Bringing **Economic dignity** to our customers. **#ItsPossible**

LIFE | HEALTH | INSURANCE | REINSURANCE | SAVINGS | PROPERTY

FIRST MUTUAL

HOLDINGS LIMITED

Go Beyond

ABRIDGED AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

CHAIRMAN'S STATEMENT

ECONOMIC OVERVIEW

The Zimbabwe economic environment remained subdued in 2016 with Gross Domestic Product ("GDP") growth estimated at 0.6% compared to 1.1% in 2015 owing to persistent liquidity constraints, shortage of foreign currency and the negative impact of the 2015-6 drought on agricultural output. Cash shortages and declining nostro account balances had a negative impact on the banking sector. In November 2016 the adoption of plastic money and the issuance of bond notes alleviated the impact of cash shortages. Bank lending and deposit rates continued to decline during the year. The year-on-year inflation rate stood at a negative 0.9% compared to a negative 2.5% in December 2015. During the nine months to September 2016, the equity market traded in the negative due to liquidity constraints, weak aggregate demand and reduced business confidence. The introduction of the bond notes led to the rebound of the stock market as investors shifted focus towards real assets amid fears of inflationary pressures. The property market remained constrained during the year 2016 due to low demand for rental space, increasing voids mainly from voluntary space surrenders and evictions, growing arrear levels and downward rental review requests from tenants.

FINANCIAL RESULTS

The financial highlights for the year ended 31 December 2016 (compared to December 2015) are shown below:

	AUDITED 31-Dec-16 US$000	AUDITED 31-Dec-15 US$000	Change %
STATEMENT OF COMPREHENSIVE INCOME HIGHLIGHTS			
Total Gross Premium Written ("GPW")	116 480	116 095	0%
Pensions business	22 525	18 744	20%
Life assurance	16 208	17 047	-5%
Health insurance	52 209	52 482	-1%
Property and casualty	25 538	27 822	-8%
Net premium earned	107 556	106 604	1%
Technical result	24 305	21 407	14%
Operating profit	9 284	4 452	109%
Profit/(loss) before income tax	10 857	(3 717)	392%
Profit for the year	9 304	131	7002%
FINANCIAL POSITION HIGHLIGHTS			
Investment property	124 302	122 027	2%
Equity securities at fair value through profit or loss	19 863	11 483	73%
Debt securities - prescribed assets	20 292	14 730	38%
Cash and balances with banks	37 657	28 140	34%
Total assets	229 707	209 019	10%
Life insurance and investment contract liabilities	110 227	96 405	14%
STATEMENT OF CASH FLOWS HIGHLIGHTS			
Cash generated from operating activities	21 293	14 643	45%
Cash and cash equivalents	35 550	13 446	164%

FINANCIAL PERFORMANCE

Statement of comprehensive income

GPW for the year ended 31 December 2016 at US$116.5 million was marginally ahead of the prior year figure of US$116.1 million as premium decline in the Property and Casualty segments were ameliorated by increased GPW in the Life and Pension business.

Consolidated rental income decreased by 8% from US$7.3 million in 2015 to US$6.7 million, reflecting the current challenges faced by tenants. Although the average rental per square metre increased from US$7.41 in 2015 to US$7.47 in 2016, the occupancy rate for the year was 71% compared to 79% for 2015.

Operating profit, which reflects the Group's performance before taking into account the out-turn on the investment portfolio, improved to US$9.3 million compared to a profit of US$4.5 million in 2015. This improvement was largely due to lower claims, reduction in impairment allowances and reduction in aquisition expenses. The robust operational perfomance was also reflected in the increase in cash generated from operations of US$21.3 million for the year, compared to US$14.6 million in previous year.

The Group had an investment profit of US$8.8 million in 2016 compared to investment losses of US$4.7 million in 2015 mainly due to the increase in fair value gains on quoted equities following the recovery of the stock market in the fourth quarter of 2016, a lower negative fair value adjustment on investment property and increased interest income arising from higher money market investments.

The Group achieved an overall profit after tax of US$9.3 million for the year compared to US$0.1 million in the previous year. Total comprehensive income attributable to the equity holders of the parent company for the year was US$8.8 million (2015: US$0.2 million).

Statement of financial position

The Group's total assets increased from US$209 million at 31 December 2015 to US$229.7 million at 31 December 2016. The growth was mainly a result of increases in cash and balances with banks (US$9.5 million), equity investments (US$8.4 million) and debt securities (US$5.6 million) driven by the significantly improved cash generated from operations.

FIRST MUTUAL IN THE COMMUNITY

The First Mutual Foundation, whose objective is to raise the standard of living of communities in which we operate, continues to support selected children from throughout the country with educational assistance and necessary ancillary services. As the Foundation continues to gain momentum, its aim is to increase its support in the education arena. In line with this, the First Mutual Foundation has committed support to the Reformed Church University by availing a bursary worth US$80 000 over a four year period.

OUTLOOK

The macroeconomic environment is expected to improve from a slowdown mode on the back of the modest growth in mining as mineral prices are expected to recover on the international market and agriculture due to the good 2016-7 rainy season. The Board is determined to preserve and create value for stakeholders through further process efficiencies, robust cost management and continued innovation.

Renewed focus has been placed on the risk management framework across the Group in view of vulnerabilities in key sectors of the economy to protect stakeholder value.

The individual life assurance sector is expected to register modest growth benefiting from demand for retail products. Pensions are projected to experience negative growth on account of reduced formal employment and economic contraction. Similarly, short-term insurance will be adversely affected by the current economic challenges.

The Group will maintain a cautious approach in the management of its investment portfolio with core focus on value preservation. Money market interest rates are expected to decline as banks move to contain cost of funds in the wake of reduced lending and decline in fee and transactional income. The fixed interest market is expected to partially counter the pressure on investment income as interest rates have remained relatively high.

DIRECTORATE

Mr Gareth Baines was appointed as non-executive director, effective 9 September 2016. On behalf of the Board, I welcome him and look forward to his positive contribution.

DIVIDEND

In view of the focus on current initiatives and the need to consolidate the operations of group companies, the directors recommend that no dividend be paid from the profit of the Group for the year ended 31 December 2016.

APPRECIATION

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

OMtasa

Oliver Mtasa
Chairman

17 March 2017

GROUP CHIEF EXECUTIVE OFFICER'S REVIEW OF OPERATIONS

The Group continues to deliver on its strategic pillars of risk management, wealth creation and wealth management. This is becoming increasingly important in a political, economic, social and technological environment that is fraught with change and evolution. Key to this is management's commitment to delivering value without losing strategic intent. As such, our focus as a Group is going beyond our diverse customer expectations, keeping our promises, fulfilling our obligations outlined in our strategic pillars, and remaining aligned to availing economic dignity through our business units. Heightened customer service, Information & Communication Technology ("ICT") process efficiencies, greater customer convenience and cost containment have been the bedrock which has driven the business this year. Greater emphasis will be placed on these pillars in the year ahead.

The Group achieved a significantly improved financial performance for the year of US$9.3 million compared to a profit of US$0.1 million in 2015, mainly as a result of improved claims experience, lower impairment allowances and a positive investment portfolio out-turn relative to the prior year.

Systems and processes

In line with ensuring the Group maintains secure and efficient ICTs that are geared towards effectively supporting its business processes, a network upgrade exercise was undertaken. Optimisation of all core network equipment was achieved through replacement of hardware. This process was imperative as the network infrastructure constitutes the backbone for all ICT operations and group communications. Internet bandwidth was also reviewed upwards to assure optimal utilisation of all the business systems in line with improved service delivery standards.

OPERATIONS REVIEW

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

HEALTH INSURANCE

First Mutual Health Company (Private) Limited

The GPW for First Mutual Health Company (Private) Limited declined slightly by 0.1% to US$52.3 million (2015: US$52.5 million) mainly due to the decline in individual non-corporate members. Valid membership as at 31 December 2016 was 108 360 compared to 113 056 members as at 31 December 2015. This decline was mitigated by the increase in average monthly premium per member for the year to US$40.15 compared to the 2015 average monthly premium of US$38.68. Total claims incurred during the year decreased by 6% from US$43.9 million to US$41.3 million, resulting in the claims ratio decreasing to 79% (2015: 84%). The Company will continue to seek new business through providing quality service, demonstrated claims paying ability, wellness campaigns, innovative products and competitive pricing.

LIFE AND PENSIONS BUSINESS

First Mutual Life Assurance Company (Private) Limited

The business achieved GPW of US$36.6 million which was a growth of 12% relative to the comparative prior period. The shareholder risk business GPW, comprising Group Life Assurance and Individual Life Assurance products, grew by 2% to US$14.1 million compared to the prior year GPW of US$13.9 million. The increase in shareholders' risk business was mainly a result of an increase in premium collected from individual funeral business, particularly the recently launched mobile-based eFML.

The policyholder business achieved GPW of US$22.5 million, a growth of 20% over the prior year figure of US$18.7 million. Policyholder gross premium growth was driven by an increase in single premiums of pensions policyholders, new business acquired and improved persistence of recurring business in the Individual Business cash accumulation products. The growth in single premiums is a reflection of market confidence in the First Mutual brand. Claims and benefits at US$11.5 million went up by 29% compared to 31 December 2015 due to an increase in retrenchment claims and benefits.

First Mutual Reinsurance Company Limited
Life and Health Segment

GPW decreased by 31% to US$2.5 million (2015: US$3.6 million). Health business premium was 73% below prior year due to the reduction in business generated from the region. At the beginning of 2016, the company took a deliberate decision to reduce its exposure to regional health business due to higher than expected claims and difficulties in collecting the premium. However, the decline in the regional health business was mitigated by the growth in Group Life Assurance business in the local market which grew by 28%. Despite the decline in revenue, the operating profit improved.

PROPERTY AND CASUALTY INSURANCE

First Mutual Reinsurance Company Limited
Property and Casualty Segment

The GPW declined to US$17.2 million (2015: US$ 19,8 million) as premium was lost on major accounts mainly due to increased retentions by cedants following the increase in minimum capital levels and lower rates by cedants due to the deteriorating economy as well as increased competition. Claims and expenses were contained within expectations resulting in an underwriting profit for the year. Regional business grew by 8% and contributed 22% of the total GPW compared to 18% in 2015. The ability to attract the regional market business was constrained by concerns about foreign currency shortages in the second half of the year.

FMRE Property and Casualty (Proprietary) Limited (Botswana)

The GPW for the year at US$5.4 million (BWP58.3 million) was 34% above the prior year figure of US$4.0 million (BWP40.8 million). The regional market contributed 41% of the premium with the balance coming from the Botswana market. The growth in premium from the region was attributable to an increase in agriculture business from both Zambia and Zimbabwe. The business continues to be prudent in underwriting local business to ensure rates are consistent with risk and claims experience.

TristarInsurance Company Limited

The GPW decreased by 20% to US$3.6 million compared to US$4.6 million in 2015. The decrease was a result of deliberate non-renewal of some non-paying policies as part of portfolio restructuring. The dominant classes continue to be motor, fire and accident, in terms of contributions to GPW at 50%, 22% and 13% respectively.

PROPERTY

Pearl Properties (2006) Limited

Revenue for the year ended 31 December 2016 declined by 6% to US$8.0 million (2015: US$8.5 million) mainly due to rental income declining by 7% to US$7.7 million (2015: US$8.3 million). The decrease was driven by increased voids and reduced rental rates across the property portfolio. The occupancy level declined to 72% (2015: 79%) with voids occurring largely within properties in the Central Business District.

An independent valuation of the investment property portfolio was conducted by Knight Frank as at 31 December 2016 resulting in a fair value loss of US$1.5 million (2015: US$6.6 million). The loss was driven by rising vacancies that have added downward pressure on rentals, increasing tenant defaults and an illiquid property sale market.

During the year, the company reclassified George Square Mews from inventory to investment property. The residential housing units are now held to earn rentals and for capital appreciation.

HUMAN CAPITAL DEVELOPMENT

The business continues to monitor the effectiveness of the employee engagement and organisational culture change initiative (the First Mutual Way). The organisational culture and employee engagement streams are ongoing and include entrenching a customer centric culture following implementing and evaluating the effectiveness of the Customer Service Charter. The Group is continuously reviewing the efficacy of its human resources policies to ensure they are delivering value to the employees, businesses and ultimately our customers.

LOOKING AHEAD

The Group achieved an overall improved performance with a 1% growth in net premium earned compared to the prior year and attained an overall profit for the year of US$9.3 million from a profit position of US$0.1 million in 2015. The Group will continue to focus on customer centricity supported by product relevance and increased convenience to customers driven by robust and agile ICT systems and efficiencies. This will be augmented by cost containment and preservation of value driven by sound investment policies.

Douglas Hoto
Group Chief Executive Officer

17 March 2017

FIRST MUTUAL
HOLDINGS LIMITED
Go Beyond

Bringing **Economic dignity** to our customers. **#ItsPossible**

LIFE | HEALTH | INSURANCE | REINSURANCE | SAVINGS | PROPERTY

ABRIDGED AUDITED FINANCIAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2016

CONSOLIDATED AND COMPANY STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note	AUDITED Group 31-Dec-16 US$000	AUDITED Group 31-Dec-15 US$000	AUDITED Company 31-Dec-16 US$000	RESTATED Company 31-Dec-15 US$000	RESTATED Company 1-Jan-15 US$000
ASSETS						
Property, plant and equipment	4	9 251	9 749	109	316	652
Investment property	5	124 302	122 027	-	-	-
Intangible assets		59	85	-	-	-
Investment in subsidiaries		-	-	30 301	21 723	19 856
Financial assets:						
- Equity securities at fair value through profit or loss	6	19 863	11 483	139	93	327
- Debt securities held to maturity	7	20 292	14 730	-	-	-
Deferred acquisition costs		1 086	1 134	-	-	-
Income tax asset		87	558	-	-	-
Inventory	8	283	3 082	30	28	29
Loans and receivables including insurance receivables	9	12 457	13 431	516	450	382
Non-current assets classified as held for sale	10	4 370	4 600	-	6	-
Cash and balances with banks	11	37 657	28 140	117	111	116
TOTAL ASSETS		**229 707**	**209 019**	**31 212**	**22 727**	**21 362**
EQUITY AND LIABILITIES						
Equity attributable to equity holders of the parent						
Share capital		380	380	380	380	380
Share premium		7 958	7 958	7 958	7 958	7 958
Non-distributable reserves		2 074	2 094	291	291	291
Retained profits		13 812	3 515	13 622	5 354	5 586
Total equity attributable to equity holders of the parent		**24 224**	**13 947**	**22 251**	**13 983**	**14 215**
Non-controlling interests		**51 651**	**53 411**	**-**	**-**	**-**
Total equity		**75 875**	**67 358**	**22 251**	**13 983**	**14 215**
Liabilities						
Life insurance contract liabilities with DPF	12.1	15 573	15 570	-	-	-
Life insurance contract liabilities without DPF	12.2	19 314	19 477	-	-	-
Investment contract liabilities:						
- With DPF	12.3	66 808	55 696	-	-	-
- Without DPF	12.4	8 532	5 662	-	-	-
Borrowings	13	4 309	5 548	2 018	2 157	379
Insurance contract liabilities - short term	14	20 921	22 714	-	-	-
Insurance liabilities - life assurance		2 067	2 318	-	-	-
Other payables		5 516	3 840	6 943	6 587	5 825
Deferred tax	15	10 788	10 598	-	-	943
Current income tax liabilities		4	17	-	-	-
Liabilities associated with assets classified as held for sale		-	221	-	-	-
Total liabilities		**153 832**	**141 661**	**8 961**	**8 744**	**7 147**
TOTAL EQUITY AND LIABILITIES		**229 707**	**209 019**	**31 212**	**22 727**	**21 362**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	AUDITED 31-Dec-16 US$000	AUDITED 31-Dec-15 US$000
INCOME			
Gross premium written	16	116 480	116 095
Reinsurance	16	(9 320)	(9 802)
Net premium written	**16**	**107 160**	**106 293**
Unearned premium reserve		396	311
Net premium earned		**107 556**	**106 604**
Rental income		6 732	7 329
Fair value adjustments - investment property	5	(1 531)	(6 609)
Gain on disposal of a subsidiary	21	334	-
Investment profit/(loss)	17	8 803	(4 717)
Fee income:			
- Insurance contracts		1 207	1 160
- Investment contracts		3 093	2 896
Other income		1 197	1 126
Total income		**127 391**	**107 789**
EXPENDITURE			
Insurance claims and loss adjustment expenses	18	(54 259)	(59 312)
Pension benefits	18	(11 460)	(8 866)
Insurance claims and loss adjustment expenses recovered from reinsurers	18	636	491
Net insurance benefits and claims	**18**	**(65 083)**	**(67 687)**
Movement in insurance liabilities		(15 209)	(6 627)
Investment (gain)/loss on investment contract liabilities		(2 532)	2 316
Acquisition of insurance and investment contract expenses		(7 432)	(8 491)
Administration expenses		(25 274)	(25 748)
Impairment allowances	19	(497)	(4 796)
Finance cost on borrowings		(507)	(467)
Total expenditure		**(116 534)**	**(111 500)**
Profit/(loss) before share of loss of associate		**10 857**	**(3 711)**
Share of loss of associate		-	(6)
Profit/(loss) before income tax		**10 857**	**(3 717)**
Income tax (expense)/credit		(1 553)	3 848
Profit for the year		**9 304**	**131**
Other comprehensive income			
Other comprehensive income to be reclassified to statement of comprehensive income in subsequent periods			
Exchange differences on translating foreign operations		(33)	(88)
Share of associate's other comprehensive income		-	(68)
		(33)	**(156)**
Total comprehensive profit/(loss) for the year		**9 271**	**(25)**
Profit/(loss) attributable to:			
Non-controlling interest		455	(209)
Equity holders of the parent		8 849	340
Profit for the year		**9 304**	**131**
Comprehensive income/(loss) attributable to:			
Non-controlling interest		455	(209)
Equity holders of the parent		8 816	184
Total comprehensive income/(loss) for the year		**9 271**	**(25)**
Basic earnings/(loss) per share (US cents)		2.33	(0.09)
Diluted earnings/(loss) per share (US cents)		2.33	(0.09)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	Share capital US$000	Share premium reserves US$000	Non-distributable reserves US$000	Retained profits US$000	Total equity for parent US$000	Non-controlling interest US$000	Total equity US$000
As at 1 January 2015	**380**	**7 958**	**2 108**	**3 291**	**13 737**	**53 919**	**67 656**
Transfer to solvency reserve	-	-	50	(50)	-	-	-
Share based payments	-	-	24	-	24	-	24
Policyholder gain on acquistion of Pearl shares	-	-	-	2	2	(3)	(1)
Dividend declared and paid	-	-	-	-	-	(296)	(296)
Total comprehensive (loss)/income	**-**	**-**	**(88)**	**272**	**184**	**(209)**	**(25)**
Profit/(Loss) for the year	-	-	-	340	340	(209)	131
Other comprehensive (loss)/income	-	-	(88)	(68)	(156)	-	(156)
As at 31 December 2015	**380**	**7 958**	**2 094**	**3 515**	**13 947**	**53 411**	**67 358**
Share based payments	-	-	13	-	13	-	13
Shareholder gain on acquisition of Pearl shares	-	-	-	1 448	1 448	(1 898)	(450)
Dividend declared and paid	-	-	-	-	-	(317)	(317)
Total comprehensive (loss)/income	**-**	**-**	**(33)**	**8 849**	**8 816**	**455**	**9 271**
Profit for the year	-	-	-	8 849	8 849	455	9 304
Other comprehensive (loss)/income	-	-	(33)	-	(33)	-	(33)
As at 31 December 2016	**380**	**7 958**	**2 074**	**13 812**	**24 224**	**51 651**	**75 875**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

	AUDITED 31-Dec-16 US$000	AUDITED 31-Dec-15 US$000
Profit/(loss) before income tax	**10 857**	**(3 717)**
Total non-cash and separately disclosed items	6 892	18 344
Operating cash flows before working capital changes	**17 749**	**14 627**
Working capital changes	3 544	16
Cash generated from operations	**21 293**	**14 643**
Finance costs on borrowings	(507)	(467)
Interest received	2 657	2 300
Tax paid	(905)	(655)
Net cash flows generated from operating activities	**22 538**	**15 821**
Net cash flows generated from/(used in) investing activities	**1 081**	**(18 549)**
Net cash flows (used in)/generated from financing activities	**(1 535)**	**249**
Net increase/(decrease) in cash and cash equivalents	**22 084**	**(2 479)**
Cash and cash equivalents at the beginning of the year	13 466	15 945
Cash and cash equivalents at the end of the year	**35 550**	**13 466**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

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 51% (2015: 51%) directly and an additional 20% (2015: 20%) indirectly through Capital Bank Limited (under liquidation). NSSA owns 84% (2015: 84%) of Capital Bank Limited.

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

The financial statements of the Company and the Group for the year ended 31 December 2016 were authorised for issue in accordance by a resolution of the Directors at a meeting held on 17 March 2017.

2.1 Statement of compliance

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), International Financial Reporting Committee Interpretations ("IFRIC") as issued by the International Financial Reporting Interpretations Committee ("IFRS IC") and in a manner required by the Zimbabwe Companies Act (Chapter 24:03) and the Zimbabwe Insurance Act (Chapter 24:07). The financial statements are based on statutory records that are maintained under the historical cost convention except for investment properties and those financial assets and financial liabilities that have been measured at fair value.

2.2 Audit opinion

These financial results should be read in conjunction with the complete set of financial statements for the year ended 31 December 2016, which have been audited by PricewaterhouseCoopers Chartered Accountants (Zimbabwe). An unqualified audit opinion has been issued which also includes a section on key audit matters as defined by ISA 701, 'Communicating key audit matters in the independent auditor's report'. This includes both the rationale for determining the key audit matters and how they were addressed during the audit.

3 Accounting policies

The principal accounting policies adopted in the presentation of these financial statements are consistent with those of the previous financial year except for changes in 3.1 below;

3.1 Change in accounting policy

The Company changed its accounting policy during the year in respect of the investments in subsidiaries. In the separate financial statements of the Company, the investments in subsidiaries were previously accounted for at cost less impairment allowances. During the year the Group changed the accounting policy to use the equity method to account for the investment, in line with amendments to IAS27, "Separate financial statements." The change was effected because the equity method will be indicative of the financial performance of the subsidiaries.

	AUDITED 31-Dec-16 US$000	RESTATED 31-Dec-15 US$000	RESTATED 1-Jan-15 US$000
The effect of the change in accounting policy is as follows			
Statement of financial position			
Increase in investments in subsidiaries	17 346	8 725	3 686
Increase in equity	**17 346**	**8 725**	**3 686**

This change has no effect on the consolidated financial statements

	AUDITED Group 31-Dec-16 US$000	AUDITED Group 31-Dec-15 US$000	AUDITED Company 31-Dec-16 US$000	RESTATED Company 31-Dec-15 US$000	RESTATED Company 1-Jan-15 US$000
4 Property, vehicles and equipment					
At 1 January	16 587	16 991	1 164	1 334	1 683
Additions	684	288	71	5	157
Disposals	(1 675)	(692)	(699)	(174)	(507)
Accumulated depreciation	(6 345)	(6 838)	(427)	(849)	(681)
At 31 December	**9 251**	**9 749**	**109**	**316**	**652**

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

FIRST MUTUAL
HOLDINGS LIMITED

Go Beyond

ABRIDGED AUDITED FINANCIAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2016

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)
FOR THE YEAR ENDED 31 DECEMBER 2016

	AUDITED Group 31-Dec-16 US$000	AUDITED Group 31-Dec-15 US$000	AUDITED Company 31-Dec-16 US$000	RESTATED Company 31-Dec-15 US$000	RESTATED Company 1-Jan-15 US$000
5 Investment properties					
At 1 January	122 027	127 797	-	-	-
Additions	-	339	-	-	-
Improvements to existing properties	427	311	-	-	-
Transfer from inventory	3 379	189	-	-	-
Fair value adjustments	(1 531)	(6 609)	-	-	-
At 31 December	**124 302**	**122 027**	**-**	**-**	**-**

Investment property known as 99 Jason Moyo Avenue with a carrying amount of US$7.8 million at 31 December 2016 was pledged as security on a loan of US$2 million secured from National Social Security Authority ("NSSA") by the holding company.

	AUDITED Group 31-Dec-16 US$000	AUDITED Group 31-Dec-15 US$000	AUDITED Company 31-Dec-16 US$000	RESTATED Company 31-Dec-15 US$000	RESTATED Company 1-Jan-15 US$000
6 Financial assets at fair value through profit or loss					
At 1 January	11 483	18 992	93	327	1 073
Purchases	3 497	369	-	-	180
Disposals	(906)	(599)	-	(180)	(846)
Fair value gain / (loss) – quoted equities	5 789	(7 279)	46	(54)	(80)
At 31 December	**19 863**	**11 483**	**139**	**93**	**327**
7 Held to maturity investments					
At 1 January	14 730	7 473	-	-	-
Purchases	19 019	12 031	-	-	-
Maturities	(13 457)	(4 774)	-	-	-
At 31 December	**20 292**	**14 730**	**-**	**-**	**-**
8 Inventory					
Kamfinsa Cluster Housing Development	-	2 898	-	-	-
Consumables	283	184	30	28	29
Total	**283**	**3 082**	**30**	**28**	**29**

There was no write off of inventories during the year ended 31 December 2016 (2015: US$nil). US$3,4 million was reclassified to investment property following change of use of the property from trading stock to residential property.

	AUDITED Group 31-Dec-16 US$000	AUDITED Group 31-Dec-15 US$000	AUDITED Company 31-Dec-16 US$000	RESTATED Company 31-Dec-15 US$000	RESTATED Company 1-Jan-15 US$000
9 Loans and receivables including insurance receivables					
Insurance receivables	8 088	7 763	-	-	-
Tenant receivables	831	827	-	-	-
Amounts due from Group companies	-	-	151	273	343
Other receivables	3 538	4 841	365	177	39
Total	**12 457**	**13 431**	**516**	**450**	**382**
10 Non-current assets classified as held for sale					
The Group's non-current assets held for sale comprise the following:					
100% investment in African Actuarial Consultants (Private) Limited	-	226	-	6	-
19.96% investment in Rainbow Tourism Limited Group	4 370	4 374	-	-	-
Total assets of investments held for sale	**4 370**	**4 600**	**-**	**6**	**-**
11 Cash and balances with banks					
Money market investments with original maturities less than 90 days	26 709	7 571	-	-	-
Cash at bank and on hand	8 841	5 895	117	111	116
Cash and cash equivalents	**35 550**	**13 466**	**117**	**111**	**116**
Money market investments with original maturities more than 90 days	2 107	14 674	-	-	-
Cash and balances with banks	**37 657**	**28 140**	**117**	**111**	**116**
12 Life insurance contract and investment contract liabilities with and without Discretionary Participating Features ("DPF")					
12.1 Life insurance contract with DPF					
At 1 January	15 570	14 770	-	-	-
Movement	3	800	-	-	-
At 31 December	**15 573**	**15 570**	**-**	**-**	**-**
12.2 Life insurance contract without DPF					
At 1 January	19 477	16 152	-	-	-
Movement	(163)	3 325	-	-	-
At 31 December	**19 314**	**19 477**	**-**	**-**	**-**
12.3 Investment contract with DPF					
At 1 January	55 696	57 250	-	-	-
Movement	11 112	(1 554)	-	-	-
At 31 December	**66 808**	**55 696**	**-**	**-**	**-**
12.4 Investment contract liabilities without DPF					
At 1 January	5 662	7 317	-	-	-
Movement	2 870	(1 655)	-	-	-
At 31 December	**8 532**	**5 662**	**-**	**-**	**-**
13 Borrowings					
At 1 January	5 548	5 003	2 157	379	522
Loan received	-	1 985	-	1 920	200
Loan repayment	(1 239)	(1 440)	(139)	(142)	(343)
At 31 December	**4 309**	**5 548**	**2 018**	**2 157**	**379**
Current	3 115	3 156	2 016	2 056	314
Non-current	1 194	2 392	2	101	65
Total	**4 309**	**5 548**	**2 018**	**2 157**	**379**

The borrowings are secured by two immovable properties stamped to cover US$9.5 million. The borrowings have an average interest rate of 9% (2015: 9%).

A loan facility amounting to US$2 million, was sourced from the 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 had a tenure of 365 days. The repayment date was subsequently rolled forward, on the same terms, to 31 December 2017.

	AUDITED Group 31-Dec-16 US$000	AUDITED Group 31-Dec-15 US$000	AUDITED Company 31-Dec-16 US$000	RESTATED Company 31-Dec-15 US$000	RESTATED Company 1-Jan-15 US$000
14 Insurance contract liabilities - short term					
Outstanding claims	2 632	4 457	-	-	-
Reinsurance	1 658	2 366	-	-	-
Losses incurred but not reported	5 474	4 643	-	-	-
Members savings pot	5 149	4 559	-	-	-
Premium received in advance	1 928	2 205	-	-	-
Unearned premium reserve	4 074	4 482	-	-	-
Commissions	6	2	-	-	-
Total	**20 921**	**22 714**	**-**	**-**	**-**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)
FOR THE YEAR ENDED 31 DECEMBER 2016

	AUDITED Group 31-Dec-16 US$000	AUDITED Group 31-Dec-15 US$000	AUDITED Company 31-Dec-16 US$000	RESTATED Company 31-Dec-15 US$000	RESTATED Company 1-Jan-15 US$000
15 Deferred tax					
At 1 January	10 598	15 081	-	943	377
Recognised through statement of comprehensive income	190	(4 483)	-	(943)	566
At 31 December 2016	**10 788**	**10 598**	**-**	**-**	**943**

	AUDITED Group 31-Dec-16 US$000	AUDITED Group 31-Dec-15 US$000
16 Net premium written		
Pensions business	22 525	18 744
Life assurance	16 208	17 047
Health insurance	52 209	52 482
Property and casualty	25 538	27 822
Gross premium written	**116 480**	**116 095**
Less: reinsurance	(9 320)	(9 802)
Net premium written	**107 160**	**106 293**
17 Investment income/(loss)		
Interest income	2 657	2 301
Dividend income	554	412
Net loss on disposal of investments	(197)	(151)
Fair value gain / (loss) on equities at fair value through profit or loss	5 789	(7 279)
Total	**8 803**	**(4 717)**
18 Net insurance claims and benefits		
Insurance claims and loss adjustment expenses		
Health insurance	41 258	45 541
Life assurance	4 649	6 955
Property and casualty	8 352	6 816
Total insurance claims	**54 259**	**59 312**
Less: Insurance claims expense recovered from reinsurers	(636)	(491)
Net total insurance claims expense	**53 623**	**58 821**
Pensions benefits	11 460	8 866
Net insurance claims and benefits	**65 083**	**67 687**
19 Impairment allowances		
Insurance receivables	203	1 078
Tenant receivables	294	865
Other receivables	-	219
Investment impairment	-	2 634
Total	**497**	**4 796**
20 Profit/(loss) before income tax is shown after charging:		
Staff costs	14 693	13 759
Directors' fees – Holding company	109	131
– Group companies	259	325
Depreciation of property, vehicles and equipment	654	719
Audit fees	474	625
21 Gain on disposal of subsidiary		
Details of the disposal		
Proceeds	340	-
Carrying amount of net assets sold	(6)	-
Gain on disposal	**334**	**-**

On 1 January 2016 the Group disposed its interest in African Actuarial Consultants (Private) Limited, a wholly owned subsidiary to Frankmarsh Enterprises (Private) Limited. The proceeds from the disposal are payable to the Group over three years. The first instalment was received on 1 January 2016 and the last instalment is due on or before 1 January 2019. The funds received or receivable will be utilised in ongoing business operations.

SEGMENTAL RESULTS AND ANALYSIS

As at 31 December 2016	Life and pensions US$000	Property and casualty US$000	Health US$000	Property US$000	Other US$00	Total US$000	Consolidation entries US$000	Total consolidated US$000
Net premium earned	38 116	17 389	52 209	-	-	107 714	(158)	107 556
Rental income	-	-	-	7 728	-	7 728	(996)	6 732
Investment income and fair value adjustments on investment property	6 870	816	1 499	(1 353)	10 659	18 491	(10 885)	7 606
Other income and fee income	5 843	383	465	579	3 458	10 728	(5 231)	5 497
Total income	**50 829**	**18 588**	**54 173**	**6 954**	**14 117**	**144 661**	**(17 270)**	**127 391**
Total expenses	(44 667)	(17 652)	(47 394)	(4 626)	(3 661)	(118 000)	1 466	(116 534)
Total assets	125 035	23 739	17 604	142 644	32 132	340 794	(111 087)	229 707
Total liabilities	113 782	10 670	12 404	15 864	9 166	161 886	(8 054)	153 832
Cash flows generated from operating activities	11 281	578	5 743	2 656	6	20 264	1 029	21 293
Cash flows (used in) / generated from investing activities	(5 924)	(236)	(2 708)	(144)	407	(8 605)	9 686	1 081
Cash (used in) / generated from financing activities	(260)	(100)	-	(1 100)	(409)	(1 869)	334	(1 535)
Profit before tax	3 586	749	6 779	1 139	9 585	21 838	(10 981)	10 857

As at 31 December 2015	Life and pensions US$000	Property and casualty US$000	Health US$000	Property US$000	Other US$000	Total US$000	Consolidation entries US$000	Total consolidated US$000
Net premium earned	35 147	19 211	52 482	-	-	106 840	(236)	106 604
Rental income	-	-	-	8 342	-	8 342	(1 013)	7 329
Investment income and fair value adjustments on investment property	(6 791)	(628)	(384)	(6 591)	(5 170)	(19 564)	8 237	(11 327)
Other income and fee income	4 841	83	284	641	4 506	10 355	(5 173)	5 182
Total income	**33 197**	**18 666**	**52 382**	**2 392**	**(664)**	**105 973**	**1 815**	**107 788**
Total expenses	(31 872)	(18 770)	(51 484)	(4 929)	(5 341)	(112 396)	896	(111 500)
Total assets	109 833	23 614	10 721	143 059	15 397	302 624	(93 605)	209 019
Total liabilities	100 963	11 358	12 299	16 669	9 136	150 425	(8 765)	141 661
Cash flows generated from operating activities	2 526	717	1 930	2 735	33	7 941	6 702	14 643
Cash flows (used in) / generated from investing activities	(400)	(1 242)	8	-	(1 774)	(3 408)	(7 706)	(11 114)
Cash (used in) / generated from in financing activities	-	52	-	(146)	1 510	1 416	(1 167)	249
(Loss) / profit before tax	(431)	65	898	(1 162)	(4 937)	(5 567)	1 850	(3 717)