FIRST MUTUAL
HOLDINGS LIMITED

Go Beyond

2016 Annual Report

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.

LIFE | HEALTH | INSURANCE | REINSURANCE | SAVINGS | PROPERTY

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PARK

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
Tel: +263 (4) 886 000-17
Email: info@firstmutualholdings.com

OTHER LINES
Group Company Secretary:
+263 (4) 886047

Group Marketing:
+263 (4) 850325

Group Audit & Risk Management:
+263 (4) 886046

Fax Numbers:
(Executive) +263 (4) 886 041
(General) +263 (4) 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 for the calendar year from 1 January 2016 to 31 December 2016. The comparative report period is for the calendar year ended 31 December 2015. 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

TRANSFER SECRETARIES
First Transfer Secretaries (Private) Limited, 1 Armagh Avenue, Eastlea, Harare.
Contact Details: +263 (4) 782869/72, +263 (4) 782869
Email: ftsgen@mercantileholdings.co.zw

STATUTORY ACTUARY
Giles Waugh, Independent Actuarial Consultant, 24 West Meath Road, Parkview, Johannesburg 2193, 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,
1 st Floor Finsure House
Harare
Zimbabwe

PRINCIPAL LEGAL ADVISORS
Scanlen & Holderness
CABS Centre
74 Jason Moyo
P.O. Box 188
Harare
Zimbabwe

Directorate

DIRECTORS
as at the reporting date:

Oliver Mtasa	(Chairman)
Gareth Baines	(Appointed 9 September 2016)
Douglas Hoto*	(Group Chief Executive Officer)
William Munyaradzi Marere*	(Group Finance Director)
Evlyn Mkondo (Ms)	
Elisha Moyo	
Memory Mukondomi (Mrs)	
Samuel Vengai Rushwaya	
John Sekeso	
Robin Tendai Vela	

* Executive

Group Chairman's Statement to Shareholders

This improvement was largely due to the lower claims in the insurance businesses for the shareholder and a reduction in allowance for credit losses.

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.

The Group achieved profit for the year of

US$9.3 million

compared to US$0.1 million in the previous year.

FINANCIAL RESULTS

The financial highlights for the year ended 31 December 2016 are shown below;

	AUDITED 31-Dec-16 US$000	AUDITED 31-Dec-15 US$000	Change %
STATEMENT OF COMPREHENSIVE INCOME HIGHLIGHTS			
Gross Premium Written ("GPW")	116 480	116 095	0%
Pensions and savings 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 contracts 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.

I would like to convey my profound gratitude to our clients, management and staff, the regulatory authorities and other stakeholders

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 investment.

The Group achieved profit for the year of US$9.3 million compared to US$0.1 million in the previous period. 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 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

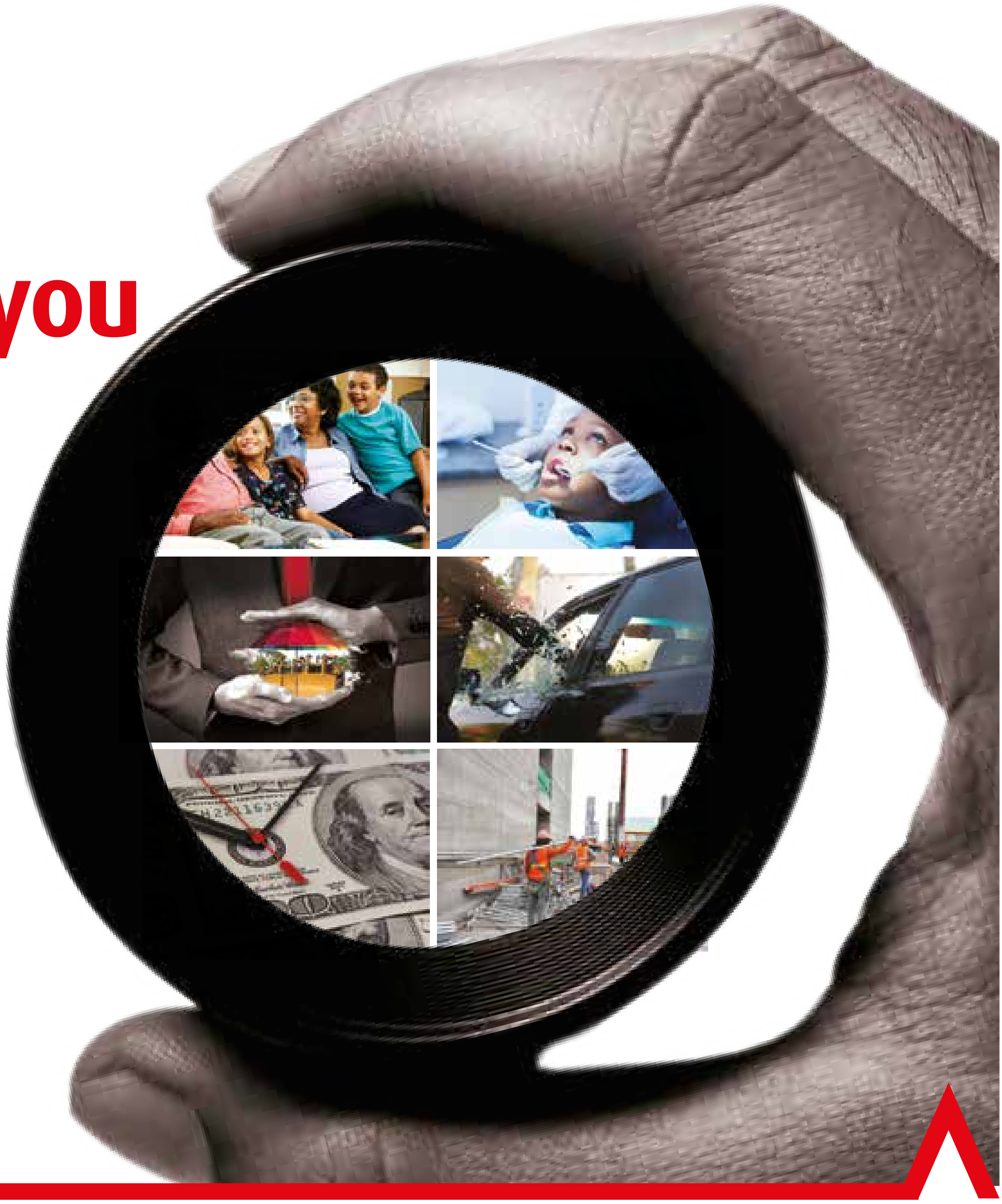
In view of the focus on current initiatives and the need to consolidate the operations of group companies, the directors recommend that no dividend be paid from the profit of the Group for the year ended 31 December 2016.

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.

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.

First Mutual is committed to maintaining optimal, efficient and secure Information and Communication Technology ("ICT") capability to support its business processes and customer service.

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$15.3 million went up by 12% 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

The policyholder business achieved
GPW of US$22.5 million,
a growth of 20% over the prior year figure of US$18.7 million.

The Group achieved an overall improved performance with a **1% growth** in net premium earned

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 8% to US$8.3 million (2015: US$9.0 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 71% (2015: 79%) with voids occurring largely within properties in the Central Business District.

An independent valuation of the investment property portfolio was conducted 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

Board Of Directors

Oliver Mtasa
(Chairman)

Douglas Hoto
(Group Chief Executive Officer)

William Munyaradzi Marere
(Group Finance Director)

Elisha Moyo

Board Of Directors (continued)

John Sekeso

Samuel Vengai Rushwaya

Memory Mukondomi (Mrs)

Robin Tendai Vela

Evlyn Mkondo (Ms)

Boards Of Directors Of Subsidiary Companies

- as at 31 December 2016

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

2. **FIRST MUTUAL HEALTH COMPANY (PRIVATE) LIMITED**
    - T A Makoni Dr (Chairman)
    - N Dube (Mrs)
    - D Hoto (Group Chief Executive Officer)
    - T Khumalo (Ms)
    - R Mandima

3. **TRISTARINSURANCE COMPANY LIMITED**
    - E K Moyo - Chairman
    - C Chetsanga (Mrs)
    - D Hoto (Group Chief Executive Officer)
    - E F Muzvondiwa
    - D Nyabadza * (Managing Director (Appointed 1 April 2016))
    - P P Shoniwa

4. **FIRST MUTUAL WEALTH MANAGEMENT (PRIVATE) LIMITED**
    - R T Vela (Chairman)
    - D Hoto (Group Chief Executive Officer)*
    - W Marere (Group Finance Director)*
    - A R T Manzai
    - O Mtasa

5. **PEARL PROPERTIES (2006) LIMITED**
    - E K Moyo - Chairman
    - D Hoto (Group Chief Executive Officer)
    - Dr S Jogi
    - C K Manyowa (Acting Managing Director)
    - W M Marere (Group Finance Director)
    - E Mkondo (Ms)
    - J S Mutizwa
    - R B Ncube (Ms)
    - F Nyambiri* (Resigned 10 October 2016)

6. **FIRST MUTUAL REINSURANCE COMPANY LIMITED** ***(Formerly FMRE Property & Casualty (Private) Limited)***
    - O Mtasa - Chairman
    - C Chiswo
    - D Hoto (Group Chief Executive Officer)
    - M S Manyumwa
    - M M Mukonoweshuro (Mrs)
    - I C Tavonesa* (Managing Director)

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

* Executive

Executive Committee Members

From Right:

D. Hoto (Group Chief Executive Officer), R. B. Ncube (First Mutual Life Assurance Company (Private) Limited - Managing Director), I. C. Tavonesa (First Mutual Reinsurance Company Limited - Managing Director), M. Ncube (First Mutual Wealth Management (Private) Limited - General Manager), F. Mangwende (Group Marketing and Strategy Executive), J. Mhlabi (Group Audit & Risk Management Executive), B. Pasipanodya (Group Information and Communication Technology Executive),

P. Dhliwayo (Group Human Resources Executive), S. Lorimer (Group Company Secretary), S. Sisya (First Mutual Health Company (Private) Limited - General Manager), C. Manyowa (Pearl Properties (2006) Limited - Managing Director) & W. M. Marere (Group Financial Director).

Absent: D. Nyabadza (TristarInsurance Company Limited - Managing Director)

Directors' Report

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

Subsidiary and services

1. First Mutual Life Assurance Company (Private) Limited
   Life assurance, funeral assurance, and employee benefits

2. First Mutual Health Company (Private) Limited
   Health insurance

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

4. TristarInsurance Company Limited
   Short-term insurance

5. Pearl Properties (2006) Limited
   Property ownership, management and development

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

First Mutual Holdings Limited and its subsidiaries, (together "the Group") holds 19.96% of the issued shares of Rainbow Tourism Group Limited ("RTG") as at 31 December 2016 (2015 : 19.97%). RTG is a hospitality and tourism group with business interests in hotels and other related tourism ventures in Southern Africa. The investment in RTG was previously equity accounted because the Group had significant influence through board representation but was reclassified as a non current asset held for sale during the year ended 31 December 2015.

With effect from 1 January 2016, First Mutual Holdings Limited sold its entire shareholding in African Actuarial Consultants (Private) Limited, a company which provides actuarial services, to FrankMash Enterprises (Private) Limited.

Share capital

As at 31 December 2016, the authorised and issued share capital of the Company is as follows:

- Authorised - 1,000,000,000 (2015 : 1,000,000,000) ordinary shares with a nominal value of US$0.001 each

- Issued and fully paid - 380 200 758 (2015 : 380 200 758) 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 39 to 120.

Directors

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

Mr G Baines was appointed as a non-executive director of the Board on 9 September 2016. He also retires and, being eligible, offers himself for re-election in terms of Article 113.

Capital commitments

Details of the Group's capital commitments are set out in note 31.1.2 of the financial statements.

Dividend

In view of the need to focus on current initiatives and 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.

Directors’ Report (continued)

Director’s shareholding in the Company	Direct interest	Indirect interest	Share options
O Mtasa (Chairman)	-	-	-
G Baines	-	-	-
D Hoto (Group Chief Executive Officer)	-	-	3 267 689
W M Marere (Group Finance Director)	-	-	2 241 882
E Mkondo (Ms)	-	-	-
E K Moyo	924	-	-
M Mukondomi (Mrs)	-	-	-
S V Rushwaya	10 100	-	-
J Sekeso	-	-	-
R T Vela	-	-	-

* Mr R T Vela is non-executive chairman and Mrs M Mukondomi is a non-executive director of the National Social Security Authority (“NSSA”). NSSA owns approximately 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.

Remuneration

• Non-executive directors’ remuneration is subject to shareholder approval.

Independent Auditor

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

Mr O Mtasa
Chairman
Harare

17 March 2017

Mrs S F Lorimer
Group Company Secretary
Harare

17 March 2017

Corporate Governance

The Group is committed to promoting the highest standards of ethical behaviour amongst all its employees.

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.

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.

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.

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 meetings, Board and Management 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.

The 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.

Corporate Governance (continued)

First Mutual Holdings Limited Board members' attendance during the year:

	Number of meetings	Number of meetings attended
Oliver Mtasa (Chairman)	7	7
Gareth Baines (appointed 9 September 2016)	4	3
Douglas Hoto (Group Chief Executive Officer)	7	7
William Munyaradzi Marere (Group Finance Director)	7	7
Evlyn Mkondo (Ms)	7	7
Elisha Moyo	7	7
Memory Mukondomi (Mrs)	7	5
Samuel Rushwaya	7	7
James Sekeso	7	7
Robin Tendai Vela	7	5

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 Board monitors the effectiveness of controls through reviews by the Combined Audit and Actuarial Committee and independent assessment by the external auditors. The Group from time to time reviews the number of Committees as necessitated by the prevailing environment.

FIRST MUTUAL HOLDINGS LIMITED BOARD COMMITTEES

In order to more effectively discharge its duties and responsibilities, standing committees are placed to deal with specific issues.

I. COMBINED AUDIT AND ACTUARIAL COMMITTEE

Ms E Mkondo (Chairperson), Mrs C Chetsanga , Mrs N Dube and Mrs M Mukondomi

The Combined Audit and Actuarial Committee comprises four (4) non-executive directors, one of whom is the Chairperson. The Group Chief Executive Officer and Group Finance Director attend these meetings in ex-officio capacities. 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 the interim and annual financial statements of the Group and considering any accounting practice changes. The Committee also recommends the appointment and reviews the fees of the external auditors. The Group's Audit and Risk Management Executive and the independent auditors 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.

The actuary of the Group is invited to attend all the Committee meetings.

Combined Audit and Actuarial Committee members' attendance during the year:

	Number of meetings	Number of meetings attended
E Mkondo (Ms)(Chairperson)	4	4
C Chetsanga (Mrs)	4	4
N Dube (Mrs)	4	3
M Mukondomi (Mrs)	4	2

II. GROUP HUMAN RESOURCES AND GOVERNANCE COMMITTEE

S V Rushwaya (Chairperson), J Sekeso, O Mtasa and E Moyo

This Committee comprises four (4) non-executive directors of First Mutual, 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 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 Boards in the Group and, in addition, the Committee considers wider corporate governance issues and related party transactions.

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 in which First Mutual operates. Accordingly, a performance related profit share is offered in addition to a basic salary package whilst a discretionary share option scheme is in place for eligible staff members who achieve certain performance ratings. Under the share option scheme, allocations are made annually at the market value at date of allocation and may be exercised subject to the rules of the scheme only after periods of between one and three years. The Committee draws on local and regional survey data from independent advisors to ensure that the remuneration policy is appropriate and relevant to the prevailing times.

Group Human Resources and Governance Committee members' attendance during the year:

	Number of meetings	Number of meetings attended
S V Rushwaya (Chairperson)	5	5
E Moyo	5	5
O Mtasa	5	5
J Sekeso	5	5

III. INVESTMENTS COMMITTEE

R T Vela (Chairperson), O Mtasa and A R T Manzai

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 investment policies and ensures that portfolio management is conducted in accordance with the Group's policies.

Investments Committee members' attendance during the year:

	Number of meetings	Number of meetings attended
R T Vela (Chairman)	5	5
A R T Manzai	5	4
O Mtasa	5	5

WORKS COUNCIL

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:

GROUP INTERNAL AUDIT AND RISK MANAGEMENT

The Group Internal Audit 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's 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.

FINANCIAL CONTROL

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 Combined Audit and Actuarial Committee, internal auditors and independent auditors.

RISK MANAGEMENT

Risk Management is practised within the Group in order to protect assets and earnings against exceptional financial losses and legal liabilities. Operational risks are managed 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 the 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.

Corporate Governance (continued)

In 2015 a decision was made to separate the internal audit and risk management functions and a new Risk Management Policy was adopted. Internal Risk Management Committees were established within the subsidiaries, and during the course of 2017 it is intended to create a separate Risk Management Committee at Board level. Meanwhile, the Combined Audit and Actuarial Committee ensures that risk is minimised and assesses the adequacy of the internal controls and makes the necessary

Mr O Mtasa
Chairman

17 March 2017

The Directors' Statement of Responsibility

The Group's independent auditors, PricewaterhouseCoopers Chartered Accountants (Zimbabwe), have audited the financial statements and their report is set out on pages 33 to 38.

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.

These annual consolidated financial statements have been prepared under the supervision of the Group Finance Director, William M. Marere, an Associate Member of the Institute of Chartered Accountants of Zimbabwe, registered with the Public Accountants and Auditors Board, Public Accountants Certificate Number 02431

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 and its subsidiaries to continue operating as a going concern and believe that the preparation of these financial statements on a going concern basis is appropriate.

OMtasa

Mr O Mtasa
Chairman

17 March 2017

Certificate of Compliance by Group Company Secretary

In my capacity as Group Company Secretary of First Mutual Holdings Limited and its Subsidiary Companies, I confirm that in terms of the Companies Act (Chapter 24:03), the Company lodged with the Registrar of Companies all such returns as are required of a publicly 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

17 March 2017

Declaration by Group Finance Director

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

17 March 2017

Independent auditor's report

to the Shareholders of First Mutual Holdings Limited

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the consolidated and separate financial position of First Mutual Holdings Limited (the "Company") and its subsidiaries (together "the Group") as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows 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 39 to 120 comprise:

- the consolidated statement of financial position as at 31 December 2016, and the statement of financial position of the Company standing alone as at 31 December 2016;
- 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 opinion

We conducted our audit in accordance with the International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the 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 opinion.

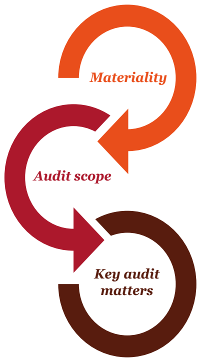
Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (Parts A and B) and other independence requirements applicable to performing audits of financial statements in Zimbabwe. We have fulfilled our other ethical responsibilities in accordance with other ethical requirements applicable to performing audits in Zimbabwe.

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.

Our audit approach

Overview	
	**Overall materiality** US$1 279 000, which represents 1% of consolidated revenue. **Group audit scope** We performed statutory audits of the Company and its seven subsidiaries, the most significant of which are: • First Mutual Life Assurance Company; • First Mutual Health (Private) Limited; and • Pearl Properties (2006) 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 policyholder insurance and investment contract liabilities; • Valuation of investment property; and • Allowance for impairment of trade receivables. Applicable the statement of financial position of the Company standing alone • Adoption of IAS 27, 'Separate financial statements', for the accounting of investments in subsidiaries in the separate books of First Mutual Holdings Limited (the "Company").

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the 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 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 group materiality ***How we determined it***	US$1 279 000 1% of the consolidated revenue.
Rationale for the materiality benchmark applied	We chose revenue 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, the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. Profit before tax was not considered to be a reliable benchmark as it fluctuated too widely over the last five years. We chose 1% after consideration of the range of qualitative materiality thresholds that we would typically apply when using revenue to compute materiality, as the Group does not have significant levels of external debt.

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 financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls and the industries in which the Group operates.

Due to statutory audit requirements, the Company and all seven of its subsidiaries were subjected to audit. 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 and Pearl Properties (2006) Limited. All components were audited by PwC teams in accordance with instructions issued to them by the group team.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the 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.

Key audit matter	How our audit addressed the key audit matter
Applicable to the consolidated financial statements	
Valuation of policyholder insurance and investment contract liabilities We considered this as an area of most significance in our audit as the value of the Group’s policyholder insurance and investment contract liabilities as at 31 December 2016 amounted to US$101.7 million (2015: US$90.7) and the valuation of policyholder insurance and investment contracts, with and without discretionary participating features, involves complex calculations, significant judgements, and long and short term estimates and assumptions. • Valuation assumptions include mortality, lapses, and economic and expense assumptions. All assumptions have been revised by management on the basis of an experience investigation conducted in 2016. As such management have also made the following revisions : • the mortality basis was revised based on an experience investigation which was carried out for the five years ended 31 December 2015; • lapses have been revised due to the deteriorating macro-economic conditions which have resulted in high levels of retrenchments; • economic assumptions include investment return, expense inflation, bonus rates and discount rates. Economic assumptions such as inflation have been adjusted to take into consideration macro-economic fundamentals such as negative inflation figures seen in Zimbabwe since dollarisation. The effective discount rate for annuity business has decreased to allow for expense charges, bonus rates and mismatch reserves. These were previously allowed for in the reserve projections; and	We understood and evaluated controls over the valuation of the policyholder insurance and investment contract liabilities. These controls included those over data extraction and approval of the assumptions used in the valuation. We assessed the independence, experience and competence of the statutory actuary, through inquiry with the actuary and management. We inspected the actuary’s curriculum vitae to assess his experience and competence. 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. We made use of our actuarial expertise to evaluate the significant assumptions and estimates and the actuarial computations and actuarial valuation report for adequacy and reasonableness. We performed the following: • An assessment of the proposed valuation basis through discussion with the statutory actuary and assessing the appropriateness given the nature of the business as well as actuarial good practice; • An assessment of the proposed valuation methodology for compliance with Standard of Actuarial Practice 104; and, • An assessment of the valuation results by rerunning the models, on a sample basis, to ensure accurate application of the selected methodology and assumptions.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Applicable to the consolidated financial statements</td></tr>
<tr><td>• expense assumptions are based on an analysis of expenses incurred during 2016 and 2017 budgets.

Disclosure is provided in the financial statements with respect to the policyholder insurance and investment contract liabilities valuation methodology. Refer to the accounting policy note 2.20 for insurance contract liabilities, note 3.2.2 on critical accounting estimates and judgements and note 18 to the financial statements.</td><td>We also inspected the actuarial report for 2016 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 assessed the rationale for the change in assumptions and noted that the changes arose from strengthening assumptions as a result of working experience.</td></tr>
<tr><td>Valuation of investment property
We considered valuation of investment property as a matter of most significance to our audit due to significant judgement exercised to determine the appropriate valuation methods to use, assumptions used in the valuation and the materiality of investment property at US$124.3 million. A negative fair value adjustment of US$1.5 million has been recognised, and is referred to in note 7 to the financial statements.

Professional valuers engaged to perform the valuation used the income capitalisation method for developed commercial and industrial properties, and the comparative method for undeveloped land and residential property.

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).

Using the market comparable method, 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 (US$/sqm).

The key unobservable inputs that require management to exercise judgement are rental per square metre, prime yield and vacancy rates for the income capitalisation method.</td><td>We evaluated controls over the valuation of the investment property including management's selection of the valuer (management's expert), the assessment and approval of the valuation results.

We obtained the valuation report from management's expert, who had been engaged by management to perform the valuation of the investment property as at 31 December 2016.

We assessed the appropriateness of the valuation methods used by management's expert and assessed whether the methods used are considered generally accepted valuation methodologies for investment properties.

We placed reliance on the valuation performed by management's expert. We evaluated the competence, capabilities, independence and objectivity of the management expert and obtained an understanding of their work. We inspected the company profile and curriculum vitae of the individuals performing the valuation in order to assess their experience and competence. Based on the results of our procedures, we did not note any aspects requiring further consideration.

In order to consider the reasonableness of the valuation methods and assumptions used, we met with management's expert, to obtain an understanding of the assumptions used in applying the respective valuation methods. We agreed the key assumptions to supporting evidence as follows:

• rental to the underlying lease agreements, on a sample basis; and
• occupancy levels to the tenancy schedule, which was prepared by management.</td></tr>
</table>

Key audit matter	How our audit addressed the key audit matter
Applicable to the consolidated financial statements	
	Key unobservable inputs to the valuation included average rental per square metre, prime yield, space and vacancy rates. We discussed and considered these assumptions with management’s expert with reference to prevailing market rentals and market yields, comparing these to comparable market data. Our audit procedures also included comparing these assumptions to those used by other external property valuers for similar property types. On a sample basis we performed data validation of key inputs involving report validation of tenancy schedules used in the valuation. These included agreeing rentals noted on the tenancy schedule to underlying rental agreements. This also entailed an independent calculation of potential annual rental income using average rentals per square metre and lettable space, and prime yield using an interpolation formula, on a sample basis. We also recomputed the market value by capitalising the potential annual income by the yield. We further made use of our internal valuations expertise to verify the accuracy of the recomputations.
Allowance for impairment of trade receivables We considered this a matter of most significance to our audit as the allowance for impairment recognised in the financial statements requires judgement in assessing the amounts to be provided for in terms of the requirements of IAS 39, ‘Financial instruments: recognition and measurement’ and the prevailing market conditions are characterised by liquidity constraints which could affect the recoverability of trade receivable balances. Management has performed an impairment assessment resulting in an impairment allowance of US$2.2 million relating to trade receivables considered to be past due and impaired as at 31 December 2016. Management applied their judgment to the assessment of the recoverability of individual trade receivables, on a case by case basis taking into consideration the history of payments and the financial condition of the tenant. Management has set criteria for determining whether trade receivables are impaired. Trade receivables are assessed on a monthly basis to determine whether the impairment allowance is adequate. Management made assumptions based on their knowledge of their customers and prevailing economic conditions to determine whether the receivable is impaired.	We obtained an understanding through inquiry of management and inspection of the Group’s policy, and evaluated the Company’s processes over the estimation of the impairment of trade receivables including determination objective evidence of an incurred loss. We inspected management’s policy for general and specific allowances for credit losses which includes specific criteria for determining whether objective evidence of impairment exists, and assessed it for appropriateness in line with the requirements of IAS 39, ‘Financial instruments: recognition and measurement’. We obtained management’s impairment computations of tenant receivables and assessed the reasonableness of management’s estimation process used with regards to the assessment of the credit quality of trade receivables, using the following broad criteria: • Occupancy status of the tenant; • Length of period of non-payment or adherence to agreed payment plans; • Analysis of results of collection efforts undertaken so far in order to recover the amounts that are past due; • Liquidity, solvency and past payment status of the tenant; and • Security arrangements in place.

Independent auditor's report (continued)

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Applicable to the consolidated financial statements</td></tr>
<tr><td>Disclosure is provided in significant accounting judgements, estimates and assumptions note 3.2.6 on page 67, note 14.2.1 to the financial statements on page 99 and note 29.3.1 to the financial statements on page 116.</td><td>We verified the mathematical accuracy of the computation and considered its accuracy against the provisioning criteria set in policy for general and specific provisions.

We assessed the recoverability of trade receivables through inspection of subsequent receipts from tenants, consideration of adherence to payment plans that were in place, and through inspection lawyer's confirmations in instances where customers have been handed over.</td></tr>
<tr><td colspan="2">Applicable to the statement of financial position of the Company standing alone</td></tr>
<tr><td>Adoption of IAS 27, 'Separate financial statements', for the accounting of investments in subsidiaries in the separate books of First Mutual Holdings Limited (the "Company")
In the separate statement of financial position of the Company, the investments in subsidiaries were previously accounted for at cost less accumulated allowance for impairment. During the year the Company changed the accounting policy to equity account for its investments, in line with amendments to IAS 27, 'Separate financial statements', which became effective on 1 January 2016.

The change was effected to ensure fairer presentation of the subsidiaries in the separate statement of financial position of the Company. The equity method is more indicative of the financial performance of the subsidiaries which will be included in the carrying amounts of the investments in subsidiaries in the statement of financial position, therefore providing the users of the financial statements with insight into the performance of the subsidiaries.

This represents a significant change from the manner in which the investments were previously accounted for, and has resulted in material restatements of balances in the Company's statement of financial position, as a result of retrospective application. This resulted in significant discussions with our accounting specialists and is therefore considered a matter of most significance to our audit.

Refer to note 2.4.1 on page 51 to the consolidated financial statements.</td><td>We consulted our accounting specialists about the rationale for, and implications of, the adoption of the amendment to IAS 27.

We obtained management's computations of the restatement of the Company's investments to comply with the equity method of accounting and performed the following procedures:

• Agreed the percentage shareholding used in the calculation to the recalculated percentage shareholding based on inspection of the registered share certificates;
• Agreed the profit for the year of each subsidiary for the current and prior years used in the computation to the audited financial statements of the subsidiaries;
• Agreed dividends received from subsidiaries to bank statements and subsidiary separate financial statements;
• Completeness of equity accounted investments was tested through inspection of minutes of the board and general ledger transactions. We did not note any new acquisitions during the year;
• We verified the mathematical accuracy of the computations and assessed themfor compliance with the equity method of accounting;
• We compared the disclosures to the requirements of IAS 8, 'Accounting policies, changes in accounting estimates and errors' in order to consider the adequacy thereof. As the change in accounting policy has been applied retrospectively, we compared the disclosures with the requirements of IAS 1, 'Presentation of financial statements', which requires the presentation of an additional statement of financial position as at the start of the preceding period.</td></tr>
</table>

Other information

The directors are responsible for the other information. The other information comprises the Directors' report, Chairman's statement, Chief Executive's report, Corporate Governance statement and Directors' statement of responsibility as required by the Zimbabwe Companies Act (Chapter 24:03), which we obtained prior to the date of this auditor's report. Other information does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

Independent auditor's report (continued)

In connection with our audit of the 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 financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements
The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and in the manner required by the Zimbabwe Companies Act (Chapter 24:03) and the Zimbabwe Insurance Act (Chapter 24:07), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 financial statements
Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 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's and 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the 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.

Independent auditor's report (continued)

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 the 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.

Pricewaterhouse Coopers

Clive K Mukondiwa
Registered Public Auditor
Public Accountants and Auditors Board, public auditor certificate number 0439
Institute of Chartered Accountants of Zimbabwe, public practice certified number 253168
Partner for and on behalf of
PricewaterhouseCoopers Chartered Accountants (Zimbabwe)

24 April 2017

Consolidated and Company Statements of Financial Position

As At 31 December 2016

ASSETS	Note	Audited Group 2016 US$	Audited Group 2015 US$	Audited Company 2016 US$	Restated Company 2015 US$	Restated Company 2014 US$
Property, plant and equipment	6	9 250 984	9 749 481	109 003	316 424	651 865
Investment property	7	124 302 000	122 027 001	-	-	-
Intangible assets	8	59 152	84 693	-	-	-
Investment in subsidiaries	9	-	-	30 300 695	21 723 383	19 855 762
Financial assets:						
- Equity securities at fair value through profit or loss	11.2	19 863 340	11 483 355	138 607	92 596	327 181
- Debt securities held to maturity investments	11.3	20 291 754	14 729 561	-	-	-
Non-current assets classified as held for sale	15	4 370 013	4 600 379	-	5 594	-
Deferred acquisition costs	12	1 085 801	1 134 059	-	-	-
Income tax asset	22.2	86 982	558 462	-	-	-
Inventory	13	283 208	3 081 962	30 288	27 577	29 068
Loans and receivables including insurance receivables	14	12 456 702	13 431 060	516 054	449 586	381 859
Cash and balances with banks	16	37 657 295	28 139 670	116 905	111 315	115 707
TOTAL ASSETS		**229 707 231**	**209 019 683**	**31 211 552**	**22 726 475**	**21 361 442**
EQUITY AND LIABILITIES						
Equity attributable to equity holders of the parent						
Share capital	17	380 201	380 201	380 201	380 201	380 201
Share premium		7 957 918	7 957 918	7 957 918	7 957 918	7 957 918
Non-distributable reserves	17.5	2 074 493	2 094 601	291 047	291 047	291 047
Retained profits		13 812 556	3 515 562	13 621 857	5 353 523	5 585 609
Total equity attributable to equity holders of the parent		**24 225 168**	**13 948 282**	**22 251 023**	**13 982 689**	**14 214 775**
Non-controlling interests		**51 650 738**	**53 411 033**	**-**	**-**	**-**
Total equity		**75 875 906**	**67 359 315**	**22 251 023**	**13 982 689**	**14 214 775**
Liabilities						
Life insurance contract liabilities with DPF	18.3	15 573 045	15 569 895	-	-	-
Life insurance contract liabilities without DPF	18.3	19 314 029	19 477 385	-	-	-
Investment contract liabilities:						
- With DPF	18.2	66 807 844	55 695 844	-	-	-
- Without DPF	18.4	8 532 451	5 661 964	-	-	-
Borrowings	19.1	4 309 240	5 548 232	2 017 573	2 156 565	378 829
Insurance contract liabilities-short term	20.1	20 920 598	22 714 169	-	-	-
Insurance contract liabilities-life assurance	20.2	2 068 560	2 318 403	-	-	-
Other payables	21	5 514 755	3 839 728	6 942 956	6 587 221	5 825 327
Deferred income tax	22.1	10 786 966	10 597 031	-	-	942 511
Current income tax liabilities	22.2	3 837	16 843	-	-	-
Liabilities associate with assets classified as held for sale	15.2	-	220 874	-	-	-
Total liabilities		**153 831 325**	**141 660 368**	**8 960 529**	**8 743 786**	**7 146 667**
TOTAL EQUITY AND LIABILITIES		**229 707 231**	**209 019 683**	**31 211 552**	**22 726 475**	**21 361 442**

These financial statements were approved by the Board of Directors on 17 March 2017.

O Mtasa
Chairman

D Hoto
Chief Executive Officer

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2016

INCOME	Note	2016 US$	2015 US$
Gross premium written	23	116 479 783	116 095 335
Reinsurance	23	(9 319 761)	(9 802 210)
Net premium written	**23**	**107 160 022**	**106 293 125**
Unearned premium reserve		396 424	310 982
Net premium earned		**107 556 446**	**106 604 107**
Rental income	24	6 731 887	7 328 845
Fair value loss - investment property	7	(1 530 575)	(6 609 492)
Gain on disposal of a subsidiary	15.4	334 406	-
Investment income / (loss)	25	8 802 828	(4 717 224)
Fee income:			
-Insurance contracts	26.1	1 207 441	1 159 846
-Investment contracts	26.1	3 092 825	2 896 361
Other income	26.2	1 196 488	1 126 049
Total income		**127 391 746**	**107 788 492**
EXPENDITURE			
Insurance benefits		(16 109 029)	(15 820 951)
Insurance claims and loss adjustment expenses		(49 610 076)	(52 357 258)
Insurance claims and loss adjustment expenses recovered from reinsurers		635 825	490 870
Net insurance benefits and claims	**27**	**(65 083 280)**	**(67 687 339)**
Movement in insurance liabilities	18	(15 209 279)	(6 627 337)
Investment loss on investment contract liabilities	18.4	(2 531 535)	2 316 447
Acquisition of insurance and investment contracts expenses	28.2	(7 431 628)	(8 490 678)
Administration expenses	29	(25 275 161)	(25 747 858)
Impairment allowances	29.3	(497 365)	(4 795 522)
Finance cost on borrowings		(506 595)	(467 440)
Total expenditure		**(116 534 843)**	**(111 499 727)**
Profit/(loss) before share of loss of associate		**10 856 903**	**(3 711 235)**
Share of loss of associate	10	-	(5 852)
Profit/(loss) before income tax		**10 856 903**	**(3 717 087)**
Income tax (expense) / credit	22.3	(1 553 353)	3 848 027
Profit for the year		**9 303 550**	**130 940**
Other comprehensive income			
Other comprehensive income to be reclassified to statement of comprehensive income in subsequent periods :			
Exchange losses on translating foreign operations		(33 330)	(87 919)
Share of other comprehensive loss of associate	10	-	(67 816)
Other comprehensive income/ (loss) to be reclassified to statement of comprehensive income in subsequent periods		**(33 330)**	**(155 735)**
Total comprehensive income/(loss) for the year		**9 270 220**	**(24 795)**
Profit/(loss) attributable to:			
Non-controlling interest		455 009	(209 285)
Equity holders of the parent		8 848 541	340 225
Profit for the year		**9 303 550**	**130 940**
Comprehensive income / (loss) attributable to:			
Non-controlling interest		455 009	(209 285)
Equity holders of the parent		8 815 211	184 490
Total comprehensive income/(loss) for the year		**9 270 220**	**(24 795)**
Basic earnings per share (US cents)	30.2	2.33	0.09
Diluted earnings per share (US cents)	30.2	2.33	0.09

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Share capital US$	Share premium US$	Non distributable reserve (note 17.5) US$	Retained profits US$	Total equity for parent US$	Non-controlling Interest US$	Total equity US$
For the year ended 31 December 2015							
As at 1 January 2015	**380 201**	**7 957 918**	**2 107 863**	**3 291 153**	**13 737 135**	**53 919 384**	**67 656 519**
Profit /(loss) for the year	-	-	-	340 225	340 225	(209 285)	130 940
Other comprehensive loss	-	-	(87 919)	(67 816)	(155 735)	-	(155 735)
Total comprehensive income/(loss)	**-**	**-**	**(87 919)**	**272 409**	**184 490**	**(209 285)**	**(24 795)**
Transactions with shareholders in their capacity as owners:							
Transfer to solvency reserve	-	-	50 163	(50 163)	-	-	-
Share based payments	-	-	24 494	-	24 494	-	24 494
Acquisition of non-controlling interest (note 17.6)	-	-	-	2 163	2 163	(2 962)	(799)
Dividend declared and paid	-	-	-	-	-	(296 104)	(296 104)
As at 31 December 2015	**380 201**	**7 957 918**	**2 094 601**	**3 515 562**	**13 948 282**	**53 411 033**	**67 359 315**
For the year ended 31 December 2016							
As at 1 January 2016	**380 201**	**7 957 918**	**2 094 601**	**3 515 562**	**13 948 282**	**53 411 033**	**67 359 315**
Profit for the year	-	-	-	8 848 541	8 848 541	455 009	9 303 550
Other comprehensive loss	-	-	(33 330)	-	(33 330)	-	(33 330)
Total comprehensive income/(loss)	**-**	**-**	**(33 330)**	**8 848 541**	**8 815 211**	**455 009**	**9 270 220**
Transactions with shareholders in their capacity as owners:							
Share based payments	-	-	13 222	-	13 222	-	13 222
Acquisition of non-controlling interest (note 17.6)	-	-	-	1 448 453	1 448 453	(1 898 146)	(449 693)
Dividend declared and paid	-	-	-	-	-	(317 158)	(317 158)
As at 31 December 2016	**380 201**	**7 957 918**	**2 074 493**	**13 812 556**	**24 225 168**	**51 650 738**	**75 875 906**

Consolidated Statement Of Cash Flows

For the year ended 31 December 2016

	Note	2016 US$	2015 US$
Profit/(loss) before income tax		**10 856 903**	**(3 717 087)**
Adjustments for non-cash items:			
Depreciation	6	654 229	1 318 116
Fair value losses on investment properties	7	1 530 575	6 609 492
Amortisation of intangible assets	8	90 541	183 358
Fair value (gain) / loss on quoted equities	11.2	(5 789 216)	7 279 250
Gain of disposal of subsidiary	15	(334 406)	-
Loss on disposal of investments	25	196 832	151 009
Profit on disposal of equipment	26.2	(36 444)	(241)
Effects of exchange rate changes on cash and cash equivalents		149 972	(91 656)
Movement in allowance for credit losses	29.3	497 365	2 161 417
Movement in insurance contract liabilities	18.3	(160 206)	2 571 130
Movement in investment contract liabilities	18.4	13 982 486	(2 316 447)
Movement in IBNR provisions		(740 634)	548 795
Impairment of investment in associate		-	2 634 105
Unearned premium reserve movement		(396 424)	(487 362)
Share of loss of associate		-	5 852
Deferred acquisition costs	12	(48 258)	22 588
Adjustments for separately disclosed items:			
Finance costs on borrowings		506 595	467 440
Dividend received	25	(554 457)	(412 491)
Interest received	25	(2 655 987)	(2 300 545)
Operating cash flows before working capital changes		**17 749 466**	**14 626 723**
Working capital changes			
Decrease / (increase) in inventory		2 798 754	(129 873)
Decrease in loans and receivables including insurance receivables		1 445 839	1 346 518
Increase / (decrease) in other payables		1 675 027	(862 093)
Decrease in insurance contract liabilities - life assurance		(159 660)	(46 356)
Decrease in insurance contract liabilities - short term		(2 216 032)	(291 700)
Cash generated from operations		**21 293 394**	**14 643 219**
Finance costs on borrowings		(506 595)	(467 440)
Interest received	25	2 655 987	2 300 545
Income tax paid	22.2	(904 944)	(655 204)
Net cash flows from operating activities		**22 537 842**	**15 821 120**
Investing activities			
Dividends received	25	554 457	412 491
Additions to property, plant and equipment	6	(683 797)	(287 548)
Additions to investment property	7	(3 805 574)	(311 247)
Proceeds from disposals of property, plant and equipment		623 813	475 724
Purchase of investments		(22 515 948)	(25 047 608)
Proceeds from sale of investments		26 928 719	6 209 117
Cash utilised in investing activities		**1 101 670**	**(18 549 071)**
Financing activities			
Loan received	19.1	-	1 985 000
Loan repayment	19.1	(1 238 992)	(1 439 606)
Dividends paid to non-controlling interest		(317 158)	(296 104)
Cash flows from financing activities		**(1 556 150)**	**249 290**
Net increase/(decrease) in cash and cash equivalents		**22 083 362**	**(2 478 661)**
Cash and cash equivalents at the beginning of the year	16	13 616 297	15 853 332
Effects of exchange rate changes on cash and cash equivalents		(149 973)	91 654
Cash and cash equivalents at the end of the year	**16**	**35 549 686**	**13 466 325**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

1. GENERAL INFORMATION

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

The ultimate parent of the Company is the National Social Security Authority ("NSSA") which holds 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 historical 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. 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"), International Financial Reporting Committee Interpretations ("IFRIC") as issued by the International Financial Reporting Interpretations Committee ("IFRS IC") and in a manner required by the Zimbabwe Companies Act (Chapter 24:03). The financial statements are based on statutory records that are maintained under the historical cost convention except for investment property, equity secuirities at fair value through profit or loss, non-current assets held for sale and insurance and investment contract liabilities that have been measured at fair value.

2.1.2 Foreign currency translation

(a) Functional and presentation currency

Items included in the interim financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in the United States of America dollar ("US$"), which is the Company's and the Group's functional and presentation currency.

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1.2 Foreign currency translation (continued)

(b) Transactions and balances (continued)

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 repaid, the associated exchange differences are reclassified to statement of comprehensive income, as part of the gain or loss on sale.

Translation differences on non-monetary financial assets and liabilities such as equities held 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 when the fair value was determined.

2.1.3 New standards, amendments and interpretations

a) New standards, amendments and interpretations effective for the first time for 31 December 2016 year ends that are relevant to the Group;

Standard/interpretation	Effective date	Executive summary
Amendments to International Accounting Standards (“IAS”) 1, ‘Presentation of financial statements’ disclosure initiative.	1 January 2016	In December 2014, the International Accounting Standards Board (“IASB”) issued amendments to clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.
Amendment to IAS 16, ‘Property, plant and equipment’ and IAS 38, Intangible assets’,’on depreciation and ‘amortisation.	1 January 2016	In this amendment the IASB has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue an activity that includes the use of an asset generally reflects factors other than the generated by consumption of the economic benefits embodied in the asset. The IASB has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.
Amendments to IAS 27, ‘’Separate financial ‘statements’ on equity accounting.	1 January 2016	In this amendment the IASB has restored the option to use the equity method to account for investments in subsidiaries, joint ventures and associates in an entity’s separate financial statements.

All the other new standards, amendements and interpretations except amendements to IAS 27, disclosed in note 9.1 do not have a material impact on the financial statements of the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1.3 New standards, amendments and interpretations (continued)

b) New standards, amendments and interpretations effective for the first time for 31 December 2016 year ends that are not relevant to the Group (although they may affect accounting for future transactions);

Standard/interpretation	Effective date	Executive summary
Amendment to IFRS 11, ' 'Joint arrangements' on acquisition of an interest in a joint operation.	1 January 2016	This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.
IFRS 14 – Regulatory deferral accounts	1 January 2016	The IASB has issued IFRS 14, 'Regulatory deferral accounts' specific to first time adopters, an interim standard on the accounting for certain balances that arise from rate-regulated activities ("regulatory deferral accounts"). Rate regulation is a framework where the price that an entity charges to its customers for goods and services is subject to oversight and / or approval by an authorised body.

c) New standards, amendments and interpretations issued but not effective for 31 December 2016 year ends that are relevant to the Group but have not been early adopted;

Standard/interpretation	Effective date	Executive summary
Amendment to IAS 12 – Income taxes	1 January 2017	The amendments were issued to clarify the requirements for recognising deferred tax assets on unrealised losses. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. They also clarify certain other aspects of accounting for deferred tax assets. The amendments clarify the existing guidance under IAS 12. They do not change the underlying principles for the recognition of deferred tax assets.
Amendment to IAS 7 – Cash flow statements	1 January 2017	In January 2016, the IASB issued an amendment to IAS 7 introducing an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment responds to requests from investors for information that helps them better understand changes in an entity's debt. The amendment will affect every entity preparing IFRS financial statements. However, the information required should be readily available. Preparers should consider how best to present the additional information to explain the changes in liabilities arising from financing activities.
IFRS 15 – Revenue from contracts with customers.	1 January 2018	The Financial Accounting Standards Board ("FASB") and 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 a good or a service transfers to a customer.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1.3 New standards, amendments and interpretations (continued)

c) New standards, amendments and interpretations issued but not effective for 31 December 2016 year ends that are relevant to the Group but have not been early adopted (continued);

Standard/interpretation	Effective date	Executive summary
IFRS 9 – Financial Instruments (2009 &2010) - Financial liabilities - Derecognition of financial instruments - Financial assets General hedge accounting	1 January 2018	This IFRS is part of the IASB's project to replace IAS 39, Financial instrument: recognition and measurement. IFRS 9 addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39, 'Financial instruments: recognition and measurement', with a single model that has only two classification categories: amortised cost and fair value. The IASB has updated IFRS 9, 'Financial instruments' to include guidance on financial liabilities and derecognition of financial instruments. The accounting and presentation for financial liabilities and for derecognising financial instruments has been relocated from IAS 39, without change, except for financial liabilities that are designated at fair value through profit or loss.
IFRS 16 – Leases	1 January 2019	After ten years of joint drafting by the IASB and FASB they decided that lessees should be required to recognise assets and liabilities arising from all leases (with limited exceptions) on the balance sheet. Lessor accounting has not substantially changed in the new standard. The model reflects that, at the start of a lease, the lessee obtains the right to use an asset for a period of time and has an obligation to pay for that right. In response to concerns expressed about the cost and complexity to apply the requirements to large volumes of small assets, the IASB decided not to require a lessee to recognise assets and liabilities for short-term leases (less than 12 months), and leases for which the underlying asset is of low value (such as laptops and office furniture). A lessee measures lease liabilities at the present value of future lease payments. A lessee measures lease assets, initially at the same amount as lease liabilities, and also includes costs directly related to entering into the lease. Lease assets are amortised in a similar way to other assets such as property, plant and equipment. This approach will result in a more faithful representation of a lessee's assets and liabilities and, together with enhanced disclosures, will provide greater transparency of a lessee's financial leverage and capital employed. One of the implications of the new standard is that there will be a change to key financial ratios derived from a lessee's assets and liabilities (for example, leverage and performance ratios). 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'.

The Group is assessing the impact of the new standards, amendments and interpretations and the timing of their adoption.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1.3 New standards, amendments and interpretations (continued)

d) New standards, amendments and interpretations issued but not effective for 31 December 2016 year ends that are not relevant to the Group;

Standard/interpretation	Effective date	Executive summary
Amendment to IFRS 9 instruments', on general -'Financial instruments', on general 'hedge accounting.	1 January 2018	The IASB has amended IFRS 9 to align hedge accounting more closely with an entity's risk management. The revised standard also establishes a more principles-based approach to hedge accounting and addresses inconsistencies and weaknesses in the current model in IAS 39. Early adoption of the above requirements has specific transitional rules that need to be followed. Entities can elect to apply IFRS 9 for any of the following: · The own credit risk requirements for financial liabilities. · Classification and measurement ("C&M") requirements for financial assets. · C&M requirements for financial assets and financial liabilities. · The full current version of IFRS 9 (that is, C&M requirements for financial assets and financial liabilities and hedge accounting).

e) Improvements to IFRS

Annual improvements 2014, issued December 2014

In September 2014, the IASB issued Annual improvements arising from IFRS 2012 – 2014 Reporting Cycle, which contain five amendments to four 'standards, excluding consequential amendments. The amendments are effective for the first time for 31 December 2016 year-ends;

IFRS	Effective date	Subject of amendment
Amendment to IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'	1 January 2016	This is an amendment to the changes in methods of disposal – assets (or disposal groups) are generally disposed of either through sale or through distribution to owners. The amendment to IFRS 5 clarifies that changing from one of these disposal methods to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in IFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1.3 New standards, amendments and interpretations (continued)

e) Improvements to IFRS (continued)

Annual improvements 2014, issued December 2014 (continued)

In September 2014, the IASB issued Annual improvements arising from IFRS 2012 – 2014 Reporting Cycle, which contain five amendments to four 'standards, excluding consequential amendments. The amendments are effective for the first time for 31 December 2016 year-ends (continued);

IFRS	Effective date	Subject of amendment
Amendment to IFRS 7 – 'Financial Instruments: Disclosures'	1 January 2016	Applicability of the offsetting disclosures to condensed interim financial statements. The amendment removes the phrase 'and interim periods within those annual periods from paragraph 44R, clarifying that these IFRS 7 disclosures are not required in the condensed interim financial report. However, the Board noted that IAS 34 requires an entity to disclose 'an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the entity since the end of the last annual reporting period'. Therefore, if the IFRS 7 disclosures provide a significant update to the information reported in the most recent annual report, the Board would expect the disclosures to be included in the entity's condensed interim financial report.
Amendment to IFRS 7 – 'Financial Instruments: Disclosures'	1 January 2016	Servicing contracts - the amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in paragraphs IFRS 7.B30 and IFRS 7.42C in order to assess whether the disclosures are required.
Amendment to IAS 19 – 'Employee Benefits'	1 January 2016	Discount rate: regional market issue - the amendment to IAS 19 clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.
Amendment to IAS 34 – 'Interim Financial Reporting'	1 January 2016	Disclosure of information 'elsewhere in the interim financial report'. The amendment states that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). The Board specified that the other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete.

There are no other standards, amendments and interpretations that are not yet effective that are 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 to continue operating as a going concern 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 (together the "Group") as at 31 December 2016.

(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

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 IAS 39, Financial instruments: recognition and measurement' either in 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 into 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 Pearl Properties which is 60% owned, 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 in profit or loss, and the Company's share of movements in other comprehensive income of the investee in other comprehensive income.

(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 IAS 39, Financial instruments: recognition and measurement', unless the retained interest continues to be an associate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Basis of consolidation (continued)

(d) Associates (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 and 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 Changes in accounting policy and disclosures

2.4.1 Amendments to IAS 27, 'Separate financial statements' on equity accounting

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. 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 to ensure fairer presentation of the subsidiaries in the separate financial statements of the Company.

As a result of the change in accounting policy, the comparative statement of financial position have been restated.

	31 December 2015 US$	31 December 2014 US$
Statement of financial position		
Increase in investments in subsidiaries	8 725 095	3 686 298

Refer to note 9.1 for further details.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, Managing Directors (including general managers) of the subsidiaries and shared services executives.

2.6 Property, plant and equipment

Property, plant and equipment are initially measured at cost. Subsequently they are measured at cost less accumulated depreciation and impairment allowances. 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 comprises 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 cost. The 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 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Intangible assets (continued)

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.

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 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. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Impairment of non-financial assets (continued)

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.

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 by 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 other incremental costs that the Group incurs in connection with the borrowing of funds.

2.13 Non-current assets (disposal group) held for sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of the carrying amount and fair value less costs to sell.

2.14 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.

2.14.1 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. Transaction costs on financial assets at fair value through profit or loss are recognised in the statement of comprehensive income. 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.

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 assets 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 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. 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,

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14.1 Financial Assets (continued)

Available-for-sale financial investments (continued)
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.

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.

Cash and balances with banks
Cash and balances with banks comprise cash and balances with banks, 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 in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of less than three months and bank overdrafts. In the consolidated statement of financial position, bank overdrafts are shown within borrowings.

2.14.2 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 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14.3 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 right 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.

2.14.4 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, bank borrowings and insurance and investment contract 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.

2.14.5 De-recognition of financial liabilities

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. 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.

2.14.6 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.

2.14.7 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.

2.15 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.

2.16 Revenue recognition

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding any discounts and rebates, and other value added taxes or duty. The following specific recognition criteria must be met before the revenue is recognised:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16.1 Premium income

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

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

In the short-term business, premium income is accounted for as and when the premiums are agreed and risks accepted. Refer to note 2.20.6 for the Group's accounting policy for unearned premium.

2.16.2 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 terms 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 charges 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.

2.16.3 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;
- Property sales; and
- Property valuations.

2.16.4 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.

2.16.5 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16.5 Sale of property under development

Where the contract is judged to be for the sale of a completed property, revenue is recognised when the significant risks and rewards of ownership of the real estate have been transferred to the buyer. 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.

2.16.6 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.

2.16.7 Interest income

Interest earned on cash invested with financial institutions is recognised on an accrual basis using the effective interest method. Interest income is included in the statement of comprehensive income.

2.16.8 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.

2.16.9 Commission income

Commission income received or receivable under insurance and reinsurance contracts for non life insurance contracts is recognised as revenue proportionally over the period of the insurance contract.

2.16.10 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 on the sale of investments are calculated as the difference between net sales proceeds and the original or amortised cost and are recorded on occurrence of the sale transaction.

2.17 Claims

2.17.1 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17.2 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.

2.18 Reinsurance recoveries

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

2.19 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. A portion of 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.

2.20 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.

2.20.1 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.

2.20.2 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20.3 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 component of the DPFs are included in the policyholder liabilities.

2.20.4 Determination of liabilities

The liabilities are determined on the basis derived by the independent actuary as detailed in note 3.1.2. Actuarial valuation reports for each year are done annually and signed-off by the statutory actuary.

2.20.4.1 Insurance contract liabilities and investment contract liabilities with DPF

The liability for life insurance contracts and investment contracts with DPF are 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 (Standard of actuarial practice). 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 a 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. 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.

2.20.4.2 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.

2.20.5 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 18. Actuarial valuation reports for each year are done annually and signed-off by the independent statutory actuary.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20.6 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") 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.

Incurred but not reported - ("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 provision for unearned premiums represents that portion of premiums received or receivable that relates to risks that have not yet expired at the reporting date. The provision 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.

2.21 Deferred acquisition costs

Deferred acquisition costs, relate to commission, 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.

2.22 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.22 Reinsurance (continued)

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 expire 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.

2.23 Current income and deferred taxes

2.23.1 Current income tax

Current 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).

2.23.2 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 that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23.2 Deferred tax (continued)

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.

The Group adopted the rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40, Investment property, should be determined on the basis that its carrying amount will be recovered through sale.

The effect of adopting the amendment of IAS 12, Income taxes, for the purposes of recognising deferred tax, is that the carrying amount of the investment property measured at fair value will be recovered through sale. Consequently the applicable rate of tax when calculating deferred tax would be the capital gains tax rate of 5% instead of the corporate income tax rate of 25.75% previously in use.

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% 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.

2.23.3 Value added tax (“VAT”)

Expenses and assets are recognised net of the amount of 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 FMRE Life & Health (Private) Limited and First Mutual Health Company (Private) Limited that are VAT exempt.

2.24 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.

2.25 Shared-based payments: share options

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (“options”) of the Group. 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, an entity’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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.25 Shared-based payments: share options (continued)

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.

2.26 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.

2.27 Retrenchment accounting policy

The Group recognises termination 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

2.28 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.

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. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

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.

Owner occupied property 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 group companies is considered as 25% (2015: 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 accounting policies.

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 an 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 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% (2015: 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 incurred but not reported claims ("IBNR") represents an estimate of 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, 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 prescribed 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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

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

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.

3.2.3 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.

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 arrears 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, various 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 meter 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 comparable 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 properties and more information on the estimates and assumptions used to determine the fair, value of investment properties.

3.2.4 Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. 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.

Where indicators of impairment have been identified the Group determines the recoverable amount based on the fair value of the assets. Impairment losses of continuing operations, including impairment on inventory, are recognised in statement of comprehensive income in expense categories consistent with the function of the impaired asset, except for a property previously revalued when the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

3.2.5 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.

3.2.6 Allowances for credit losses

In determining whether an impairment allowance should be recorded in statement of comprehensive income, the Group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset. The impairment for insurance receivables is calculated on a specific basis, based on historical loss ratios, adjusted for national and industry specific economic conditions and other indicators present at the reporting date that correlate with defaults on each debtor.

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. In addition, the Group Investment Committee makes all decisions regarding property investments and unquoted companies' share transactions.

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.

	2016 Impact on profit before tax US$	2015 Impact on profit before tax US$	2016 Impact on equity US$	2015 Impact on equity US$	2016 Effect on life policyholder liabilities US$	2015 Effect on life policyholder liabilities US$
Commodity						
10	205 130	23 405	152 309	17 378	179 295	140 897
-10	(205 130)	(23 405)	(152 309)	(17 378)	(179 295)	(140 897)
Consumer						
10	863 989	25 816	641 512	19 168	736 851	428 217
-10	(863 989)	(25 816)	(641 512)	(19 168)	(736 851)	(428 217)
Financial						
10	125 135	27 732	92 913	20 591	211 613	139 472
-10	(125 135)	(27 732)	(92 913)	(20 591)	(211 613)	(139 472)
Manufacturing						
10	270 035	18 597	200 501	13 809	219 269	90 025
-10	(270 035)	(18 597)	(200 501)	(13 809)	(219 269)	(90 025)
Property						
10	3 315	133 239	2 461	98 930	48 389	30 636
-10	(3 315)	(133 239)	(2 461)	(98 930)	(48 389)	(30 636)
Retail						
10	42 624	6 975	31 648	5 179	39 185	-
-10	(42 624)	(6 975)	(31 648)	(5 179)	(39 185)	-
Tourism						
10	-	285 520	-	211 999	162 628	132 860
-10	-	(285 520)	-	(211 999)	(162 628)	(132 860)
Telecommunication						
10	261 642	37 521	194 269	27 859	208 270	162 244
-10	(261 642)	(37 521)	(194 269)	(27 859)	(208 270)	(162 244)
Total						
10	1 771 871	558 805	1 315 614	414 913	1 805 500	1 124 351
-10	(1 771 871)	(558 805)	(1 315 614)	(414 913)	(1 805 500)	(1 124 351)

4. GROUP FINANCIAL RISK MANAGEMENT (continued)

4.2 Equity price risk (continued)

At the reporting date, the total exposure to listed equity securities at fair value through profit or loss was US$19 858 707 (2015: US$11 483 355), US$18 054 997 (2015: US$9 995 256) relating to policyholder and US$1 803 710 (2015: US$1 487 744) to shareholder.

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. The following policies and procedures are in place to mitigate the Group's exposure to credit risk:

The Group has a credit policy that establishes counterparty trading limits for each banking institution that we trade 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 determined from this process are submitted to the Group Investment Committee for approval.

The Group only trades with and receives service from banking insitutions that meet regulatory requirements that include capital.

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 entity'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% of any fund's money market investment, or for the Group total money market investments.

Tier 2 Banks - Banks that are required 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% of any fund's money market investment or for the Group total money market investments.

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

Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year by the Board of Directors and are subject to regular reviews. At each reporting date, the Boards of the reinsurance subsidiaries and management perform an assessment of credit worthiness of reinsurers and updates the reinsurance purchase strategy, ascertaining suitable allowances for impairment.

4. GROUP FINANCIAL RISK MANAGEMENT (continued)

4.3 Credit risk (continued)

The credit risk in respect of customer balances incurred on non-payment of premiums or contributions will only persist during the grace period specified in the policy document when the policy is either paid up or terminated. Commission paid to intermediaries is netted off against amounts receivable from them to reduce the risk of doubtful debts.

For the property business, tenants are assessed according to Group criteria prior to entering into lease arrangements. Credit risk is managed by requiring tenants to pay rentals in advance and 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 these receivables.

Held to maturity investments consist of treasury bills and other bonds such as agro bills and power generation bills, which are considered to be low risk investments as these are government guaranteed and those that have matured to date have all been honoured.

Maximum exposure to credit risk for the Group is equal to the carrying amount of the financial assets as disclosed in the statement of financial position.

These form part of prescribed assets which are bonds/securities issued by the central government, local government, quasi government organisations or any other bonds/securities that may be accorded the prescribed asset status by the Minister of Finance and Economic Development.

As at 31 December 2016 the analysis of financial assets that were past due but not impaired is set out below:

	Neither past due nor impaired 30 days US$	Past due but not impaired 60 days US$	90 days US$	Past due net of impairment 120 days US$	Total US$
31 December 2016					
Insurance receivables	4 380 106	975 895	1 264 963	1 466 935	8 087 899
Tenant receivables	426 637	201 859	146 382	55 669	830 547
Other receivables excluding prepayments	2 208 780	326 180	614 694	388 603	3 538 257
Held to maturity investments	198 995	4 687 173	18 315 932	-	23 202 100
Total	**7 214 518**	**6 191 107**	**20 341 971**	**1 911 207**	**35 658 803**
31 December 2015					
Insurance receivables	4 528 409	643 183	1 191 198	1 400 554	7 763 344
Tenant receivables	105 183	82 516	48 456	590 921	827 076
Other receivables excluding prepayments	2 901 512	578 288	770 802	590 037	4 840 639
Held to maturity investments	2 182 483	29 252	12 517 826	-	14 729 561
Total	**9 717 587**	**1 333 239**	**14 528 282**	**2 581 512**	**28 160 620**

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

	2016 US$	2015 US$
Tier 1	20 451 303	17 633 065
Tier 2	17 205 992	10 506 605
	37 657 295	**28 139 670**

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 long-term debt obligation which carry fixed interest rates and held to maturity and money market investments that the Group holds with various financial institutions.

4. GROUP FINANCIAL RISK MANAGEMENT (continued)

4.4 Interest rate risk (continued)

The Group manages interest rate risk at both Board (through Group Investments Committee) and Management levels 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 and monthly interest rate simulations.

Group and its subsidiaries' 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 its subsidiaries' denominate their credit facilities in the base currency, the US$ in order to minimise cross currency interest rate risk.

At 31 December 2016, if the interest rate on the long-term borrowings at the date had been 1% higher / lower with all other variables held constant, the recalculated post-tax profit for the year would have been US$43 092 (2015: US$45 299) lower / higher, mainly as a result of higher / lower interest expense on floating rate borrowings.

4.5 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 intimated claims and benefits falling due, 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.

The Group has limited liquidity risk as premiums and rentals are received in advance and claims are paid when incurred for over the period of cover. Where pension funds withdraw and / or transfer assets to other pension administrators the period of transferring the assets is per the 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.

Assets **31 December 2016**	**M<1 month** **US$**	**1 month<M< 3 months** **US$**	**3 months < M <1 year** **US$**	**1 year < M < 5 years** **US$**	**Total** **US$**
Financial assets:					
Equity securities at fair value through profit or loss	-	-	-	19 863 340	19 863 340
Debt securities held to maturity investments	198 995	4 687 173	5 147 570	13 168 361	23 202 099
Loans and receivables including insurance receivables	830 547	11 626 154	-	-	12 456 701
Non-current assets classified as held for sale	-	-	4 370 013	-	4 370 013
Cash and balances with banks	35 549 686	-	2 107 609	-	37 657 295
Total assets	**36 579 228**	**16 313 327**	**11 625 192**	**33 031 701**	**97 549 448**
Liabilities					
Insurance contract liabilities-short term	1 655 881	10 228 930	3 486 346	5 149 051	20 520 208
Investment contract liabilities:					
- With DPF	-	-	2 103	66 805 741	66 807 844
- Without DPF	-	-	-	8 532 451	8 532 451
Borrowings	7 825	292 687	2 817 062	1 191 667	4 309 241
Insurance contract liabilities - life assurance	-	2 068 560	-	-	2 068 560
Other payables	4 706 513	242 224	489 434	-	5 438 171
Total liabilities	**6 370 219**	**12 832 401**	**6 794 945**	**81 678 910**	**107 676 475**
Liquidity gap	**30 209 009**	**3 480 926**	**4 830 247**	**(48 647 209)**	**(10 127 027)**
Cumulative liquidity gap	**30 209 009**	**33 689 935**	**38 520 182**	**(10 127 027)**	**-**

4. GROUP FINANCIAL RISK MANAGEMENT (continued)

4.5 Liquidity risk (continued)

Assets 31 December 2015	M<1 month US$	1 month<M< 3 months US$	3 months < M <1 year US$	1 year < M < 5 years US$	Total US$
Financial assets:					-
Equity securities at fair value through profit or loss	-	-	-	11 483 355	11 483 355
Debt securities held to maturity investments	2 182 483	29 252	5 174 199	7 343 627	14 729 561
Loans and receivables including insurance receivables	827 077	12 603 983	-	-	13 431 060
Non-current assets classified as held for sale	-	-	4 373 911	-	4 373 911
Cash and balances with banks	13 466 325	-	14 673 345	-	28 139 670
Total assets	**16 475 885**	**12 633 235**	**24 221 455**	**18 826 982**	**72 157 557**
Liabilities					
Insurance contract liabilities - short term	-	20 447 541	-	4 559 031	25 006 572
Investment contract liabilities:					
With DPF	-	-	1 649	55 694 195	55 695 844
Without DPF	-	-	-	5 661 964	5 661 964
Borrowings	56 398	425 877	3 095 060	2 610 777	6 188 112
Insurance contract liabilities - life assurance	-	2 279 042	-	-	2 279 042
Other payables	1 098 709	120 113	367 864	-	1 586 686
Total liabilities	**1 155 107**	**23 272 573**	**3 464 573**	**68 525 967**	**96 418 220**
Liquidity gap	**15 320 778**	**(10 639 338)**	**20 756 882**	**(49 698 985)**	**(24 260 663**
Cumulative liquidity gap	**15 320 778**	**4 681 440**	**25 438 322**	**(24 260 663)**	**-**

The liquidity risk on foreign creditors has increased due to delay of foreign payments. Refer note 16 for additional disclosures under cash and balances with banks.

4.6 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”) and the South African Rand (“ZAR”). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

Included in BWP foreign exchange risk is the translation, however we do not consider this to be significant for separate disclosure.

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 flactuate significantly against the United States of America dollar are translated into United States of America dollar.

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)

4.6 Foreign exchange risk (continued)

Consolidated foreign exchange gap analysis as at 31 December 2016

Base currency	ZAR US$ equivalent	GBP US$ equivalent	EUR US$ equivalent	BWP US$ equivalent	KES US$ equivalent	ZMK US$ equivalent	MWK US$ equivalent	TOTAL US$ equivalent
Assets								
Balances with other banks and cash	157 058	-	-	1 140 405	-	-	50 713	1 348 176
Trade and other receivables	93 260	-	-	572 171	-	-	-	665 431
Total assets	**250 318**	**-**	**-**	**1 712 576**	**-**	**-**	**50 713**	**2 013 607**
Liabilities								
Trade and other payables	49 788	-	2 991	355 068	-	-	-	407 847
Total liabilities	**49 788**	**-**	**2 991**	**355 068**	**-**	**-**	**-**	**407 847**
Net currency position	**200 530**	**-**	**(2 991)**	**1 357 508**	**-**	**-**	**50 713**	**1 605 760**

Consolidated foreign exchange gap analysis as at 31 December 2015

	ZAR	GBP	EUR	BWP	KES	ZMK	MWK	TOTAL
Assets								
Balances with other banks and cash	156 038	273	-	802 843	-	-	53 276	1 012 430
Trade and other receivables	225 319	-	-	414 940	1 676	23 196	49 570	714 701
Total assets	**381 357**	**273**	**-**	**1 217 783**	**1 676**	**23 196**	**102 846**	**1 727 131**
Liabilities								
Trade and other payables	10 498		6 189			-		16 687
Total liabilities	**10 498**	**-**	**6 189**	**-**	**-**	**-**	**-**	**16 687**
Net currency position	**370 859**	**273**	**(6 189)**	**1 217 783**	**1 676**	**23 196**	**102 846**	**1 710 444**

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

Currency	2016 Cross rate	2015 Cross rate
South African rand ("ZAR")	14.18	15.48
Great Britain pound ("GBP")	-	1.48
Euro ("EUR")	1.06	1.09
Botswana pula ("BWP")	10.57	11.07
Kenyan shilling ("KES")	-	100.17
Zambian kwacha ("ZMK")	-	10.51
Malawian kwacha ("MWK")	-	651.18

Impact of 10% increase in exchange rates	ZAR US$	GBP US$	EUR US$	BWP US$	KES US$	ZMK US$	MWK US$	TOTAL US$
For the year ended 31 December 2016								
Assets	25 032	-	-	171 258	-	-	5 071	201 361
Liabilities	4 979	-	299	35 507	-	-	-	40 785
Net position	**20 053**	**-**	**(299)**	**135 751**	**-**	**-**	**5 071**	**160 576**
For the year ended 31 December 2015								
Assets	38 136	27	-	121 778	168	2 320	10 285	172 713
Liabilities	1 050	-	619	-	-	-	-	1 669
Net position	**37 086**	**27**	**(619)**	**121 778**	**168**	**2 320**	**10 285**	**171 044**

4. GROUP FINANCIAL RISK MANAGEMENT (continued)

4.6 Foreign exchange risk (continued)

	31 December 2016			31 December 2015		
Currency	Change in variables US$	Impact on profit before tax US$	Impact on equity US$	Change in variables US$	Impact on profit before tax US$	Impact on equity US$
South African rand ("ZAR")	+10%	49 517	39 648	+10%	36 750	27 287
Malawian kwacha ("MWK")	+10%	23 987	19 564	+10%	14 097	10 467
Botswana pula ("BWP")	+10%	69 603	51 680	+10%	70 780	52 554
South African rand ("ZAR")	-10%	(49 517)	(39 648)	-10%	(36 750)	(27 287)
Malawian kwacha ("MWK")	-10%	(23 987)	(19 564)	-10%	(14 097)	(10 467)
Botswana pula ("BWP")	-10%	(69 603)	(51 680)	-10%	(70 780)	(52 554)

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

4.7 Insurance risk

The Group is exposed to insurance risk arising from its insurance contracts with policyholders and other beneficiaries. 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.

4.7.1 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)

4.7 Insurance risk (continued)

4.7.1 Life insurance risks (continued)

Life insurance contract sensitivity analysis

At 31 December 2016	Impact on Change in assumptions	Impact on liabilities	Impact on net liabilities	profit before income tax	Impact on equity
Base					
Mortality	+10%	2 385 454	2 385 454	(2 385 454)	(1 771 200)
Mortality	-10%	(2 385 454)	(2 385 454)	2 385 454	1 771 200
Investment return	+1%	5 144 767	5 144 767	(5 144 767)	(3 819 989)
Expense	+10%	1 988 165	1 988 165	(1 988 165)	(1 476 213)
Lapse and surrenders rate	+10%	(942 091)	(942 091)	942 091	699 503
At 31 December 2015					
Base					
Mortality	+10%	1 829 764	1 829 764	(1 829 764)	(1 358 600)
Mortality	-10%	(1 877 740)	(1 877 740)	1 877 740	1 394 222
Investment return	+1%	(1 193 266)	(1 193 266)	1 193 266	886 000
Expense	+10%	1 426 039	1 426 039	(1 426 039)	(1 058 834)
Lapse and surrenders rate	+10%	(660 964)	(660 964)	660 964	490 766

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 2016					
Pensions	63 007 587	8 532 451	12 556 884	8 453 552	92 550 474
Individual life	5 624 828	-	635 888	11 320 260	17 580 976
Group life	-	-	-	84 941	84 941
Total	**68 632 415**	**8 532 451**	**13 192 772**	**19 858 753**	**110 216 391**
31 December 2015					
Pensions	52 415 450	5 661 964	14 678 252	7 832 581	80 588 247
Individual life	3 283 545	-	894 793	11 873 448	16 051 786
Group life	-	-	-	291 666	291 666
Total	**55 698 995**	**5 661 964**	**15 573 045**	**19 997 695**	**96 931 699**

4. GROUP FINANCIAL RISK MANAGEMENT (continued)

4.7 Insurance risk (continued)

4.7.2 Short term insurance risks

Property and casualty claims development table

Accident year	2010 US$	2011 US$	2012 US$	2013 US$	2014 US$	2015 US$	2016 US$	Total US$
At end of accident year	3 035 840	4 161 427	4 763 396	5 886 869	7 509 327	8 012 449	6 517 345	-
One year later	3 035 840	4 161 427	4 763 396	5 886 869	7 509 327	8 012 449	-	-
Two years later	3 035 840	4 161 427	4 763 396	5 886 869		-	-	-
Three years later	3 035 840	4 161 427	4 763 396	5 886 869	-	-	-	-
Four years later	3 035 840	4 161 427	4 763 396	-	-	-	-	-
Five years later	3 035 840	4 161 427	-	-	-	-	-	-
Six years later	3 035 840	-	-	-	-	-	-	-
Current estimate of cumulative claims incurred	**3 035 840**	**4 161 427**	**4 763 396**	**5 886 869**	**7 509 327**	**8 012 449**	**6 517 345**	**39 886 653**

Accident year	2010 US$	2011 US$	2012 US$	2013 US$	2014 US$	2015 US$	2016 US$	Total US$
At end of accident year	(1 990 783)	(2 519 994)	(3 425 966)	(3 884 467)	(4 622 837)	(6 126 186)	(6 157 847)	-
One year later	(2 864 680)	(3 012 778)	(4 257 805)	(4 361 538)	(5 514 895)	(7 533 835)	-	-
Two years later	(3 049 935)	(3 206 847)	(4 553 008)	(4 555 007)	(6 104 663)	-	-	-
Three years later	(3 066 372)	(3 261 468)	(4 748 748)	(4 906 828)	-	-	-	-
Four years later	(3 118 173)	(3 303 900)	(5 026 938)	-	-	-	-	-
Five years later	(3 257 974)	(3 448 111)	-	-	-	-	-	-
Six years later	(3 257 974)	-	-	-	-	-	-	-
Cumulative payments to date	**(3 257 974)**	**(3 448 111)**	**(5 026 938)**	**(4 906 828)**	**(6 104 663)**	**(7 533 835)**	**(6 157 847)**	**(36 436 196)**
Cumulative claims incurred less payments to date	**(222 134)**	**713 316**	**(263 542)**	**980 041**	**1 404 664**	**478 614**	**359 498**	**3 450 457**

*There 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. GROUP FINANCIAL RISK MANAGEMENT (continued)

4.7 Insurance risk (continued)

4.7.2 Short term insurance risks (continued)

Health insurance claims development table
Total claims liability

Treatment year	Before First half 2014 US$	First half 2014 US$	Second half 2014 US$	First half 2015 US$	Second half 2015 US$	First half 2016 US$	Second half 2016 US$
At end of treatment half	18 868 178	26 429 855	28 102 546	28 763 334	48 828 450	25 271 814	46 008 975
One half later	18 868 178	26 429 855	28 102 546	28 763 334	48 828 450	25 271 814	-
Two halves later	18 868 178	26 429 855	28 102 546	28 763 334	48 828 450	-	-
Three halves later	18 868 178	26 429 855	28 102 546	28 763 334	-	-	-
Four halves later	18 868 178	26 429 855	28 102 546	-	-	-	-
Five halves later	18 868 178	26 429 855	-	-	-	-	-
Six halves later	18 868 178	-	-	-	-	-	-
Current estimate of cumulative claims incurred	**18 868 178**	**26 429 855**	**28 102 546**	**28 763 334**	**48 828 450**	**25 271 814**	**46 008 975**

Total claims paid

Treatment year	Before First half 2014 US$	First half 2014 US$	Second half 2014 US$	First half 2015 US$	Second half 2015 US$	First half 2016 US$	Second half 2016 US$
At end of treatment half	18 566 088	25 141 135	25 592 676	26 253 464	46 235 077	22 745 038	41 281 488
One half later	19 553 564	26 824 988	29 498 9814	29 594 929	49 093 280	26 720 139	-
Two halves later	19 559 022	26 871 360	29 714 421	29 695 805	49 412 525	-	-
Three halves later	19 587 285	26 878 120	29 714 421	29 714 356	-	-	-
Four halves later	19 589 078	26 878 120	29 714 421	-	-	-	-
Five halves later	19 589 078	26 878 120	-	-	-	-	-
Six halves later	19 589 078	-	-	-	-	-	-
Cumulative payments to date	**19 589 078**	**26 878 120**	**29 714 421**	**29 714 356**	**49 412 525**	**26 720 139**	**41 281 488**
Outstanding claims as at 31 December 2016	**(720 900)**	**(448 265)**	**(1 611 875)**	**(951 022)**	**(584 075)**	**(1 448 325)**	**4 727 487**
Less IBNR 31 December 2016							**(3 262 549)**
Outstanding claims 31 December 2016							**1 464 938**

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. Risk management is thus filtered into the whole underwriting

4. GROUP FINANCIAL RISK MANAGEMENT (continued)

4.7 Insurance risk (continued)

4.7.2 Short-term insurance risk (continued)

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: provides indemnity for third party bodily injury, property damage, professional indemnity, group personal accident and legal expenses.

Motor: provides indemnity for loss or damage to the insured motor vehicle.

Engineering: provides indemnity for losses sustained through use of machinery and equipment or erection of buildings or structures.

Marine: provides indemnity for cargo, hull and third party bodily injury or property damage classes of business.

Agriculture: provides indemnity for loss of income or crop damage due to hail, floods, pests and fire.

Aviation: provides 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 principal 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. The IBNR development has been modelled from past experience. The impact on the profit and equity affumed a change in the actual development holding other variables constant.

4. GROUP FINANCIAL RISK MANAGEMENT (continued)

4.7 Insurance risk (continued)

4.7.2 Short-term insurance risk (continued)

Assumption	Change in assumption %	Change in Reported value US$	profit before income tax US$	Change in equity US$
December 2016				
Increase in IBNR	15%	1 816 479	(272 472)	(202 310)
Decrease in IBNR	15%	1 816 479	272 472	202 310
December 2015				
Increase in IBNR	15%	1 728 834	(259 325)	(192 549)
Decrease in IBNR	15%	1 728 834	259 325	192 549

Exposure relating to catastrophe events

The Group sets out 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 includes the use of both proportional and excess of loss reinsurance. In the event of major catastrophe the net retained loss is US$300 000 (2015: US$300 000). 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 a period of 5 years.

4. GROUP FINANCIAL RISK MANAGEMENT (continued)

4.7 Insurance risk (continued)

4.7.2 Short-term insurance risk (continued)

IBNR development

Accident year	2010 US$	2011 US$	2012 US$	2013 US$	2014 US$	2015 US$	2016 US$	Total US$
At end of accident year	515 846	735 461	878 928	1 264 032	1 383 141	1 381 772	1 203 790	-
One year later	515 846	735 461	878 928	1 264 032	1 383 141	1 381 772	-	-
Two years later	515 846	735 461	878 928	1 264 032	1 383 141	-	-	-
Three years later	515 846	735 461	878 928	1 264 032	-	-	-	-
Four years later	515 846	735 461	878 928	-	-	-	-	-
Five years later	515 846	735 461	-	-	-	-	-	-
Six years later	515 846	-	-	-	-	-	-	-
Current estimate of cumulative claims incurred	**515 846**	**735 461**	**878 928**	**1 264 032**	**1 383 141**	**1 381 772**	**1 203 790**	**7 362 970**
One year later	(492 785)	(831 839)	(477 071)	(892 058)	(1 238 068)	1 381 722	-	-
Two years later	(686 854)	(1 127 041)	(670 540)	(1 087 639)	(1 238 068)	-	-	-
Three years later	(741 474)	(1 322 781)	(695 718)	(1 087 639)	-	-	-	-
Four years later	(783 906)	(1 352 648)	(695 718)	-	-	-	-	-
Five years later	(786 946)	(1 352 648)	-	-	-	-	-	-
Six years later	-	-	-	-	-	-	-	-
Non propotional treaty IBNR	(141 172)	(248 323)	(326 643)	(394 187)	(169 581)	(121 234)	-	-
Cumulative payments to date	**(928 118)**	**(1 600 971)**	**(1 022 361)**	**(1 481 826)**	**(1 407 649)**	**1 260 488**	**-**	**(5 180 437)**
Cumulative claims incurred less payments to date	**(412 272)**	**(865 510)**	**(143 433)**	**(217 794)**	**(24 508)**	**2 642 260**	**1 203 790**	**2 182 533**

Claims development	2010 US$	2011 US$	2012 US$	2013 US$	2014 US$	2015 US$	2016 US$	Total US$
At end of accident year	3 035 840	4 161 427	4 763 396	5 886 869	7 509 327	8 012 449	7 899 220	-
One year later	3 035 840	4 161 427	4 763 396	5 886 869	7 509 327	8 012 449	-	-
Two years later	3 035 840	4 161 427	4 763 396	5 886 869	7 509 327	-	-	-
Three years later	3 035 840	4 161 427	4 763 396	5 886 869	-	-	-	-
Four years later	3 035 840	4 161 427	4 763 396	-	-	-	-	-
Five years later	3 035 840	4 161 427	-	-	-	-	-	-
Six years later	3 035 840	-	-	-	-	-	-	-
Cumulative claims incurred to date	**3 035 840**	**4 161 427**	**4 763 396**	**5 886 869**	**7 509 327**	**8 012 449**	**7 899 220**	**41 268 528**

Total claims paid	2010 US$	2011 US$	2012 US$	2013 US$	2014 US$	2015 US$	2016 US$	Total US$
At end of accident year	(2 519 994)	(3 425 966)	(3 884 467)	(4 622 837)	(6 126 186)	(6 157 847)	(6 026 371)	-
One year later	(3 012 778)	(4 257 805)	(4 361 538)	(5 514 895)	(7 364 254)	(6 157 847)	-	-
Two years later	(3 206 847)	(4 553 008)	(4 555 007)	(5 710 476)	(7 364 254)	-	-	-
Three years later	(3 261 468)	(4 748 748)	(4 580 185)	(5 710 476)	-	-	-	-
Four years later	(3 303 900)	(4 778 615)	(4 580 185)	-	-	-	-	-
Five years later	(3 306 939)	(4 778 615)	-	-	-	-	-	-
Six years later	(3 306 939)	-	-	-	-	-	-	-
Treaty non prop IBNR	(141 172)	(248 323)	(326 643)	(394 187)	(169 581)	-	-	-
Current estimate of cumulative claims paid	**(3 448 111)**	**(5 026 938)**	**(4 906 828)**	**(6 104 663)**	**(7 533 835)**	**(6 157 847)**	**(6 026 371)**	**(39 204 593)**
Cumulative claims incurred less payments to date	**(412 271)**	**(865 511)**	**(143 432)**	**(217 794)**	**(24 508)**	**1 854 602**	**1 872 849**	**2 063 935**

4. GROUP FINANCIAL RISK MANAGEMENT (continued)

4.8 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 2016 (2015: none).

The subsidiaries were capitalised as follows:

At 31 December 2016	Capital employed US$	Capital Regulatory US$
Company		
First Mutual Reinsurance Company Limited	9 446 684	3 000 000
FMRE Property and Casualty (Proprietary) Limited	2 891 735	1 500 000
TristarInsurance Company Limited	2 213 132	1 500 000
First Mutual Life Assurance Company (Private) Limited	12 940 689	3 000 000

The Group obtained a licence from the Minister of Finance and Economic Development to merge the operations of the two reinsurance businesses i.e. FMRE Property and Casualty Zimbabwe (Private) Limited and FMRE Life and Health (Private) Limited. This will result in the latter meeting the minimum capital requirement as the combined capital of the two businesses will be more than the required US$3 million.

31 December 2015		
Company		
First Mutual Reinsurance Company Limited	7 401 604	3 000 000
FMRE Property and Casualty (Proprietary) Limited Botswana	2 681 473	1 500 000
TristarInsurance Company Limited	2 549 383	1 500 000
First Mutual Life Assurance Company (Private) Limited	7 513 981	3 000 000

As at 31 December 2015, all the Group's affected subsidiaries except FMRE Life and Health (Private) Limited were compliant with the minimum capital requirements.

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 in a similar manner to third party transactions.

The Group comprises four reportable operating segments:

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

Health insurance
This relates to the health 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 and wealth management.

Segmental analysis

As at 31 December 2016	Life and pensions US$	Property and casualty US$	Health US$	Property US$	Other US$	Gross figures US$	Consolidation entries US$	Total consolidated US$
Net premium earned	38 115 608	17 388 715	52 208 779	-	-	107 713 102	(156 656)	107 556 446
Rental income	-	-	-	7 728 179	-	7 728 179	(996 292)	6 731 887
Investment income and fair value adjustment on investment property	6 869 534	815 645	1 498 820	(1 352 636)	12 675 060	20 506 423	(12 899 764)	7 606 659
Fee income and other income	5 842 733	382 981	465 244	578 804	3 458 072	10 727 834	(5 231 080)	5 496 754
Total income	**50 827 875**	**18 587 341**	**54 172 843**	**6 954 347**	**16 133 132**	**146 675 538**	**(19 283 792)**	**127 391 746**
Total expenses	(44 666 673)	(17 652 055)	(47 394 146)	(4 626 349)	(3 661 137)	(118 000 360)	1 465 517	(116 534 843)
Total assets	125 035 253	23 379 359	17 604 459	142 643 933	32 131 968	340 794 972	(111 087 741)	229 707 231
Total liabilities	113 782 149	10 738 054	12 404 153	15 864 404	9 095 642	161 884 402	(8 053 077)	153 831 325
Cash flows generated from operations	11 280 908	578 060	5 743 480	2 656 030	6 071	20 264 549	1 028 845	21 293 394
Cash flows (used in)/generated from investing activities	(5 923 628)	(235 885)	(2 707 688)	(144 479)	406 800	(8 604 880)	9 706 550	1 101 670
Cash (used in)/generated from financing activities	(259 740)	(100 006)	-	(1 100 000)	(409 462)	(1 869 208)	313 058	(1 556 150)
Profit/(loss) before income tax	3 585 972	748 952	6 778 697	1 139 251	9 584 562	21 837 434	(10 980 531)	10 856 903

5. SEGMENT INFORMATION (continued)

Segmental analysis

As at 31 December 2015	Life and pensions US$	Property and casualty US$	Health US$	Property US$	Other US$	Gross figures US$	Consolidation entries US$	Total consolidated US$
Net premium earned	35 146 982	19 211 342	52 481 633	-	-	106 839 957	(235 850)	106 604 107
Rental income	-	-	-	8 342 349	-	8 342 349	(1 013 504)	7 328 845
Investment income and fair value adjustment on investment property	(6 790 657)	(628 211)	(384 127)	(6 590 661)	(5 170 153)	(19 563 809)	8 237 093	(11 326 716)
Fee income and other income	4 841 365	82 764	284 202	640 708	4 505 823	10 354 862	(5 172 605)	5 182 257
Total income	**33 197 690**	**18 665 895**	**52 381 708**	**2 392 396**	**(664 330)**	**105 973 359**	**1 815 134**	**107 788 493**
Total expenses	(31 872 192)	(18 770 316)	(51 483 522)	(4 928 826)	(5 340 996)	(112 395 852)	896 125	(111 499 727)
Total assets	109 832 354	23 614 001	10 720 406	143 058 581	15 396 909	302 622 251	(93 602 568)	209 019 683
Total liabilities	100 962 859	11 358 214	12 298 798	16 668 888	9 135 952	150 424 711	(8 764 343)	141 660 368
Cash flows generated from operations	2 526 105	716 607	1 929 551	2 734 733	33 280	7 940 276	7 880 843	15 821 119
Cash flows (used in)/generated from investing activities	(400 362)	(1 242 470)	8 438	-	(1 773 523)	(3 407 917)	(15 141 155)	(18 549 072)
Cash (used in)/generated from financing activities	-	51 602	-	(146 194)	1 510 158	1 415 566	(1 166 276)	249 290
(Loss)/profit before income tax	(431 409)	64 847	898 186	(1 162 323)	(4 937 153)	(5 567 852)	1 850 765	(3 717 087)

Analysis of additions during the year

Additions to non-current assets	Office equipment US$	Motor vehicles US$	Office furniture US$	Investment property US$	Land and buildings US$	Total US$
31 December 2016	466 340	153 470	63 987	427 088	-	1 110 885
31 December 2015	202 886	36 553	48 109	650 492	-	938 040

Geographical concentration of gross premium written

	Life US$	Property and Casualty US$	Health US$	Property US$	Other US$	31 December 2016 US$	31 December 2015 US$
Zimbabwe	38 055 805	16 416 099	52 208 779	-	-	106 680 683	106 843 656
Other countries	677 290	9 121 810	-	-	-	9 799 100	9 251 679
Total	**38 733 095**	**25 537 909**	**52 208 779**	**-**	**-**	**116 479 783**	**116 095 335**

6. GROUP - PROPERTY, PLANT AND EQUIPMENT

	Land and buildings US$	Office equipment US$	Motor vehicles US$	Office furniture US$	Total US$
Year ended 31 December 2015					
Cost					
At 1 January 2015	9 372 647	2 298 665	4 589 177	730 301	16 990 790
Additions	-	202 886	36 553	48 109	287 548
Disposals	-	(22 754)	(656 380)	(12 555)	(691 689)
At 31 December 2015	**9 372 647**	**2 478 797**	**3 969 350**	**765 855**	**16 586 649**
Accumulated depreciation					
At 1 January 2015	1 108 568	1 569 166	2 665 021	392 021	5 734 776
Charge for the year	187 470	363 530	729 159	37 957	1 318 116
Depreciation on disposals	-	(9 262)	(196 858)	(9 604)	(215 724)
At 31 December 2015	**1 296 038**	**1 923 434**	**3 197 322**	**420 374**	**6 837 168**
Net book amount	**8 076 609**	**555 363**	**772 028**	**345 481**	**9 749 481**
Current	-	-	-	-	-
Non-current	8 076 609	555 363	772 028	345 481	9 749 481
Total	**8 076 609**	**555 363**	**772 028**	**345 481**	**9 749 481**
Year ended 31 December 2016					
Cost					
At 1 January 2016	9 372 647	2 478 797	3 969 350	765 855	16 586 649
Additions	-	466 340	153 470	63 987	683 797
Disposals	-	(63 274)	(1 592 028)	(20 143)	(1 675 445)
At 31 December 2016	**9 372 647**	**2 881 863**	**2 530 792**	**809 699**	**15 595 001**
Accumulated depreciation					
At 1 January 2016	1 296 038	1 923 434	3 197 322	420 374	6 837 168
Charge for the year	187 470	251 573	157 642	57 544	654 229
Depreciation on disposals	-	(42 473)	(1 090 650)	(14 257)	(1 147 380)
At 31 December 2016	**1 483 508**	**2 132 534**	**2 264 314**	**463 661**	**6 344 017**
Net book amount	**7 889 139**	**749 329**	**266 478**	**346 038**	**9 250 984**
Current	-	-	-	-	-
Non-current	7 889 139	749 329	266 478	346 038	9 250 984
Total	**7 889 139**	**749 329**	**266 478**	**346 038**	**9 250 984**

Included in property, plant and equipment are motor vehicles with a cost of US$265 000 (2015: US$949 000) and a net book amount of US$97 574 (2015: US$254 661) financed through a loan. The loan of an equivalent amount was advanced to First Mutual Holdings Limited, by the Peoples Own Savings Bank (“POSB”). Security for the loan is in the form of a Notarial General Covering Bond on the vehicles financed.

A loan of US$5.5 million was sourced from Barclays Bank of Zimbabwe Limited 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$7.8 million was pledged as security. This building is owner occupied, thus classified as property, plant and equipment.

6. COMPANY - PROPERTY, PLANT AND EQUIPMENT (continued)

	Office equipment US$	Motor vehicles US$	Office furniture US$	Total US$
Year ended 31 December 2014				
Cost				
At 1 January 2014	312 596	1 320 909	49 651	1 683 156
Additions	39 072	107 800	10 174	157 046
Disposals	(9 570)	(496 940)	(178)	(506 688)
At 31 December 2014	**342 098**	**931 769**	**59 647**	**1 333 514**
Accumulated depreciation				
At 1 January 2014	160 986	483 713	22 184	666 883
Charge for the year	60 560	205 704	5 889	272 153
Depreciation on disposals	(2 989)	(254 140)	(258)	(257 387)
At 31 December 2014	**218 557**	**435 277**	**27 815**	**681 649**
Net book amount	**123 541**	**496 492**	**31 832**	**651 865**
Current	-	-	-	-
Non-current	123 541	496 492	31 832	651 865
Total	**123 541**	**496 492**	**31 832**	**651 865**
Year ended 31 December 2015				
Cost				
At 1 January 2015	342 098	931 769	59 647	1 333 514
Additions	4 615	-	-	4 615
Disposals	(242)	(173 800)	-	(174 042)
At 31 December 2015	**346 471**	**757 969**	**59 647**	**1 164 087**
Accumulated depreciation				
At 1 January 2015	218 557	435 277	27 815	681 649
Charge for the year	56 249	172 580	5 964	234 793
Depreciation on disposals	-	(68 779)	-	(68 779)
At 31 December 2015	**274 806**	**539 078**	**33 779**	**847 663**
Net book amount	**71 665**	**218 891**	**25 868**	**316 424**
Current	-	-	-	-
Non-current	71 665	218 891	25 868	316 424
Total	**71 665**	**218 891**	**25 868**	**316 424**
Year ended 31 December 2016				
Cost				
At 1 January 2016	346 471	757 969	59 647	1 164 087
Additions	9 704	61 301	185	71 190
Disposals	(35 427)	(650 596)	(13 125)	(699 148)
At 31 December 2016	**320 748**	**168 674**	**46 707**	**536 129**
Accumulated depreciation				
At 1 January 2016	274 806	539 078	33 779	847 663
Charge for the year	39 533	27 628	4 838	71 999
Depreciation on disposals	(24 554)	(458 903)	(9 079)	(492 536)
At 31 December 2016	**289 785**	**107 803**	**29 538**	**427 126**
Net book amount	**30 963**	**60 871**	**17 169**	**109 003**
Current	-	-	-	-
Non-current	30 963	60 871	17 169	109 003
Total	**30 963**	**60 871**	**17 169**	**109 003**

7 INVESTMENT PROPERTY	Group 2016 US$	Group 2015 US$	Company 2016 US$	Company 2015 US$
At 1 January	122 027 001	127 797 001	-	-
Additions to properties under development	-	339 245	-	-
Improvements to existing properties	427 088	311 247	-	-
Disposals	-	-	-	-
Transfer from inventory	3 378 486	189 000	-	-
Fair value adjustments	(1 530 575)	(6 609 492)	-	-
At 31 December 2016	**124 302 000**	**122 027 001**	**-**	**-**
Current	-	-	-	-
Non current	124 302 000	122 027 001	-	-
Total	**124 302 000**	**122 027 001**	**-**	**-**

First Mutual Park, 100 Borrowdale Road, Harare, Zimbabwe was reclassified from investment property to property, plant and equipment because the Group occupies more than an insignificant portion of the property. Investment property known as 99 Jason Moyo Avenue with a carrying amount of US$7 800 000.00 at 31 December 2016 was pledged as security on a loan of US$2 000 000 secured from the National Social Security Authority ("NSSA") by the holding company

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 2016	Level 1 US$	Level 2 US$	Level 3 US$	Total US$	Total gain/(loss) in the period in the statement of comprehensive income US$
Suburban retail	-	-	10 880 000	10 880 000	1 391 017
CBD retail	-	-	13 215 000	13 215 000	37 007
CBD offices	-	-	30 500 000	30 500 000	(1 732 097)
Office parks	-	-	32 960 000	32 960 000	(710 000)
Industrial	-	-	12 030 000	12 030 000	(462 078)
Residential	-	-	4 345 000	4 345 000	171 668
Land*	-	-	20 372 000	20 372 000	(226 092)
Total	**-**	**-**	**124 302 000**	**124 302 000**	**(1 530 575)**
31 December 2015					
Suburban retail	-	-	9 430 000	9 430 000	(384 668)
CBD retail	-	-	12 530 001	12 530 001	(217 900)
CBD offices	-	-	32 980 000	32 980 000	(4 606 051)
Office parks	-	-	33 670 000	33 670 000	(800 000)
Industrial	-	-	12 430 000	12 430 000	(528 376)
Residential	-	-	330 000	330 000	(70 147)
Land *	-	-	20 657 000	20 657 000	(2 350)
Total	**-**	**-**	**122 027 001**	**122 027 001**	**(6 609 492)**

* This consists of land earmarked for future developments.

7 INVESTMENT PROPERTY (continued)

7.1 Fair value hierarchy (continued)

Losses recorded in statement of comprehensive income for recurring fair value measurements categorised within level 3 of the fair value hierarchy amount to US$1 530 575 (December 2015: US$6 609 492) 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.

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 2016 US$	Fair Value 31 December 2015 US$	Valuation technique	Key unobservable inputs	2016 Range	2015 Range
Suburban retail	10 880 000	9 430 000	Income capitalisation	Rental per square metre	US$10.00-US$25.00 (US$17.50)	US$10.00-US$25.00 (US$17.50)
				Prime yield	7.00%-13.00% (10.00%)	7.00%-13.00% (10.00%)
				Void rate	0.00%-3.00% (1.50%)	0.00%-3.00% (1.50%)
CBD retail	13 215 000	12 530 001	Income capitalisation	Rental per square metre	US$10.00-US$25.00 (US$18.00)	US$15.00-US$25.00 (US$20.00)
				Prime yield	7.00%-8.00% (7.50%)	7.00%-8.00% (7.50%)
				Void rate	0.00%-40.00% (20.00%)	0.00%-40.00% (20.00%)
CBD offices	30 500 000	32 980 000	Income capitalisation	Rental per square metre	US$7.00-US$12.00 (US$10.00)	US$7.00-US$12.00 (US$10.00)
				Prime yield	8.00%-9.00% (9.00%)	5.00%-15.00% (10.00%)
				Void rate	0.00%-100.00%(50.00%)	00.00%-100.00%(50.00%)
Office parks	32 960 000	33 670 000	Income capitalisation	Rental per square metre	US$7.00-US$12.00 (US$10.00)	US$7.00-US$12.00 (US$10.00)
				Prime yield	5.00%-15.00% (10.00%)	5.00%-15.00% (10.00%)
				Void rate	0.00%-100.00%(50.00%)	0.00%-100.00% (50.00%)
Industrial	12 030 000	12 430 000	Income capitalisation	Rental per square metre	US$1.50-US$4.00 (US$3.00)	US$1.50-US$4.00 (US$3.00)
				Prime yield	11.00%-13.00%(12.00%)	11.00%-13.00%(12.00%)
				Void rate	40.00%-60.00%(50.00%)	40.00%-60.00% (50.00%)
Land	20 372 000	20 657 000	Market comparable comparable	Rate per square metre	US$50.00-US$80.00 (US$65.00)	US$50.00-US$80.00 (US$65.00)
Residential	4 345 000	330 000	Market comparable	Comparable transacted properties prices		
Total	**124 302 000**	**122 027 001**				

7 INVESTMENT PROPERTY (continued)

7.1 Fair value hierarchy (continued)

Other relates to residential property valued at US$0.33 million which has been valued based on market comparable method (main space equivalent).

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 meter; 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.

Analysis of property portfolio sector	Lettable space m2 31 December 2016 US$	 31 December 2015 US$	% of portfolio 31 December 2016 US$	 31 December 2015 US$
Suburban retail	7 661	7 603	6%	6%
Industrial	36 616	36 616	30%	30%
CBD offices	39 431	39 431	33%	33%
Office park	25 231	25 231	21%	21%
CBD retail	12 047	12 047	10%	10%
Total	**120 986**	**120 928**	**100%**	**100%**

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 2016. Investment property is stated based on a full valuation at 31 December 2016 as opposed to the desktop valuations conducted in previous years. The fair values of some properties have not been determined with reference to transactions observable on the market because of the nature of the properties and the limited amount of comparable data. Instead, valuation models in accordance with those recommended by the International Valuation Standards Committee have been applied.

7 INVESTMENT PROPERTY (continued)

7.1 Fair value hierarchy (continued)

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 categorized 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 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	(12 482 000)	15 255 777
Deferred tax effect	3 214 115	(3 928 363)
Profit for the year	(9 267 885)	11 327 414
Equity	(9 267 885)	11 327 414

At 31 December 2016, if the average yield was 10% higher holding other variables constant, investment property value will decrease by $12 482 000 and deferred tax liabilities will decrease by US$3 214 115. At 31 December 2016, if the average yield rate was 10% lower holding other variables constant, investment property value will increase by US$15 255 777 and the deferred tax liabilities will increase by US$3 928 363.

8. INTANGIBLE ASSETS - SOFTWARE	Group 2016 US$	Group 2015 US$	Company 2016 US$	Restated Company 2015 US$	Restated Company 2014 US$
Cost					
Year ended 31 December 2016					
At 1 January 2016	993 087	993 087	-	-	-
Additions	65 000	-	-	-	-
At 31 December 2016	**1 058 087**	**993 087**	**-**	**-**	**-**
Accumulated amortisation and impairment losses					
Year ended 31 December 2016					
At 1 January 2016	908 394	725 036	-	-	-
Charge for the year	90 541	183 358	-	-	-
At 31 December 2016	**998 935**	**908 394**	**-**	**-**	**-**
Carrying amount					
At 31 December 2016	**59 152**	**84 693**	**-**	**-**	**-**
Current	-	-	-	-	-
Non current	59 152	84 693	-	-	-
Total	**59 152**	**84 693**	**-**	**-**	**-**

Intangible assets refer to the Individual Life Assurance business, Exergy system and the Nexus 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 ammortisation, using the straight-line method and recognised in the statement of comprehensive income. As at 31 December 2016, these assets were tested for impairment, and management determined that no impairment is required in respect of these intangibles (2015: US$nil).

9 INVESTMENT IN SUBSIDIARIES	Shareholding percentage	Group 2016 US$	Group 2015 US$	Company 2016 US$	Restated Company 2015 US$	Restated Company 2014 US$
First Mutual Life Assurance Company (Private) Limited	100%	-	-	11 253 105	7 828 342	8 189 800
First Mutual Health Company (Private) Limited	80%	-	-	4 165 445	-	-
First Mutual Reinsurance Company (Private) Limited	100%	-	-	9 118 632	8 066 084	7 300 181
FMRE Property & Casualty (Proprietary) Limited	100%	-	-	2 891 735	2 681 473	2 434 720
First Mutual Wealth Management	100%	-	-	715 302	663 365	588 830
TristarInsurance Company Limited	97%	-	-	2 156 476	2 484 119	1 342 231
African Actuarial Consultancy (Private) Limited**	100%	-	-	-	-	-
Total		**-**	**-**	**30 300 695**	**21 723 383**	**19 855 762**

9 INVESTMENT IN SUBSIDIARIES (continued)

9.1 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 allowance. 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 to ensure fairer presentation of the subsidiaries in the separate financial statements of the Company.

The effect of the change in accounting policy is as follows	31 December 2016 US$	31 December 2015 US$	1 January 2015 US$
Statement of financial position			
Increase in investments in subsidiaries	17 345 725	8 725 095	3 686 298
Increase in equity	**17 345 725**	**8 725 095**	**3 686 298**

9.2 Reconciliation of change in accounting policy

At 1 January 2015, as previously stated	16 169 464
Adjustment on amendment to IAS 27	3 686 298
At 1 January 2015 as restated	**19 855 762**
Share of profits for the year	1 867 621
At 31 December 2015	**21 723 383**
At 1 January 2016, as previously stated	12 998 288
Adjustment on amendment to IAS 27	8 725 095
At 1 January 2016 restated	**21 723 383**
Share of profits for the year	8 953 118
Dividends declared and paid	(375 806)
At 31 December 2016	**30 300 695**

10 INVESTMENT IN ASSOCIATE

The Group has a 19.96% (2015: 19.97%) interest in its associate, Rainbow Tourism Group Limited ("RTG"), which is involved in the tourism and leisure industry. RTG is listed on the Zimbabwe Stock Exchange and there are published price quotations for the fair value of this investment. The principal place of business is Rainbow Towers Hotel and Conference Centre, 1 Pennefather Avenue, Harare.

The reporting date for RTG is the same as the Group and no differences in accounting policies between First Mutual and the associate have been identified which warrant adjustments in the Group financial statements.

The Group reclassified its 20% interest in RTG from an investment in associate to a non-current asset, held-for-sale. The reclassification is an acknowledgement that this asset is no longer a strategic investment and will be sold in the next 12 months. The carrying value of this asset was re-aligned to stock market prices.

	Group 2016 US$	Group 2015 US$	Company 2016 US$	Company 2015 US$	Company 2014 US$
Carrying amount as at 1 January	-	**7 081 684**	-	-	-
Share of comprehensive income	-	(67 816)	-	-	-
Share of associates' loss for the year	-	(5 852)	-	-	-
Carrying amount of investment in associate	-	**7 008 016**	-	-	-
Impairment	-	(2 634 105)	-	-	-
	-	**4 373 911**	-	-	-
Reclassified to non-current asset classified as held for sale (note 15)	-	(4 373 911)	-	-	-
Carrying amount of investment in associate	-	-	-	-	-

The shares held by the Group in RTG had a fair value of US$4 479 446 (2015: US$4 483 432) as at reporting date.

10 INVESTMENT IN ASSOCIATE (continued)

	Group 2016 US$	Group 2015 US$	Company 2016 US$	Company 2015 US$	Company 2014 US$
Associate's statement of financial position					
Assets					
Non-current assets	37 971 509	40 317 992	-	-	-
Current assets	8 681 885	9 457 688	-	-	-
Total assets	**46 653 394**	**49 775 680**	**-**	**-**	**-**
Equity and liabilities					
Shareholders' equity	12 371 247	17 077 517	-	-	-
Non-current liabilities	-	-	-	-	-
Current liabilities	34 282 147	32 698 163	-	-	-
Total equity and liabilities	**46 653 394**	**49 775 680**	**-**	**-**	**-**
Share of net assets	**2 469 301**	**3 410 380**	**-**	**-**	**-**
Associate's statement of comprehensive income					
Revenue	24 136 744	30 588 774	-	-	-
Cost of sales	(7 626 506)	(10 015 588)	-	-	-
Gross profit	**16 510 238**	**20 573 186**	**-**	**-**	**-**
Other operating income	645 936	261 193	-	-	-
Operating expenses	(16 755 325)	(17 269 626)	-	-	-
Earnings before interest tax depreciation and amortisation	**400 849**	**3 564 753**	**-**	**-**	**-**
Depreciation and ammortisation	(2 326 180)	(2 519 788)	-	-	-
(Loss)/profit from operations	**(1 925 331)**	**1 044 965**	**-**	**-**	**-**
Finance expense	(1 868 121)	(2 179 496)	-	-	-
Loss before income tax	**(3 793 452)**	**(1 134 531)**	**-**	**-**	**-**
Income tax credit	679 722	1 105 227	-	-	-
Loss after tax from continuing operations	**(3 113 730)**	**(29 304)**	**-**	**-**	**-**
Loss from discontinued operations	(1 572 640)	-	-	-	-
Loss for the year	**(4 686 370)**	**(29 304)**	**-**	**-**	**-**
Items that will not be reclassified subsequent to statement of comprehensive income					
Gain on property revaluation, net of tax	-	-	-	-	-
Items that will be reclassified subsequent to statement of comprehensive income					
Exchange gain / (loss) arising from translation of foreign operations	411 340	(339 587)	-	-	-
Total comprehensive loss for the year	**(4 275 030)**	**(368 891)**	**-**	**-**	**-**
Share of losses	(935 399)	(5 852)	-	-	-
Share of comprehensive income / (loss)	82 103	(67 816)	-	-	-
Share of total comprehensive loss for the year	**(853 296)**	**(73 668)**	**-**	**-**	**-**

11 FINANCIAL ASSETS

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

	Group 2016 US$	Group 2015 US$	Company 2016 US$	Company 2015 US$	Company 2014 US$
Cash and balances with banks (note 16)	37 657 295	28 139 670	116 905	111 315	115 707
Loans and receiveables:					
- Insurance receivables (note 14.1)	8 087 898	7 763 344	-	-	-
- Rental receivables (note 14.2)	830 547	827 077	-	-	-
- Other receivables including prepayments (note 14.4)	3 538 257	4 840 639	365 162	176 817	39 187
Financial assets at fair value through profit or loss (note 11.2)	19 863 340	11 483 355	138 607	92 596	327 181
Held to maturity (note 11.3)	20 291 754	14 729 561	-	-	-
Total financial instruments	**90 269 091**	**67 783 646**	**771 564**	**380 728**	**482 075**

The carrying values of the financial instruments approximate their fair values.

11.1 Cash and balances with banks and receivables are broken down as follows:

	Group 2016 US$	Group 2015 US$	Company 2016 US$	Company 2015 US$	Company 2014 US$
Insurance receivables (note 14)	8 087 898	7 763 344	-	-	-
Cash and balances with banks (note 16)	37 657 295	28 139 670	116 905	111 315	115 707
Rental receivables (note 14)	830 547	827 077	-	-	-
Other receivables excluding prepayments (note 15)	3 538 257	4 840 639	516 052	449 585	39 187
Total	**50 113 997**	**41 570 730**	**632 957**	**560 900**	**154 894**
Current	48 900 333	40 357 065	531 757	459 700	141 998
Non current	1 213 664	1 213 665	101 200	101 200	12 896
Total	**50 113 997**	**41 570 730**	**632 957**	**560 900**	**154 894**

11.2 Financial assets at fair value through profit or loss

	Group 2016 US$	Group 2015 US$	Company 2016 US$	Company 2015 US$	Company 2014 US$
Fair value					
At 1 January	11 483 355	18 991 887	92 596	327 181	1 073 338
Purchases	3 496 902	368 710	-	11	180 451
Disposals	(906 130)	(597 992)	-	(180 158)	(847 033)
Fair value (loss) / gain on quoted equities	5 789 213	(7 279 250)	46 011	(54 438)	(79 575)
Total financial assets at fair value through profit or loss	**19 863 340**	**11 483 355**	**138 607**	**92 596**	**327 181**
Current	19 863 340	11 483 355	138 607	92 596	327 181
Non current	-	-	-	-	-
Total	**19 863 340**	**11 483 355**	**138 607**	**92 596**	**327 181**

11 FINANCIAL ASSETS (continued)

11.3 Held to maturity investments	Group 2016 US$	Group 2015 US$	Company 2016 US$	Company 2015 US$	Company 2014 US$
At 1 January	14 729 561	7 472 667	-	-	-
Purchases	19 019 045	12 868 019	-	-	-
Maturities of investments	(13 456 852)	(5 611 125)	-	-	-
At 31 December 2016	**20 291 754**	**14 729 561**	**-**	**-**	**-**
Current	6 632 551	7 343 627	-	-	-
Non current	13 659 203	7 385 934	-	-	-
Total	**20 291 754**	**14 729 561**	**-**	**-**	**-**

11.4 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$
At 31 December 2016				
Financial assets designated at fair value through profit or loss	19 863 340	-	-	19 863 340
Total financial assets recorded at fair value	**19 863 340**	**-**	**-**	**19 863 340**
At 31 December 2015				
Financial assets designated at fair value through profit or loss	11 483 355	-	-	11 483 355
Total financial assets recorded at fair value	**11 483 355**	**-**	**-**	**11 483 355**

During the year there were no transfers of financial assets between levels 1, 2 and 3 (2015: 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.

Notes to the Consolidated Financial Statements (continued)

11 CLASSIFICATION OF FINANCIAL ASSETS (continued)

11.5 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.

	2016 US$ Carrying value	2016 US$ Fair value	2015 US$ Carrying value	2015 US$ Fair value
Financial assets				
Held to maturity investments	20 291 754	20 291 754	14 729 561	14 729 561
Loans and receivables	-	-	-	-
Trade and other receivables (excluding prepayments and statutory receivables)	12 456 702	12 456 702	13 431 060	13 431 060
	32 748 456	**32 748 456**	**28 160 621**	**28 160 621**

The carrying amount of trade and other receivables closely approximates its fair value as the instruments are short term in nature.

	2016 US$ Carrying value	2016 US$ Fair value	2015 US$ Carrying value	2015 US$ Fair value
Financial liabilities				
Trade and other payables (excluding statutory liabilities)	1 013 255	1 013 255	908 813	908 813
Borrowings	4 309 240	4 309 240	5 548 232	5 548 232
	5 322 495	**5 322 495**	**6 457 045**	**6 457 045**

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	2016 US$	2015 US$	2016 US$	2015 US$	2014 US$
At 1 January	1 134 059	1 111 471	-	-	-
Expenses deferred during the year	1 085 801	829 677	-	-	-
Amortisation	(1 134 059)	(807 089)	-	-	-
At 31 December 2016	**1 085 801**	**1 134 059**	**-**	**-**	**-**
Current	1 085 801	1 134 059	-	-	-
Non current	-	-	-	-	-
Total	**1 085 801**	**1 134 059**	**-**	**-**	**-**
13 INVENTORY					
Work-in-progress cluster home development	-	2 897 813	-	-	-
Consumables	283 208	184 149	30 288	27 577	29 068
Total	**283 208**	**3 081 962**	**30 288**	**27 577**	**29 068**
Current	283 208	3 081 962	30 288	27 577	29 068
Non current	-	-	-	-	-
Total	**283 208**	**3 081 962**	**30 288**	**27 577**	**29 068**

There was no write off of inventories during the year ended 31 December 2016 (2015: US$nil).

The cost of inventories recognised as an expense and included in 'property cost of sales' amounted to US$174 483 (2015:US$78 264). Property from trading stock was transferred to investment property. These are residential properties held to earn rentals and for capital appreciation.

14 LOANS AND RECEIVABLES INCLUDING INSURANCE RECEIVABLES

	Group 2016 US$	Group 2015 US$	Company 2016 US$	Company 2015 US$	Company 2014 US$
Insurance receivables (note 14.1)	8 087 898	7 763 344	-	-	-
Tenant receivables (note 14.2)	830 547	827 077	-	-	-
Amounts due from group companies (note 14.3)	-	-	150 892	272 769	342 672
Other receivables (note 14.4)	3 538 257	4 840 639	365 162	176 817	39 187
Total	**12 456 702**	**13 431 060**	**516 054**	**449 586**	**381 859**
Current	11 015 631	12 318 535	299 177	368 627	366 859
Non current	1 441 071	1 112 525	216 877	80 959	15 000
Total	**12 456 702**	**13 431 060**	**516 054**	**449 586**	**381 859**

14.1 Insurance receivables

	Group 2016 US$	Group 2015 US$	Company 2016 US$	Company 2015 US$	Company 2014 US$
Due from cedants	6 617 619	5 866 078	-	-	-
Due from policyholders under the direct and health business	1 781 322	1 961 693	-	-	-
Due from agents, brokers and intermediaries	152 183	314 754	-		-
Gross insurance receivables	**8 551 124**	**8 142 525**	**-**	**-**	**-**
Allowance for credit losses	(463 226)	(379 181)	-	-	-
Net insurance receivables	**8 087 898**	**7 763 344**	**-**	**-**	**-**
Current	8 087 898	7 763 344	-	-	-
Non current	-	-	-	-	-
Total	**8 087 898**	**7 763 344**	**-**	**-**	**-**

Insurance receivables for the pensions business relate to pension contributions and Group Life Assurance ("GLA") premiums that are paid a month in arrears. Pension receivables are not accumulated for more than 3 months in accordance with pension regulations. In the event that three months pass with the contributions still outstanding, premium receivables are impaired. The same applies for GLA premiums.

The premiums for the individual life business are accounted for on a cash basis due to the lapsable nature of the life insurance contracts. In the event of default, the contract will lapse and the premium will no longer be due to the Group hence the criteria to recognise revenue only when received. Refer to note 4.3 for the ageing of insurance receivables that are past due but not impaired.

For the property and casualty insurance business premiums are booked at the inception of the policy, any premium due but not settled after 120 days is provided for in full.

Allowance for credit losses on insurance receivables
Insurance receivables with a value of US$0.463 million (2015: US$0.379 million) were impaired and fully provided for due to policyholder defaults. Movements in the allowance for credit losses of insurance receivables were as follows:

	Group 2016 US$	Group 2015 US$	Company 2016 US$	Company 2015 US$	Company 2014 US$
Allowance for credit losses on insurance receivables					
At 1 January	379 181	1 577 379	-	-	-
Charge for the year	202 843	1 077 705	-	-	-
Utilised during the year	(118 798)	(2 275 903)	-	-	-
At 31 December 2016	**463 226**	**379 181**	**-**	**-**	**-**

14 LOANS AND RECEIVABLES INCLUDING INSURANCE RECEIVABLES (continued)

		Group 2016 US$	Group 2015 US$	Company 2016 US$	Company 2015 US$	Company 2014 US$
14.2	**Tenant receivables**					
	Tenant cost recoveries	535 342	638 355	-	-	-
	Rental receivables	2 466 004	2 398 718	-	-	-
	Gross tenant receivables	**3 001 346**	**3 037 073**	**-**	**-**	**-**
	Allowance for credit losses	(2 170 799)	(2 209 996)	-	-	-
	Net tenant receivables	**830 547**	**827 077**	**-**	**-**	**-**
	Current	830 547	827 077	-	-	-
	Non current	-	-	-	-	-
	Total	**830 547**	**827 077**	**-**	**-**	**-**

The Group holds no collateral in respect of tenant receivables. An allowance for impairment is raised on tenant receivables that are past due, without credit payment plans and where chances of recovery are rated remote are considered for specific write-off. An assessment of amounts that are neither past due nor impaired has been done based on the history of the tenant account and management is satisfied with the chances of recovery.

Tenant receivables are normally on 30 day terms. Tenants are charged 10% per annum (2015: 10%). as interest on overdue amounts that remain outstanding after 30 days.

Refer to note 4.3 for further information relating to credit risk management.

		Group 2016 US$	Group 2015 US$	Company 2016 US$	Company 2015 US$	Company 2014 US$
14.2.1	**Allowance for credit losses on tenant receivables**					
	At 1 January	2 209 996	1 647 666	-	-	-
	Charge for the year	294 522	864 764	-	-	-
	Utilised during the year	(333 720)	(302 434)	-	-	-
	At 31 December 2016	**2 170 798**	**2 209 996**	**-**	**-**	**-**
	Allowance relating to existinng tenants	1 179 492	1 479 790	-	-	-
	Allowance relating to previous tenants	991 307	730 206	-	-	-
	Total	**2 170 799**	**2 209 996**	**-**	**-**	**-**
14.3	**Amounts due from group companies**					
	First Mutual Health Company (Private) Limited	-	-	-	26 404	55 661
	First Mutual Life Assurance (Private) Limited	-	-	-	-	-
	FMRE Life and Health (Private) Limited	-	-	4 032	7 521	22 098
	FMRE Property and Casualty (Private) Limited	-	-	38	19 395	40 327
	FMRE Property and Casualty (Proprietary) Limited	-	-	2 359	2 359	2 214
	TristarInsurance Company Limited	-	-	30 664	38 805	82 789
	Pearl Properties (2006) Limited	-	-	-	-	6 666
	African Actuarial Consultants (Private) Limited	-	-	-	96 379	-
	First Mutual Wealth Management (Private) Limited	-	-	113 799	81 906	132 917
	Total	**-**	**-**	**150 892**	**272 769**	**342 672**
	Current	-	-	150 892	272 769	342 672
	Non current	-	-	-	-	-
	Total	**-**	**-**	**150 892**	**272 769**	**342 672**

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 LOANS AND RECEIVABLES INCLUDING INSURANCE RECEIVABLES (continued)

		Group 2016 US$	Group 2015 US$	Company 2016 US$	Company 2015 US$	Company 2014 US$
14.4	**Other receivables**					
	Sundry debtors	645 411	641 301	-	21 871	4 254
	Cash balances with closed banking insitutions	299 404	486 140	-	-	-
	Tax credits - withholding tax	305 559	423 921	-	-	-
	Outstanding balance from the disposal of subsidiary	240 000	-	240 000	-	-
	African Actuarial Consultants (Private) Limited					
	motor vehicle and other receivables	36 456	-	27 623	-	-
	Retrocession recoveries	628 890	1 981 619	-	-	-
	Staff debtors	1 397 532	1 213 664	77 117	101 200	17 086
	At 31 December 2016	**3 553 252**	**4 746 645**	**344 740**	**123 071**	**21 340**
	Allowance for credit losses	(257 621)	(553 455)	-	-	-
	Other receivables excluding prepayments	**3 295 631**	**4 193 190**	**344 740**	**123 071**	**21 340**
	Prepayments	242 626	647 449	20 422	53 746	17 847
	Total other receivables	**3 538 257**	**4 840 639**	**365 162**	**176 817**	**39 187**
	Current	2 097 186	3 728 114	148 285	95 858	24 187
	Non current	1 441 071	1 112 525	216 877	80 959	15 000
	Total	**3 538 257**	**4 840 639**	**365 162**	**176 817**	**39 187**

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

	Group 2016 US$	Group 2015 US$	Company 2016 US$	Company 2015 US$	Company 2014 US$
Allowance for credit losses					
At 1 January	553 455	2 122 105	-	-	-
Charge for the year	-	218 949	-	-	-
Utilised during the year	(295 834)	(1 787 599)	-	-	-
At 31 December 2016	**257 621**	**553 455**	**-**	**-**	**-**

15 NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

	Group 2016 US$	Group 2015 US$	Company 2016 US$	Company 2015 US$	Company 2014 US$
The Group's non-current assets held for sale comprise the following:					
Assets of disposal group classified as held for sale	-	226 468	-	5 594	-
19.96% investment in Rainbow Tourism Group Limited (note 10)	4 370 013	4 373 911	-	-	-
Total assets of investments held for sale	**4 370 013**	**4 600 379**	**-**	**5 594**	**-**
Current	4 370 013	4 600 379	-	5 594	-
Non current	-	-	-	-	-
Total	**4 370 013**	**4 600 379**	**-**	**5 594**	**-**

The details of the non-current assets held for sale are disclosed in 15.1 and 15.2 (a) to (d) below;

15.1 Non-current assets classified as held for sale

The Group decided to dispose of its 19.96% interest in Rainbow Tourism Group Limited ("RTG") in the prior year. The decision to dispose resulted in the need to reclassify the investment from an investment in associate to a non-current asset, held-for-sale. The reclassification is an acknowledgement that this asset is no longer a strategic investment and will be sold in the next 12 months. The investment was not disposed in 2016 but the Group remains commited to its plan of disposing the investment.

15 NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

15.2 Assets and liabilities of the subsidiary classified as held for sale

a) Description

In December 2015 the Group announced its intention to exit the actuarial services business, African Actuarial Consultancy (Private) Limited a 100% owned subsidiary. The associated assets and liabilities were consequently presented as held for sale in the 2015 financial statements.

The subsidiary was sold on 1 January 2016. Financial information relating to the subsidiary classified as held for sale for the period to the date of disposal is set out below.

b) Financial performance and cash flow information

The financial performance and cash flow information presented are for the year ended 31 December

	Group 2016 US$	Group 2015 US$
Revenue	-	791 357
Expenses	-	(866 568)
Loss before income tax	**-**	**(75 211)**
Income tax expense	-	-
Loss after income tax of discontinued operation	**-**	**(75 211)**
Gain on sale of the subsidiary after income tax	-	-
Loss from the disposed of subsidiary	**-**	**(75 211)**
Net cash outflow from operating activities	-	(183 518)
Net cash outflow from investing activities	-	(37 794)
Net cash inflow from financing activities	-	202 258
Net decrease in cash generated by the subsidiary	**-**	**(19 054)**

c) Assets and liabilities of disposal group classified as held for sale

The following assets and liabilities were reclassified as held for sale in relation to the subsidiary held for sale as at 31 December 2016.

Assets classified as held for sale		
Property, plant and equipment	-	70 627
Accounts receivable	-	65 249
Amounts due from group companies	-	63 540
Inventories	-	8 087
Bank and cash	-	18 965
Total assets of the subsidiary held for sale	**-**	**226 468**
Liabilities directly associated with assets classified as held for sale		
Trade and other payables	-	113 060
Amounts due to group companies	-	107 814
Total liabilities of disposal group held for sale	**-**	**220 874**

15.3 Fair values of non-current assets held for sale

The fair value of the 19.96% investment in RTG was determined using quoted prices in active markets which is the Zimbabwe Stock Exchange (level 1), less the associated disposal costs.

The assets of a disposal group classified as held for sale have been valued as per the consideration contained in the agreement of sale. This is a non-recurring fair value which has been measured using unobservable inputs, is therefore within level 3 of the fair value hierarchy

15 NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

	Group 2016 US$	Group 2015 US$	Company 2016 US$	Company 2015 US$	Company 2014 US$
15.4 Details of subsidiary disposed					
Cash consideration received	340 000	-	340 000	-	-
Carrying amount of net assets sold	(5 594)	-	(5 594)	-	-
Gain on sale	334 406	-	334 406	-	-
Income tax expense on gain	-	-	-	-	-
Gain on sale after income tax	**334 406**	**-**	**334 406**	**-**	**-**
The carrying amounts of assets and liabilities as at the date of sale were:					
Property, plant and equipment	-	70 627	-	70 627	-
Accounts receivable	-	65 249	-	65 249	-
Intercompany debtors	-	63 540	-	63 540	-
Inventories	-	8 087	-	8 087	
Cash and balances with banks	-	18 965	-	18 965	-
Total assets	-	226 468	-	226 468	-
Trade and other payables	-	113 060	-	113 060	-
Amounts due to group companies	-	107 814	-	107 814	-
Total liabilities	-	220 874	-	220 874	-
Net assets	**-**	**5 594**	**-**	**5 594**	**-**

16 CASH AND BALANCES WITH BANKS

	Group 2016 US$	Group 2015 US$	Company 2016 US$	Company 2015 US$	Company 2014 US$
Money market investments with original maturities less than 90 days	26 708 952	7 571 446	-	-	-
Cash at bank and on hand	8 840 734	5 894 879	116 905	111 315	115 707
Cash and cash equivalents	**35 549 686**	**13 466 325**	**116 905**	**111 315**	**115 707**
Money market investments with original maturities more than 90 days	2 107 609	14 673 345	-	-	-
Cash and balances with banks	**37 657 295**	**28 139 670**	**116 905**	**111 315**	**115 707**
16.1 Split of cash and balances with banks					
Insurance & investment contract holders	12 857 858	8 196 432	-	-	-
Owners of parent	23 920 468	19 285 826	116 905	111 315	115 707
Non-controlling interest	878 969	657 412	-	-	-
Total	**37 657 295**	**28 139 670**	**116 905**	**111 315**	**115 707**

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. During the year, the Reserve Bank of Zimbabwe ("RBZ") through Exchange Control Operational 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.

17 SHARE CAPITAL

17.1 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	1 000 000

17.2 Issued and fully paid

380 200 758 ordinary shares with a nominal value of US$0,001 each	380 201	380 201	380 201	380 201	380 201

17.3 Unissued shares

619 799 242 unissued shares, under the control of directors	619 799	619 799	619 799	619 799	619 799

17.4 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. Each year the Board determines how many share options shall be issued.

Participants to whom an option has been granted under the scheme shall only be entitled to exercise the options in part 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 outstanding as at 31 December 2016 are as follows:-

Date of grant	Exercise price US$	Number of shares
30 April 2014	0.065	7 073 114
30 April 2015	0.030	7 500 000
30 April 2016	0.022	4 436 924

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$13 222 (2015: US$24 494) 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 2016	30 April 2015
Grant date share price (US$)	0.022	0.030
Exercise price of option (US$)	0.022	0.030
Risk-free interest rate	9.00%	9.00%
Annualised standard deviation	82.09%	82.09%
Dividend yield	0.00%	0.00%
Weighted average remaining contractual life	3.25 years	4.32 years
Expected volatility	82.09%	82.09%

17 SHARE CAPITAL (continued)

17.4 Employee share option scheme (continued)

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 electricity 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").

Movement for the year	2016 Number of shares	2015 Number of shares
At 1 January	14 573 114	7 073 114
Options granted during the year	5 085 742	7 500 000
Lapsed options	(648 818)	-
Options exercised during the year	-	-
At 31 December 2016	**19 010 038**	**14 573 114**
Exercisable at 31 December *	6 782 864	2 357 705

* Being a third of options granted that have reached one year maturity.

17.5 Group - 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$
At 1 January 2015	196 730	(237 531)	2 281 350	59 595	24 494	(216 775)	2 107 863
Transfer to solvency reserve	-	-	-	50 163	-	-	50 163
Other comprehensive income	-	(87 919)	-	-	-	-	(87 919)
Share based payments	-	-	-	-	24 494	-	24 494
At 31 December 2015	**196 730**	**(325 450)**	**2 281 350**	**109 758**	**48 988**	**(216 775)**	**2 094 601**
At 1 January 2016	196 730	(325 450)	2 281 350	109 758	48 988	(216 775)	2 094 601
Other comprehensive income	-	(33 330)	-	-	-	-	(33 330)
Share based payments	-	-	-	-	13 222	-	13 222
At 31 December 2016	**196 730**	**(358 780)**	**2 281 350**	**109 758**	**62 210**	**(216 775)**	**2 074 493**
Company - Non distributable reserves							
At 1 January 2015	-	-	291 047	-	-	-	291 047
Other comprehensive income	-	-	-	-	-	-	-
At 31 December 2015	**-**	**-**	**291 047**	**-**	**-**	**-**	**291 047**
At 1 January 2016	**-**	**-**	**291 047**	**-**	**-**	**-**	**291 047**
Other comprehensive income	-	-	-	-	-	-	-
At 31 December 2016	**-**	**-**	**291 047**	**-**	**-**	**-**	**291 047**

Foreign currency translation reserve

The change in functional currency reserve relates to the gains / (losses) that arise in translating the statement of financial position of a foreign subsidiary to the reporting currency.

Revaluation reserve

The revaluation surplus arose in the prior years in respect of properties that were reclassified from owner occupied to investment property.

17 SHARE CAPITAL (continued)

17.5 Group - Non distributable reserves (continued)

Solvency reserve
The solvency reserve is as a result of regulatory requirements for the foreign subsidiary.

Re-denomination of share capital and change in functional currency reserve
The reserves in respect of the redenomination of share capital and change in functional currency relate to reserves created on dollarisation when balances were converted to United States of America dollars, and the related re-denomination of share capital.

17.6 Acquisition of additional interest in Pearl Properties

	2016 US$	2015 US$
The Group acquired an additional interest in the voting shares of Pearl Properties (2006) Limited, increasing its ownership interest at 59.93% (2015: 56.52%).		
Cash consideration paid to non-controlling shareholders	449 693	799
Carrying value of the additional interest in Pearl Properties (2006) Limited	(1 898 146)	(2 962)
Difference recognised in retained profits	**(1 448 453)**	**(2 163)**

		Group 2016 US$	Group 2015 US$	Company 2016 US$	Company 2015 US$	Company 2014 US$
18	**INSURANCE & INVESTMENT CONTRACT LIABILITIES**					
18.1	**Insurance contract**					
	Insurance contract with DPF	15 573 045	15 569 895	-	-	-
	Insurance contract without DPF	19 314 029	19 477 385	-	-	-
	Total insurance contract liabilities	**34 887 074**	**35 047 280**	**-**	**-**	**-**
	Current	-	-	-	-	-
	Non current	34 887 074	35 047 280	-	-	-
	Total	**34 887 074**	**35 047 280**	**-**	**-**	**-**
18.2	**Investment contract**					
	Investment contract with DPF	66 807 844	55 695 844	-	-	-
	Investment contract without DPF	8 532 451	5 661 964	-	-	-
	Total investment contract liabilities	**75 340 295**	**61 357 808**	**-**	**-**	**-**
	Current	-	-	-	-	-
	Non current	75 340 295	61 357 808	-	-	-
	Total	**75 340 295**	**61 357 808**	**-**	**-**	**-**

18 INSURANCE & INVESTMENT CONTRACT LIABILITIES (continued)

	Group 2016 US$	Group 2015 US$	Company 2016 US$	Company 2015 US$	Company 2014 US$
18.3 Life insurance contract with and without DPF and investment contract with DPF liabilities					
Life insurance contract with DPF					
Balance at 1 January	15 569 895	14 769 684	-	-	-
Movement	3 150	800 211	-	-	-
Balance at 31 December	**15 573 045**	**15 569 895**	**-**	**-**	**-**
Life insurance contract without DPF					
Balance at 1 January	19 477 385	16 152 456	-	-	-
Movement	(163 356)	3 324 929	-	-	-
Balance at 31 December	**19 314 029**	**19 477 385**	**-**	**-**	**-**
Investment contract with DPF					
Balance at 1 January	55 695 844	57 249 854	-	-	-
Movement	11 112 000	(1 554 010)	-	-	-
Balance at 31 December	**66 807 844**	**55 695 844**	**-**	**-**	**-**

Total life insurance contract with and without DPF and investment contract with DPF liabilities

	Group 2016 US$	Group 2015 US$	Company 2016 US$	Company 2015 US$	Company 2014 US$
Balance at 1 January	90 743 125	88 171 995	-	-	-
Policyholder gain on acquisition of Pearl shares	74 898	-	-	-	
Transfer from statement of comprehensive income	10 876 895	2 571 130	-	-	-
Balance at 31 December	**101 694 918**	**90 743 125**	**-**	**-**	**-**

Reconciliation of life insurance contract with and without DPF and investment contract with DPF liabilities

Movement in life insurance contract with and without DPF and investment contract with DPF liabilities

	Group 2016 US$	Group 2015 US$	Company 2016 US$	Company 2015 US$	Company 2014 US$
Balance at 1 January	90 743 125	88 171 995	-	-	-
	15 209 279	6 627 337	-	-	-
Premiums	22 429 712	18 669 836	-	-	-
Claims	(11 459 904)	(8 866 311)	-	-	-
Commissions	(491 939)	(584 959)	-	-	-
Branch expenses	(228 016)	(201 718)	-	-	-
Actuarial and other fees	(701 758)	(344 345)	-	-	-
Capital guarantee fee	-	-	-	-	
Investment Income	4 594 595	(3 842 959)	-	-	-
Bad debts recovered	-	71 061	-	-	-
Tax	(95 196)	18 737	-	-	-
Shareholder risk reserve	1 161 785	1 707 995	-	-	-
Fees to shareholder	(4 257 486)	(4 056 207)	-	-	-
Balance at 31 December	**101 694 918**	**90 743 125**	**-**	**-**	**-**

18 INSURANCE & INVESTMENT CONTRACT LIABILITIES (continued)

	Group 2016 US$	Group 2015 US$	Company 2016 US$	Company 2015 US$	Company 2014 US$
18.4 Investment contact liabilities without DPF					
Balance at 1 January	5 661 964	7 316 953	-	-	-
Net cash flows	338 952	661 458	-	-	-
Transfer from statement of comprehensive income	2 531 535	(2 316 447)	-	-	-
Balance at 31 December	**8 532 451**	**5 661 964**	**-**	**-**	**-**
18.4.1 Movemnent in investment contract liabilities without DPF					
Balance at 1 January	5 661 964	7 316 953	-	-	-
Investments performance	2 531 535	(2 316 447)	-	-	-
Net cash flows	338 952	617 458	-	-	-
Premium	1 418 561	667 077	-	-	-
Claims and policy benefits	(979 273)	(19 392)	-	-	-
Investment expenses	(51 013)	(85 263)	-	-	-
Investment recoveries	-	101 718	-	-	-
Fee income	(42 779)	(44 359)	-	-	-
Other charges and transfers	(6 544)	(2 323)	-	-	-
Balance at 31 December	**8 532 451**	**5 661 964**	**-**	**-**	**-**

All insurance contract liabilities and investment contracts with DPF liabilities as at 31 December 2016 and 2015 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 2016. The mortality experience for 2016 was less than the valuation assumption. The mortality investigation revealed that adult dependants had a significantly higher mortality compared to the other policies.
- A lapse investigation was carried out in 2016, which suggested reducing the lapse assumptions. However the lapse assumption was maintained in view of the current macro- economic environment which has distorted the lapse behaviour of policyholders.
- Expense assumptions of US$26.5 (2015: US$24) per policy was estimated from the 2016 and 2015 expense investigation.
- Expense inflation assumption of 4% (2015: 4%). The inflation rate in Zimbabwe has been mostly negative or nearly zero. However, this could also be as a result of price corrections following the dollarisation of the economy. Long term inflation is forecast to be above 3% consistent with imported inflation. Therefore the inflation assumption has been maintained at 4% in 2016.
- Withdrawal rates are based on the current experience.
- The real investment return assumption was mantained at 3% (2015: 3%).

	% p.a. 2016	% p.a. 2015
Investment - untaxed	7.00%	7.00%
Expense inflation	4.00%	4.00%

- A contingency reserve to cover for possible data problems of US$99 684 (2015: US$99 684) was held as a discretionary reserve. In addition to the above compulsory margins were allowed for as outlined in SAP 104.

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.

18 INSURANCE & INVESTMENT CONTRACT LIABILITIES (continued)

18.4.1 Investment contract liabilities without DPF (continued)

b) Lapse assumptions

A lapse investigation was carried out which suggested reducing the lapse assumptions. Lapse assumptions were reduced but to maintain stability of the basis, the lapses were not reduced to the levels in the investigation but rather gradually.

Below are the lapse assumptions used for 2016 and 2015.

2016 **Product**	**1st year**	**2nd year**	**3rd year**	**4th year**	**Subsequent**
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%
2015					
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%

c) Mortality assumptions

Mortality for individual business was reduced from SA56-62 + 30% AIDS HA1 to SA56-62 +4% AIDS HA1 except for funeral cash plan adults who had the AIDS assumption reduced from 60% to 12%.

The detailed mortality assumptions used are as follows:

Individual assurance (exc AIDS)	SA56-62
Annuities	PA(90)-5

Table showing AIDS assumption

Product	**2016** **% HA1**	**2015** **% HA1**
FCP main member	4%	30%
FCP spouse	4%	30%
FCP adult	12%	60%
Other Individual products	4%	30%

For children the following assumptions were used

Age group (years)	**0-5**	**5-10**	**10-15**	**15-20**	**20-25**
Male mortality rates	0.002308	0.001054	0.001143	0.000997	0.001077
Female mortality rates	0.00212	0.000946	0.001142	0.001052	0.001763

d) Expense inflation

The expense inflation assumption was maintained at 4% in 2016 .

19 FINANCIAL LIABILITIES	Group 2016 US$	Group 2015 US$	Company 2016 US$	Company 2015 US$	Company 2014 US$
19.1 Borrowings					
At 1 January	5 548 232	5 002 838	2 156 565	378 829	521 685
Loan received	-	1 985 000	-	1 920 000	200 000
Loan repayment	(1 238 992)	(1 439 606)	(138 992)	(142 264)	(342 856)
Balance at 31 December	**4 309 240**	**5 548 232**	**2 017 573**	**2 156 565**	**378 829**
Current	3 115 239	3 155 606	2 015 239	2 055 606	314 067
Non current	1 194 001	2 392 626	2 334	100 959	64 762
Total	**4 309 240**	**5 548 232**	**2 017 573**	**2 156 565**	**378 829**

A loan of US$5.5 million (2015: 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 6.5% (2015: 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 was pledged as security. The last instalment is due on 27 December 2018

The Group also has a motor vehicle facility of US$265 000 (2015: US$265 000) 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 is charged at 11% and repayments are 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 organisation of the Group to capitalise TristarInsurance Company Limited . The loan was granted on 31 December 2015 and had a tenure of 365 day. The loan was rolled over and extended by another year and will be repaid on 31 December 2017 at an interest rate of 5%. Investment property known as 99 Jason Moyo Avenue with a carrying amount of US$7 800 000 at 31 December 2015 was pledged as security.

20 INSURANCE CONTRACT LIABILITIES

20.1 INSURANCE CONTRACT LIABILITIES-SHORT TERM

	Group 2016 US$	Group 2015 US$	Company 2016 US$	Company 2015 US$	Company 2014 US$
Outstanding claims	2 631 517	4 456 589	-	-	-
Reinsurance	1 657 790	2 365 735	-	-	-
Losses incurred but not reported	5 473 553	4 642 735	-	-	-
Members savings pot (note 20.1)	5 149 051	4 559 031	-	-	-
Premium received in advance	1 927 970	2 204 851	-	-	-
Unearned premium reserve (note 20.2)	4 074 377	4 482 735	-		-
Commissions	6 340	2 493	-	-	-
Total	**20 920 598**	**22 714 169**	**-**	**-**	**-**
Current	18 614 797	19 078 314	-	-	-
Non current	2 305 801	3 635 855	-	-	-
Total	**20 920 598**	**22 714 169**	**-**	**-**	**-**

The insurance payables are of a short term nature (less than 12 months).

20 INSURANCE CONTRACT LIABILITIES (continued)

	Group 2016 US$	Group 2015 US$	Company 2016 US$	Company 2015 US$	Company 2014 US$
20.1.1 Members savings pot					
As at 1 January	4 559 031	4 229 342	-	-	-
Movement	590 020	329 689	-	-	-
Arising during the year	7 886 630	7 802 279	-	-	-
Utilised during the year	(7 296 610)	(7 472 590)	-	-	-
As at 31 December	**5 149 051**	**4 559 031**	**-**	**-**	**-**
Current	2 843 250	923 176	-	-	-
Non current	2 305 801	3 635 855	-	-	-
Total	**5 149 051**	**4 559 031**	**-**	**-**	**-**

Members savings pot 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.

20.1.2 Unearned premium reserve					
Balance at 1 January	4 482 735	4 970 097	-	-	-
Net premium written during the year	107 160 022	106 293 125	-	-	-
Net premium earned during the year	(107 556 446)	(106 604 107)	-	-	-
Loss on exchange	(11 934)	(176 380)	-	-	-
Total	**4 074 377**	**4 482 735**	**-**	**-**	**-**
Current	4 074 377	4 482 735	-	-	
Non current	-	-	-	-	-
Total	**4 074 377**	**4 482 735**	**-**	**-**	

20.2 INSURANCE CONTRACT LIABILITIES - LIFE ASSURANCE

Outstanding claims	1 077 013	1 243 871	-	-	-
Losses incurred but not reported	712 869	803 052			
Commissions	278 678	271 480	-	-	-
Total	**2 068 560**	**2 318 403**	**-**	**-**	**-**

21 OTHER PAYABLES

Amounts due to related parties	3 914 678	2 228 679	6 402 512	6 122 429	5 415 647
Trade payables	3 914 678	2 228 679	424 116	422 143	115 154
Loans	-	-	5 978 396	5 700 286	5 300 493
Property business related liabilities	1 600 077	1 611 049	-	-	-
Other	-	-	540 444	464 792	409 680
Total	**5 514 755**	**3 839 728**	**6 942 956**	**6 587 221**	**5 825 327**
Current	5 514 755	3 839 728	1 534 445	1 456 821	924 834
Non current	-	-	5 408 511	5 130 400	4 900 493
Total	**5 514 755**	**3 839 728**	**6 942 956**	**6 587 221**	**5 825 327**

Trade and other payables are non-interest bearing and are normally on 30 day terms. Provision is made for leave pay when staff members accrue leave days. In the event the staff members leave the employ 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 utilised 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.

21 OTHER PAYABLES (continued)

	Company 2016 US$	Company 2015 US$	Company 2014 US$
21.1 Amounts due to group companies			
First Mutual Life Assurance Company (Private) Limited	5 028 396	4 723 262	4 279 247
Pearl Properties (2006) Limited	950 000	977 022	977 022
FMRE Property and Casualty (Private) Limited	-	-	44 224
Total	**5 978 396**	**5 700 284**	**5 300 493**
Current	916 175	569 886	540 359
Non current	5 062 221	5 130 398	4 760 134
Total	**5 978 396**	**5 700 284**	**5 300 493**

i) Loan of US$5 028 396 (2015: US$4 732 262) from First Mutual Life Assurance (Private) Limited to First Mutual Holdings Limited, the ultimate parent company. During the year, the ultimate holding company repaid US$138 881 of the loan capital amount. In May 2016, the loan terms were revised as follows:

1. Facility amount: Principal plus accumulated interest at 30 April 2016 - US$4 833 962
2. Type of facility: Term loan facility being roll over of existing money market placement facility
3. Principal repayment: Eight (8) half yearly capital repayments
4. Interest payments: Ten (10) half yearly interest repayment at dates stated below
5. Rollover date: 1 May 2016
6. Final maturity date: 30 April 2021
7. Interest rate: 11% per annum
8. Security: Pledge of 12 749 First Mutual Life Assurance Company (Private) Limited shares. The subject share certificate has been lodged in safe custody.
9. Governing law: Zimbabwe law

Related party loans receivables are measured at amortised cost using the effective interest rate method. The carrying amount approximates fair value and management has assessed that the receivables are not impaired. The ultimate parent company provided security for the loan from FML Policyholders by pledging shares in First Mutual Life Assurance Company (Private) Limited at an embedded value which shall at all times be at least 1.5 times the amount still owing by the ultimate parent company to FML Policyholders. No security was pledged for the loan from Pearl Properties (2006) Limited to the ultimate parent company. See note 4.3 on credit risk related party loans to understand the Group's exposure to the loan.

ii) An amount of US$0.950 million (2015: US$0.970) relates to the loan placed with Pearl Properties (2006) Limited, a subsidiary of the Company. During the year 2016, the ultimate parent company had been servicing the interest portion accrued and repaid US$27 022 relating to the capital amount. The loan was restructured effective 31 December 2016 and is administered under the following revised terms:

1. Final maturity date 31 October 2019
2. Interest rate 13% per annum, accrued and paid monthly
3. Security No security pledged
4. Repayment 6 bi-annual installments beginning 30 April 2017

	Company 2016 US$	Company 2015 US$	Company 2014 US$
21.2 Amounts due to group companies			
TristarInsurance Company Limited	133 443	-	-
First Mutual Life Assurance Company (Private) Limited	71 134	175 914	114 234
First Mutual Health Company (Private) Limited	41 234	-	-
Pearl Properties (2006) Limited	178 305	246 229	920
Total	**424 116**	**422 143**	**115 154**

21 OTHER PAYABLES (continued)

21.2.1 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

22 TAXATION	Group 2016 US$	Group 2015 US$	Company 2016 US$	Company 2015 US$	Company 2014 US$
22.1 Deferred tax					
At 1 January	10 597 031	15 080 544	-	942 511	376 980
Recognised through statement of comprehensive income	198 935	(4 483 513)	-	(942 511)	565 531
At 31 December 2016	**10 786 966**	**10 597 031**	**-**	**-**	**942 511**
Current	-	-	-	-	-
Non current	10 786 966	10 597 031	-	-	942 511
Total	**10 786 966**	**10 597 031**	**-**	**-**	**942 511**
Analysis of deferred tax					
Arising on vehicles and equipment	(104 999)	(99 155)	-	-	-
Arising on investment properties	12 604 837	12 742 404	-	-	-
Arising on financial assets at fair value through profit or loss	1 575	1 575	-	-	942 511
Arising from life business (schedule 8 Income Tax Act (Chapter 23:06))	205 629	(37 034)	-	-	-
Arising from assessable losses	(443 264)	(474 047)	-	-	-
Payables and provisions	(1 476 812)	(1 536 712)	-	-	-
At 31 December 2016	**10 786 966**	**10 597 031**	**-**	**-**	**942 511**
22.2 Net current income tax asset					
At 1 January	**(541 619)**	**(521 901)**	**-**	**-**	
Tax asset	(558 462)	(620 636)	-	-	
Tax liability	16 843	98 735	-	-	
Charge for the year	1 353 418	635 486	-	-	
Paid during the year	(904 944)	(655 204)	-	-	
As at 31 December	**(83 145)**	**(541 619)**	**-**	**-**	
Disclosed as;					
Income tax asset	(86 982)	(558 462)			
Income tax liability	3 837	16 843	-	-	
Total	**(83 145)**	**(541 619)**	**-**	**-**	
22.3 Income tax expense					
Deferred tax expense	189 935	(4 483 513)	-	-	
Current income tax expense	1 363 418	635 486	-	-	
Total	**1 553 353**	**(3 848 027)**	**-**	**-**	

Group Group

		2016 US$	2015 US$
22	**TAXATION (continued)**		
22.4	**Reconciliation of income tax expense**		
	Profit/(loss) before income tax	10 856 903	(3 717 087)
	Standard tax rate 25.75% (2015: 25.75%)	2 795 653	(957 150)
	Financial assets at fair value through profit or loss taxed at different rate	(366 862)	(365 394)
	Investment property taxed at different rates	(1 981 715)	(2 687 405)
	Effect of expenses not deductible for tax purposes	1 106 277	1 104 433
	Arising from Schedule 8 of Income Tax Act (Chapter 23:06)	-	-
	Tax on impairment of money market investments	-	-
	Impact of write off of tax asset on subsidiary now exempt from tax	-	(942 511)
	Tax (credit)/charge for the year	**1 553 353**	**(3 848 027)**
23	**NET PREMIUM WRITTEN**		
	Pension and savings business	22 524 855	18 744 482
	Life assurance	16 207 240	17 047 062
	Health insurance	52 208 779	52 481 633
	Property and casualty	25 538 909	27 822 158
	Gross premium written	**116 479 783**	**116 095 335**
	Less: reinsurance	(9 319 761)	(9 802 210)
	Net premium written	**107 160 022**	**106 293 125**
24	**RENTAL INCOME**		
	Office	3 481 608	3 834 365
	Retail	1 759 923	1 869 975
	Industry	1 168 330	1 380 484
	Other	322 026	244 021
	Total rental income	**6 731 887**	**7 328 845**
25	**INVESTMENT INCOME/(LOSS)**		
	Interest income from money market investments	2 655 987	2 300 545
	Dividend received	554 457	412 491
	Fair value loss - investment property	-	-
	Loss from disposal of quoted investments at fair value through profit or loss	(196 832)	(151 009)
	Fair value gain/(loss) on quoted equities at fair value through profit or loss	5 789 216	(7 279 251)
	Total	**8 802 828**	**(4 717 224)**
26	**OTHER INCOME**		
26.1	**Fee income**		
	Insurance contracts	1 207 441	1 159 846
	Investment contracts	3 092 825	2 896 361
	Investment contracts with DPF	3 050 046	2 852 002
	Investment contracts without DPF	42 779	44 359
	Total fee income	**4 300 256**	**4 056 207**

26 OTHER INCOME (continued)

Fee income is in respect of investment and insurance contracts. The fees include management charges, policy fees and capital guarantee charges.

		Group 2016 US$	Group 2015 US$
26.2	**Other operating Income**		
	Tenant interest	180 955	301 266
	Profit on disposal of vehicles and equipment	36 444	241
	Motor pool dividend	209 894	114 167
	Actuarial fees income	-	172 000
	Net clinic fee income	87 321	160 295
	Bad debts recovered	375 887	169 572
	Net property trading income	66 387	21 736
	Other fee income	239 600	186 772
	Total	**1 196 488**	**1 126 049**
27	**NET INSURANCE CLAIMS AND BENEFITS**		
	Insurance claims and loss adjustment expenses		
	Health insurance	41 257 547	45 541 726
	Life assurance	4 648 898	6 954 640
	Property and casualty	8 352 529	6 815 532
	Total insurance claims	**54 258 974**	**59 311 898**
	Less: insurance claims expense recovered from reinsurers	(635 825)	(490 870)
	Net total insurance claims expense	**53 623 149**	**58 821 028**
	Pensions benefits	11 460 131	8 866 311
	Net insurance claims and benefits	**65 083 280**	**67 687 339**
28	**ACQUISITION OF INSURANCE AND INVESTMENT CONTRACTS EXPENSES**		
28.1	**Commission cost**		
	Commissions paid	8 920 126	8 866 695
	- Insurance contracts	8 428 187	8 285 234
	- investment contracts with DPF	491 939	581 461
	Commissions received	(2 841 908)	(1 759 838)
	Net commissions paid	**6 078 218**	**7 106 857**
28.2	**Branch network costs**		
	Staff costs	368 400	487 822
	Office costs	363 566	359 681
	Communications	44 628	83 341
	Business travel	46 358	54 144
	IPEC fees and levies	214 602	233 910
	Actuarial fees	381 038	331 517
	Agents collection commission	288 551	153 510
	Other fees	(353 733)	(320 104)
	Total other acquisition expenses	**1 353 410**	**1 383 821**
	Total acquisition of insurance and investment contracts expenses	**7 431 628**	**8 490 678**

28.2 ACQUISITION OF INSURANCE AND INVESTMENT CONTRACTS EXPENSES (continued)

28.2 Branch network costs (continued)

The Group has an agency 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.

29 ADMINISTRATION EXPENSES	**Group 2016 US$**	**Group 2015 US$**
The profit before income tax is shown after charging:		
Staff costs (note 29.1)	14 693 849	13 760 434
Directors' fees - Group	47 288	131 259
-Group companies	426 783	472 145
Property expenses (note 29.4)	1 316 878	1 241 120
Depreciation of property, vehicles and equipment (note 6)	654 229	1 318 116
Amortisation of intangible assets (note 8)	90 541	183 359
Audit fees:		
Current	-	263 482
Prior year	474 072	361 280
Tax recovery / Tax amnesty covered by prior years	(123 475)	831 430
Other costs (note 29.5)	7 694 996	7 185 233
Total administration expenses	**25 275 161**	**25 747 858**
29.1 Staff costs		
Wages and salaries	7 367 310	7 796 890
Social security and health insurance costs	411 412	977 298
Defined contribution pension costs	749 294	807 753
Share based payments	13 222	24 494
Other staff costs	6 152 611	4 153 999
Total staff costs	**14 693 849**	**13 760 434**

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. The pension contribution rates are 12.5% (2015: 12.5%) and 6% (2015: 6%) for the employer and employee respectively.

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.

29 ADMINISTRATION EXPENSES (continued)

29.2 Rationalisation expenses

The Group incurred a cost of US$324,020 in 2016 (2015: US$156 053) representing pay-outs to employees retrenched as mutually agreed between the Group and the affected employee.

		Group 2016 US$	Group 2015 US$
29.3	**Impairment allowances**		
	Allowance for credit losses (note 29.3.1)	497 365	2 161 417
	Impairment of investment in associate (note 10)	-	2 634 105
	Total	**497 365**	**4 795 522**
29.3.1	**Allowance for credit losses**		
	Insurance receivables (note 14.1)	202 843	1 077 704
	Tenant receivables (note 14.2)	294 522	864 764
	Other receivables (note 14.3)	-	218 949
	Total	**497 365**	**2 161 417**
29.4	**Property expenses**		
	Operating costs recoveries	766 316	521 429
	Maintenance costs	515 663	404 801
	Valuation fees	9 396	10 510
	Property security and utilities	25 503	304 380
	Total	**1 316 878**	**1 241 120**
	Property expenses arising from investment properties that generated rental income	1 291 375	936 740
	Property expenses arising from investment properties that did not generate rental income	25 503	304 380
	Total	**1 316 878**	**1 241 120**

Operating costs under recoveries relate to the operating costs attributable to the vacant spaces on buildings within the portfolio.

29.5	**Other costs**		
	Marketing and corporate relationship management	1 268 943	1 465 092
	Information technology expenses	1 523 848	2 082 059
	Office costs	540 497	2 269 124
	Fees and other charges	2 570 357	813 116
	Communication expenses	301 250	387 196
	Staff rationalisation (note 29.2)	324 020	156 053
	Other expenses	1 166 081	12 593
	Total	**7 694 996**	**7 185 233**

30 EARNINGS PER SHARE ("EPS")

Basic EPS amounts are calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

30 EARNINGS PER SHARE ("EPS") (continued)

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

30.1 Basic earnings per share

	Group 2016 US$	Group 2015 US$
Profit attributable to ordinary equity holders of the Group	8 848 541	340 225
Weighted average number of shares in issue	380 200 758	380 200 758
Basic earnings per share (US cents)	**2.33**	**0.09**

30.2 Diluted earnings per share

	Group 2016 US$	Group 2015 US$
Profit attributable to ordinary equity holders of the company	8 848 541	340 225
Weighted average number of shares in issue	380 200 758	380 200 758
Weighted number of shares adjusted for the effects of dilution	380 200 758	380 200 758
Diluted earnings per share (US cents)	**2.33**	**0.09**

31 COMMITMENT AND CONTINGENT LIABILITIES

31.1 Commitments

31.1.1 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$7 728 179 (2015: US$7 700 400) out of its existing operating leases in the next 12 months.

31.1.2 Capital commitments

The Group has capital expenditures contracted for at the end of the year but not year incurred is as follows:

	Group 2016 US$	Group 2015 US$
Inventories - property trading stock	-	265 002
Vehicles and equipment	-	11 096
Total	**-**	**276 098**

31 COMMITMENT AND CONTINGENT LIABILITIES (continued)

31.2 Contingencies

The Group and the Company do not have significant contingent liabilities that require disclosure as at 31 December 2016 (2015 : US$nil).

32 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 51% (2015: 51%) directly in First Mutual Holdings and 20% (2015: 20%) indirectly through Capital Bank as at 31 December 2016.

NSSA owns 84% (2015: 84%) of Capital Bank Limited, under liquidation.

32.1 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):

	2016	2015
Subsidiaries		
First Mutual Life Assurance Company (Private) Limited	100%	100%
FMRE Life and Health (Private) Limited	100%	100%
TristarInsurance Company Limited	100%	100%
FMRE Property and Casualty (Private) Limited	100%	100%
FMRE Property and Casualty (Proprietary) Limited*	100%	100%
First Mutual Health Company (Private) Limited	100%	100%
Pearl Properties (2006) Limited	59.93%	56.52%
Rainbow Tourism Group Limited	19.96%	19.96%
African Actuarial Consultants (Private) Limited	-	100%
First Mutual Wealth Management (Private) Limited	100%	100%
Pearl Properties (2006) Limited is owned 59.93% by First Mutual Group as follows:		
First Mutual Holdings Limited - the company	0.24%	0.25%
First Mutual Life Assurance Company (Private) Limited - shareholders	12.96%	11.5%
First Mutual Life Assurance Company (Private) Limited - policyholders	40.13%	40.09%
First Mutual Reinsurance Company Limited	2.64%	2.56%
TristarInsurance Limited - shareholders	-%	1.35%
First Mutual Wealth Management (Private) Limited	0.18%	-%
First Mutual Health Company (Private) Limited	3.68%	0.77%
Pearl Properties (2006) Limited	0.1%	-%
Total	**59.93%**	**56.52%**

* This company is registered and operates in Botswana

32 RELATED PARTY DISCLOSURES (continued)

32.2 Transactions and balances with related companies:

32.2.1 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 2016:

	Relationship to First Mutual Holdings Limited	Loans owed to related parties US$	Purchases from related parties US$	Amount owed to related parties US$	Carrying amounts of investments in subsidiaries US$
National Social Security Authority		2 000 000	-	-	-
First Mutual Life Assurance Company (Private) Limited	subsidiary	5 028 396	-	71 134	11 253 104
TristarInsurance CompanyLimited	subsidiary	-	19 990	102 779	2 156 476
First Mutual Reinsurance Company Limited	subsidiary	-	-	-	9 118 632
FMRE Property and Casualty (Proprietary) Limited	subsidiary	-	-	-	2 891 736
First Mutual Health Company (Private) Limited	subsidiary	-	-	-	4 165 445
Pearl Properties (2006) Limited	subsidiary	950 000	-	178 305 -	-
First Mutual Wealth Management (Private) Limited	subsidiary	-	-	-	715 302
		7 978 396	**19 990**	**352 218**	**30 300 695**

32.2.2 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 2015

	Relationship to First Mutual Holdings Limited	Rentals charged to related parties US$	Purchases from related parties US$	Amount owed to related parties US$	Carrying amounts of investments in subsidiaries US$
National Social Security Authority	Parent	2 000 000	-	-	-
First Mutual Life Assurance Company (Private) Limited	subsidiary	4 723 262	-	175 914	7 828 342
TristarInsurance Company Limited	subsidiary	-	46 558	-	2 484 119
First Mutual Reinsurance Company Limited	subsidiary	-	-	-	8 066 894
FMRE Property and Casualty (Proprietary) Limited	subsidiary	-	-	-	2 681 473
First Mutual Health Company (Private) Limited	subsidiary	-	-	-	-
Pearl Properties (2006) Limited	subsidiary	977 022	262 410	246 229	-
African Actuarial Consultancy (Private) Limited	subsidiary	-	-	-	-
First Mutual Wealth Management (Private) Limited	subsidiary	-	-	-	663 365
		7 700 284	**308 968**	**422 143**	**21 723 383**

32	RELATED PARTY DISCLOSURES (continued)	Group 2016 US$	Group 2015 US$
32.3	**Compensation of key management:**		
	Key management personnel includes executive directors and senior management of the Group		
	Short term employment benefits	3 143 976	3 244 483
	Post-employment pension and medical benefits	578 071	358 019
	Share based payments	13 222	24 494
	Total compensation paid to key management personnel	**3 735 269**	**3 626 996**
32.4	**Loans to directors and officers**		
	Executive directors	-	-

32.5 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. Share options granted but not exercised by executive members of the Board of Directors to purchase ordinary shares of the Group were as follows:

	2016 Number of shares	2015 Number of shares
D Hoto	3 267 689	2 325 195
W Marere	2 241 882	1 627 406
Other key management	13 165 705	9 971 695
TOTAL	**18 675 276**	**13 924 296**

32 RELATED PARTY DISCLOSURES (continued)

32.6 Material partly-owned subsidiary

1 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		
Pearl Properties (2006) Limited	Zimbabwe	40.06%	43.48%
Accumulated balances of material non-controlling interest			
Pearl Properties (2006) Limited		51 650 738	53 411 033
(Loss)/profit allocated to non-controlling interest:			
Pearl Properties (2006) Limited		455 009	(209 285)

The summarised financial information of the subsidiary is provided below. This information is based on amounts before in tercompany eliminations

Revenue	8 306 983	8 983 057
Direct expenses	(1 316 878)	(2 105 884)
Administration expenses	(3 309 472)	(2 822 942)
Operating profit	**3 680 633**	**4 054 231**
Finance cost on borrowings	(296 125)	(419 789)
Investment (loss)/income	(1 352 636)	(6 590 661)
Profit before income tax	**2 031 872**	**(2 956 219)**
Income tax expense/(credit)	(892 621)	2 474 883
Profit for the year	**1 139 251**	**(481 336)**
Other comprehensive (loss)/income	-	-
Total comprehensive (loss)/income	**1 139 251**	**(481 336)**
Attributable to non-controlling interest	455 009	(209 285)
Dividends paid to non-controlling interest	(317 158)	(296 104)
Summarised statement of financial position as at		
Investment property	137 302 000	135 027 000
Property, plant and equipment and other non-current financial assets	888 799	928 505
Inventories, cash and bank, current financial assets and other receivables (current)	4 453 135	7 103 076
Non-current liabilities (deferred tax only)	(12 059 643)	(12 224 634)
Long term liabilities	(2 291 667)	(3 391 667)
Trade and other payable (current)	(1 513 095)	(1 052 587)
Total equity	**126 779 529**	**126 389 693**
Summarised cash flow information for the year ending 31 December		
Operating	2 656 030	2 624 206
Investing	(144 479)	(149 996)
Financing	(1 100 000)	(1 927 181)
Net increase in cash and cash equivalents	**1 411 551**	**547 029**

33 PROPOSED DIVIDEND ON ORDINARY SHARES

The final cash dividend for 2016 US$nil (2015 : US$nil)
Subsequent to year-end no dividend was declared for the year (2015 : US$nil)

34 SUBSEQUENT EVENTS

There were no material subsequent events requiring adjustments to be effected on the financial statements or disclosure in the financial statements.

Top 20 Shareholders

as at 31 December 2016

Rank	Account name	Shares	%
1	NATIONAL SOCIAL SECURITY AUTHORITY	195 154 770	51.33%
2	CAPITAL BANK CORPORATION LIMITED,	76 343 373	20.08%
3	LHG MALTA HOLDINGS LIMITED	11 640 324	3.06%
4	STANBIC NOMINEES (PRIVATE) LIMITED	7 033 861	1.85%
5	ZISCO	4 220 237	1.11%
6	ZIMBABWE ASSOCIATION OF CHURCH RELATED HOSPITALS (ZACH) PENSION SCHEME	3 329 940	0.88%
7	RENAISSANCE SECURITIES NOMINEES (TWO) (PRIVATE) LIMITED	3 092 406	0.81%
8	AFRE CORPORATION LIMITED SHARE PURCHASE TRUST	2 843 763	0.75%
9	FIRST MUTUAL	2 754 300	0.72%
10	COLOSSUS INVESTMENTS (PVT) LTD	2 349 629	0.62%
11	RUFARO	2 172 199	0.57%
12	KABELO FAMILY TRUST	1 860 792	0.49%
13	CONSTRUCTION INDUSTRY PENSION FUND	1 517 746	0.40%
14	COLNEST ZIMBABWE PENSION PLAN	1 281 135	0.34%
15	AUTUMN GOLD GROUP PENSION PLAN	1 135 999	0.30%
16	TFS NOMINEES (PVT)LTD.	804 474	0.21%
17	PRESERVATION FUND	709 189	0.19%
18	COMMUNICATION ZIMBABWE GROUP PENSION PLAN (COMMAF)	679 410	0.18%
19	ZIMTILE PENSION SCHEME	585 545	0.15%
20	CHANDURU THMOTH	558 200	0.15%
TOTAL		**320 067 292**	**84.18%**
Other shareholders		60 133 466	15.82%
Total number of shares		**380 200 758**	**100.00%**

Notice to Shareholders

Notice is hereby given that the fourteenth Annual General Meeting of the shareholders of FIRST MUTUAL HOLDINGS LIMITED will be held at Royal Harare Golf Club, Harare, on Wednesday, 14 June 2017 at 14.30 hours 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 2016.

2 To elect directors:

2.1 Ms E Mkondo, Mr E K Moyo and Mr O Mtasa retire as directors of the Company in terms of Article 106 of the Articles of Association and, being eligible, offer themselves for re-election.

2.2 Mr G Baines, who was appointed during the year, also retires and, being eligible, offers himself for re-election in terms of Article 113.

3 To fix the remuneration of the Directors.

4 To confirm the remuneration of the Auditors, PricewaterhouseCoopers Chartered Accountants, Zimbabwe, for the past year.

5 To appoint PwC Chartered Accountants (Zimbabwe) as Auditors of the Company until the conclusion of the next Annual General Meeting.

SPECIAL BUSINESS

To consider and, if deemed fit, pass with or without modification, the following additional resolutions:

6 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.

7 General Authority to Buy Back Shares

AS AN ORDINARY 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.

f. A press announcement will be published as soon as the Company has acquired ordinary shares constituting, on a cumulative basis in the period between annual general meetings, 3% of the number of ordinary shares in issue prior to the acquisition.

Notice to Shareholders (continued)

8 Any Other Business

To transact any other business competent to be dealt with at a general meeting.

Notes:

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 1400 hours on 14 June 2017, at the meeting venue.

BY ORDER OF THE BOARD

S F Lorimer (Mrs.)
Group Company Secretary
HARARE

Registered Office
First Mutual Park
100 Borrowdale Road
Borrowdale
HARARE

P O Box BW 178
Borrowdale
HARARE

Notes

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 14 June 2017 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 2016 be adopted.			
2	THAT Ms E Mkondo be re-elected as a director of the Company in terms of Article 106 of the Articles of Association.			
3	THAT Mr E Moyo be re-elected as a director of the Company in terms of Article 106 of the Articles of Association.			
4	THAT Mr O Mtasa be re-elected as a director of the Company in terms of Article 106 of the Articles of Association.			
5	THAT the election of Mr G Baines as a director of the Company be confirmed in terms of Article 113.			
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 Chartered Accountants (Zimbabwe) be appointed as Auditors of the Company until the conclusion of the next Annual General Meeting.			
	SPECIAL BUSINESS			
9	THAT the Company be authorised to make loans to Executive Directors in terms of Section 177 of the Companies Act subject to certain conditions.			
10	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.			

Details of the above resolutions are set out in the Notice of the Annual General Meeting.

Signed this ______________________________ day of ________________________________ 2017

____

SIGNATURE OF SHAREHOLDER

Proxy Form

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 Second 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.

FIRST MUTUAL

HOLDINGS LIMITED

Go Beyond

FIRST MUTUAL HOLDINGS LIMITED,

First Mutual Park, 100 Borrowdale Road, Borrowdale, Harare, Zimbabwe

P O Box BW 178, Borrowdale, Harare.

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E-mail: info@firstmutualholdings.com | Website: www.firstmutualholdings.com