves	24,443	178,913	91,332	68,229
Retained earnings	109,738	(4,338)	634,326	389,819
Total equity attributable to equity holders of the parent	634,314	674,707	765,426	497,816
Non-controlling interests	688,605	708,507	489,826	350,636
Total equity	1,322,919	1,383,214	1,255,252	848,452
Liabilities				
Life insurance contracts with and without DPF and investment contracts with DPF liabilities	1,013,244	1,034,050	1,013,244	703,858
Investment contract liabilities without DPF	103,431	67,050	103,431	45,639
Shareholder risk reserves	27,343	39,147	27,343	26,647
Lease liability - IFRS 16	4,854	4,854	3,304	3,304
Share based payment liability	5,764	7,372	5,764	5,018
Insurance contract liabilities - short term	467,841	451,835	467,841	307,555
Insurance liabilities - life assurance	4,988	5,992	4,988	4,079
Other payables	95,112	121,129	95,112	80,799
Deferred income tax	406,914	369,326	401,533	281,695
Current income tax liabilities	2,643	1,268	2,643	863
Total liabilities	2,132,134	2,102,023	2,125,203	1,459,457
TOTAL EQUITY AND LIABILITIES	3,455,053	3,485,237	3,380,455	2,307,909

SEGMENTAL RESULTS AND ANALYSIS FOR THE PERIOD ENDED 31 MARCH 2020

HISTORICAL As at 31 March 2020	Reinsurance			General		Health		Property		Other		Gross Consolidation		Total Consolidated
	Life ZWL000	Zimbabwe ZWL000	Botswana ZWL000	insurance ZWL000	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000	
Net premium earned	33,095	13,953	55,651	65,483	96,675	-	-	-	-	-	-	264,857	(974)	263,883
Rental income	-	-	-	1,544	-	17,050	-	-	-	-	-	18,594	(1,194)	17,400
Fair value adjustments on investment property	-	-	-	63,856	-	542,280	-	-	-	-	-	606,136	(16,000)	590,136
Investment income	444,587	40,085	568	18,981	77,438	5	43,006	624,670	8,891	5,301	9,730	(18,662)	(8,932)	223,608
Other income and fee income	13,939	10,686	-	4,488	7,583	12,631	8,596	57,923	12,631	8,596	57,923	(11,870)	46,054	
Total income	491,621	64,724	56,219	154,352	181,696	571,966	51,602	1,572,180	(431,099)	1,141,081				
Combined ratio	101.00%	108.00%	86.00%	75.00%	95.23%	-	-	-	-	-	-	-	-	-
Operating profit margin	-1.00%	35.00%	14.00%	32.00%	11.74%	51.00%	-	-	-	-	-	-	-	-
As at 31 March 2019														
Net premium earned	11,674	3,960	2,767	9,473	20,769	-	-	48,643	-	-	-	136	48,779	
Rental income	-	-	-	234	-	2,711	-	2,945	-	-	-	(553)	2,392	
Fair value adjustments on investment property	-	-	-	-	-	-	-	-	-	-	-	-	-	
Investment income	(6,082)	(528)	46	660	1,442	8,891	5,301	9,730	8,891	5,301	9,730	(18,662)	(8,932)	
Other income and fee income	2,163	69,776	-	335	6,366	165	1,920	80,725	165	1,920	80,725	(77,478)	3,247	
Total income	7,755	73,208	2,813	10,702	28,577	11,767	7,221	142,043	(96,557)	45,486				
Combined ratio	95.00%	146.00%	77.00%	75.00%	76.92%	-	-	-	-	-	-	-	-	
Operating profit margin	5.00%	-46.00%	23.00%	24.00%	23.08%	43.00%	-	-	-	-	-	-	-	

NOTES TO THE TRADING UPDATE FOR THE PERIOD ENDED 31 MARCH 2020

1. Corporate information

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

The ultimate parent of the Company is National Social Security Authority ("NSSA") which owns 68.81% (2019: 68.81%) directly and an additional 11.41% (2019: 11.41%) indirectly through Capital Bank Limited (under liquidation). NSSA owns 84% (2018: 84%) of Capital Bank Limited.

The registered office is located at Second Floor, First Mutual Park, 100 Borrowdale Road, Borrowdale, Harare, Zimbabwe. The consolidated historical and inflation adjusted financial statements of the Group for the three months ended 31 March 2020 were authorised for issue in accordance by a resolution of the Directors at a meeting held on 12 May 2020.

2. Inflation adjustment

IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of a measuring unit current at the balance sheet date, and that corresponding figures for previous periods be stated in the same terms to the latest balance sheet date. The restatement has been calculated by means of conversion factors derived from the month-on-month consumer price index ("CPI") prepared by the Zimbabwe Statistical Agency. The conversion factors used to restate the financial statements at 31 March 2020 are as follows:

Date	CPI	Conversion factor
31 March 2019	104.38	7.76
31 December 2019	551.63	1.47
31 March 2020	810.40	1.00

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