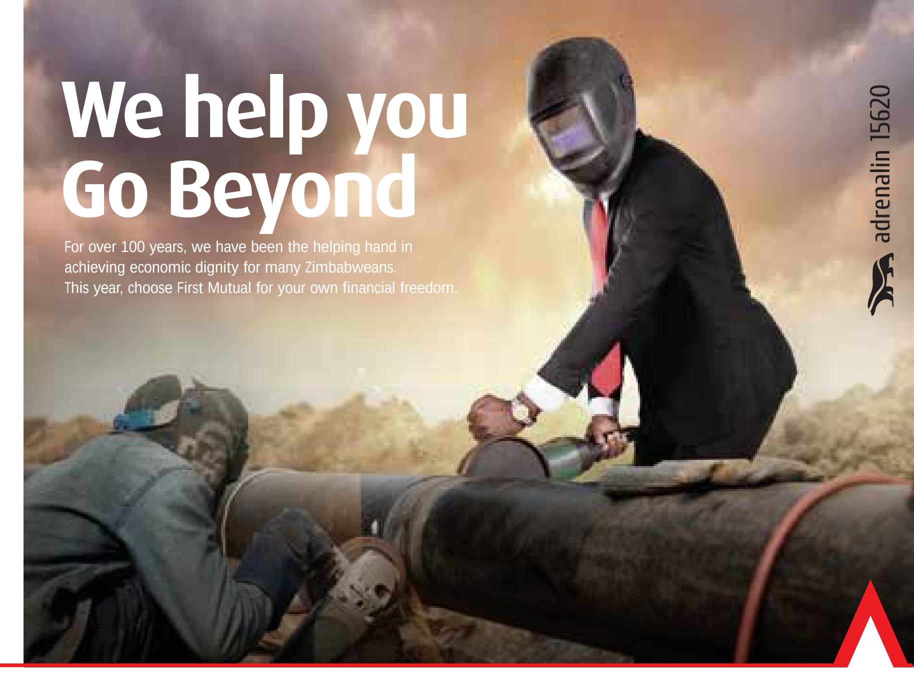
FIRST MUTUAL

HOLDINGS LIMITED

Go Beyond

LIFE | HEALTH | INSURANCE | REINSURANCE | SAVINGS | PROPERTY



Audited Abridged Financial Results

FOR THE YEAR ENDED 31 DECEMBER 2018

CHAIRMAN'S STATEMENT

ECONOMIC OVERVIEW

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

NICOZDIAMOND INSURANCE COMPANY LIMITED ACQUISITION

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

FUNCTIONAL CURRENCY

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

FINANCIAL HIGHLIGHTS

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

Operating Performance & Financial Position

	Audited 2018 $000	Audited 2017 $000	Proforma 2017 $000
Gross premium written	180 628	124 927	153 680
Net premium earned	153 848	115 123	132 068
Rental income	7 685	6 470	6 933
Operating profit	11 125	8 143	9 082
Investment income	34 276	32 924	35 487
Profit before income tax	24 815	14 800	18 386
Profit for the year	17 644	12 224	15 731
Total assets	385 468	329 946	329 946
Cash generated from operations	29 195	18 251	19 869
Share Performance	**2018**	**2017**	**2017**
Basic earnings per share (cents)	2.41	2.13	2.13
Market price per share (cents)	12	13	13
Sustainability Performance			
Environmental Highlights	**2018**	**2017**	**2017**
Electricity usage (MWh)	3 559	3 367	3 469
Water consumption: Municipal (m3)	25 268	17 496	26 274
Social Performance Highlights	**2018**	**2017**	**2017**
Total number of new employees	85	75	75
Average training hours per employee	80	121	117

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

FINANCIAL PERFORMANCE

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

Statement of comprehensive income

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

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

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

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

Statement of financial position

The Group's total assets increased by 17% to $385.5 million as at 31 December 2018 compared to $329.9 million as at 31 December 2017. The growth was driven by increases in listed equity values of $48.9 million and investment property of $7.2 million while debt securities at amortised cost declined by $9.6 million. Cash and balances with banks increased by $7.8 million due to cash generated from operations .

SUSTAINABILITY

Sustainability has always been a core value of FMHL. Sustainability provides considerable integrated thinking on how to manage economic, environmental and social impact through shared values with stakeholders. During the year the Group embarked on a journey of integrating sustainability into the business as a long term value creation business model and comprehensive risk management strategy. The Group is set to produce its first report containing sustainability information using the Global Reporting Initiatives ("GRI") standards. The Group will continue to take constructive steps of aligning business values with sustainability while building shared values with stakeholders for long term business success

FIRST MUTUAL IN THE COMMUNITY

First Mutual Foundation, an arm of the Group's Corporate Social Responsibility, ("CSR") continues to enhance access to education for under priviledged children through school fees payment and ancillary assistance. The beneficiaries are in primary, secondary and tertiary levels. In addition, First Mutual assisted students from the Reformed Church University with financial support based on humanitarian need and academic merit. First Mutual also supported measures to mitigate the impact of the cholera outbreak epidemic in 2018 and the Cyclone Idai in 2019.

OUTLOOK

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

DIRECTORATE

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

Appointments

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

Resignations

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

DIVIDEND

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

APPRECIATION

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

Oliver Mtasa
Chairman
10 April 2019

GROUP CEO'S REVIEW OF OPERATIONS

The Group continued to deliver on its core pillars of risk management, wealth creation and wealth management during the year ended 31 December 2018. This is becoming increasingly important in a dynamic environment, characterised by shrinking disposable income and increasing customer discernment in pursuit of value for money. The Group is anchored on availing economic dignity to our stakeholders by delivering value through innovation, service excellence, strategic partnerships, relevant products and capacitating our distribution channels driven by robust Information & Communication Technology ("ICT") platforms. The acquisition of NDIL strengthened the Group's position in a market where flight to quality has become more prevalent. During the period under review, the Group achieved improved financial performance for the year of $17.6 million compared to a profit of $12.2 million in 2017.

Systems and Processes

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

OPERATIONS REVIEW

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

HEALTH INSURANCE

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

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

LIFE AND PENSIONS BUSINESS

First Mutual Life Assurance Company (Private) Limited

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

Pensions and Savings

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

Life Assurance

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

PROPERTY AND CASUALTY INSURANCE

First Mutual Reinsurance Company Limited

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

FMRE Property and Casualty (Proprietary) Limited - Botswana

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

NicozDiamond Insurance Company Limited ("NDIL")

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

TristarInsurance

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

PROPERTY

First Mutual Properties Limited ("FMP")

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

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

WEALTH MANAGEMENT

First Mutual Wealth Management (Private) Limited

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

SUSTAINIBILITY

The Group took constructive steps of implementing sustainability reporting using GRI standards as a strategy for identifying, managing and being transparent on our impact on society, the economy and the environment. We believe sustainability reporting will allow us to build strong shared values for long term value creation for our stakeholders. During the year, the Group produced the first sustainability report prepared in accordance with GRI Standards as a demonstration of our commitment to our sustainability values. The integration of sustainability in our operations is expected to continue with setting measurable targets, improving systems and developing capacity across the group.

HUMAN CAPITAL DEVELOPMENT

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

LOOKING AHEAD

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

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

Douglas Hoto
Group Chief Executive Officer
10 April 2019

Audited Abridged Financial Results
FOR THE YEAR ENDED 31 DECEMBER 2018

CONSOLIDATED AND COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

ASSETS	Note	AUDITED Group 31-Dec-18 $000	AUDITED Group 31-Dec-17 $000	AUDITED Company 31-Dec-18 $000	AUDITED Company 31-Dec-17 $000
Property, plant and equipment	5	10,540	10,258	74	57
Investment property	6	145,170	136,433	-	-
Intangible assets		897	1,104	-	-
Investment in subsidiaries	7	-	-	77,144	61,473
Investment in associates		1,491	1,992	-	-
Financial assets:					
- Equity securities at fair value through profit or loss	8	104,710	55,267	4,983	2,290
- Debt securities held to maturity investments	9	-	39,391	-	-
- Debt securities at amortised cost	9.1	29,799	-	-	-
Deferred acquisition costs		2,934	2,681	-	-
Income tax asset		622	530	-	-
Inventory		804	497	40	38
Insurance receivables including loans and other receivables	10	-	28,765	-	849
Insurance, tenant and other receivables	10.1	27,417	-	1,332	-
Cash and balances with banks	11	61,084	53,028	3,845	4,898
TOTAL ASSETS		**385,468**	**329,946**	**87,418**	**69,605**
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the parent					
Share capital		721	719	721	719
Share premium		38,582	39,972	38,582	39,972
Non-distributable reserves		6,674	6,471	362	354
Retained profits		44,191	26,735	47,070	27,791
Total equity attributable to equity holders of the parent		**90,168**	**73,987**	**86,735**	**68,836**
Non-controlling interests		42,224	49,777	-	-
Total equity		**132,392**	**123,674**	**86,735**	**68,836**
Liabilities					
Life insurance contracts with and without DPF and investment contracts with DPF liabilities	12	141,335	110,696	-	-
Investment contract liabilities without DPF	13	28,010	20,461	-	-
Shareholder risk reserves	14	11,670	11,932	-	-
Borrowings		92	1,192	-	-
Insurance contract liabilities - short term	15	43,764	34,537	-	-
Insurance liabilities - life assurance		2,269	2,253	-	-
Other payables	16	9,446	12,223	683	769
Deferred income tax	17	16,436	12,366	-	-
Current income tax liabilities		54	612	-	-
Total liabilities		**253,076**	**206,272**	**683**	**769**
TOTAL EQUITY AND LIABILITIES		**385,468**	**329,946**	**87,418**	**69,605**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	AUDITED 31-Dec-18 $000	AUDITED 31-Dec-17 $000
INCOME			
Gross premium written	18	180,628	124,927
Reinsurance	18	(23,942)	(8,873)
Net premium written	**18**	**156,686**	**116,054**
Unearned premium reserve		(2,838)	(931)
Net premium earned		**153,848**	**115,123**
Rental income		7,685	6,470
Fair value adjustments - investment property		6,841	(294)
Investment income	19	31,262	30,195
Interest income		3,014	2,729
Fee income:			
- Insurance contracts		1,641	1,426
- Investment contracts		3,698	3,083
Other income		1,266	1,011
Total income		**209,255**	**159,743**
EXPENDITURE			
Pension benefits	20	(11,053)	(10,029)
Insurance claims and loss adjustment expenses	20	(85,107)	(61,917)
Insurance claims and loss adjustment expenses recovered from reinsurers	20	7,444	827
Net insurance benefits and claims	**20**	**(88,716)**	**(71,119)**
Movement in insurance liabilities		(35,964)	(24,303)
Investment gain on investment contract liabilities		(7,065)	(11,934)
Acquisition of insurance and investment contracts expenses		(12,694)	(8,596)
Administration expenses	21	(39,305)	(28,287)
Impairment allowances		(690)	(390)
Finance cost on borrowings		(53)	(327)
Total expenditure		**(184,487)**	**(144,956)**
Profit before share of profit of associate		**24,768**	**14,787**
Share of profit of associate		47	13
Profit before income tax		**24,815**	**14,800**
Income tax expense		(7,171)	(2,576)
Profit for the year		**17,644**	**12,224**
Other comprehensive income/(loss)			
Other comprehensive (loss)/income to be reclassified to statement of comprehensive income in subsequent year			
Exchange (loss)/gain on translating foreign operations		(126)	294
Share of other comprehensive profit of associate		152	-
Other comprehensive (loss)/income to be reclassified to statement of comprehensive income in subsequent year		**26**	**294**
Total comprehensive profit for the year		**17,670**	**12,518**
Profit attributable to:			
Non-controlling interest		1,119	632
Equity holders of the parent		16,525	11,592
Profit for the year		**17,644**	**12,224**
Comprehensive income attributable to:			
Non-controlling interest		1,119	632
Equity holders of the parent		16,551	11,886
Total comprehensive income for the year		**17,670**	**12,518**
Basic profit per share (cents)		2.41	2.13

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital $000	Share premium $000	Non-distributable reserves $000	Retained profits $000	Total equity for parent $000	Non-controlling interest $000	Total equity $000
As at 1 January 2017	**380**	**7,958**	**2,074**	**13,812**	**24,224**	**51,651**	**75,875**
Profit for the year	-	-	-	11,592	11,592	632	12,224
Other comprehensive income	-	-	294	-	294	-	294
Total comprehensive income	**-**	**-**	**294**	**11 592**	**11,886**	**632**	**12,518**
Transactions with shareholders in their capacity as owners							
Issue of shares							
. Acquisition of NDIL	95	10,366	4,040	-	14,501	-	14,501
- acquisition of 50.82%	60	6,511	2,538	-	9,109	-	9,109
- acquisition of 30.09%	35	3,855	1,502	-	5,392	-	5,392
- mandatory tender offer	22	4,091	-	-	4,113	-	4,113
. Rights offer	211	17,040	-	-	17,251	-	17,251
. Share options	11	517	-	-	528	-	528
Disposal of treasury shares	-	-	-	196	196	-	196
Share based payments	-	-	63	-	63	-	63
Acquisition of non-controlling interest	-	-	-	1,609	1,609	(2,216)	(607)
Dividend declared and paid	-	-	-	-	-	(290)	(290)
Acquisition of treasury shares	-	-	-	(474)	(474)	-	(474)
As at 31 December 2017	**719**	**39,972**	**6,471**	**26,735**	**73,897**	**49,777**	**123,674**
As at 1 January 2018	**719**	**39,972**	**6,471**	**26,735**	**73,897**	**49,777**	**123,674**
Impact of adopting IFRS 9	-	-	-	(1,474)	(1,474)	-	(1,474)
Restated as at 1 January 2018	**719**	**39,972**	**6,471**	**25,261**	**72,423**	**49,777**	**122,200**
Profit for the year	-	-	-	16,525	16,525	1,119	17,644
Other comprehensive loss	-	-	(126)	152	26	-	26
Total comprehensive (loss)/income	**-**	**-**	**(126)**	**16,677**	**16,551**	**1,119**	**17,670**
Transactions with shareholders in their capacity as owners							
Issue of shares	24	2,701	-	-	2,725	-	2,725
- acquisition of additional NDIL shares	17	2,701	-	-	2,718	-	2,718
- share options	7	-	-	-	7	-	7
2017 mandatory tender offer	(22)	(4,091)	-	-	(4,113)	-	(4,113)
Share based payments	-	-	329	-	329	-	329
Acquisition of non controlling interest	-	-	-	3,309	3,309	(8,399)	(5,090)
Dividend declared and paid	-	-	-	(1,056)	(1,056)	(273)	(1,329)
As at 31 December 2018	**721**	**38,582**	**6,674**	**44,191**	**90,168**	**42,224**	**132,392**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018	AUDITED 31-Dec-18 $000	AUDITED 31-Dec-17 $000
Profit before income tax	**24,815**	**14,800**
Total non-cash and separately disclosed items	4,540	3,878
Operating cash flows before working capital changes	**29,355**	**18,678**
Working capital changes	(160)	(427)
Cash generated from operations	**29,195**	**18,251**
Finance costs on borrowings	(53)	(327)
Interest received	3,013	2,729
Tax paid	(3,239)	(939)
Net cash flows generated from operating activities	**29,916**	**19,714**
Net cash flow used in investing activities	**(18,457)**	**(16,386)**
Net cash flow (utilised)/generated from financing activities	**(2,403)**	**13,843**
Net increase in cash and cash equivalents	**8,056**	**17,171**
Cash and cash equivalents at the beginning of the year	53,028	35,857
Cash and cash equivalents at the end of the year	**61,084**	**53,028**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Corporate information

The main business of First Mutual Holdings Limited ("the Company") and its subsidiaries (together the "Group") is provision of life and funeral assurance, health insurance, short term insurance, reinsurance, 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 National Social Security Authority ("NSSA") which owns 68.81% (2017: 68.81%) directly and an additional 11.41% (2017: 11.41%) indirectly through Capital Bank Limited (under liquidation). NSSA owns 84% (2017: 84%) of Capital Bank Limited.

The registered office is located at Second Floor, First Mutual Park, 100 Borrowdale Road, Borrowdale, Harare, Zimbabwe. The consolidated historical financial statements of the Group for the year ended 31 December 2018 were authorised for issue in accordance by a resolution of the Directors at a meeting held on 10 April 2019.

2. Functional and presentation currency

The Group had in previous financial periods used the United States of America Dollar ("US$") as its presentation currency and functional currency.

The macroeconomic developments and fiscal and monetary policy changes diclosed in note 23, lead to the reassessment of whether the US$ still met the primary and secondary indicators of the functional currency of the Group, in accordance with the provisions of IAS 21, with effect from 1 October 2018.

The Directors, based on their interpretation of IFRS had considered the Monetary Policy Statement ("MPS") of 20 February 2019, and the subsequent emergence of an interbank exchange rate to be an adjusting event in terms of IAS 10 "Events After the Reporting Period", however this could not be effected because at law there was no local currency in Zimbabwe until 22 February 2019. The RTGS was also legally not recognised as a currency prior to the currency changes announced on 22 February 2019 that are detailed in note 24.

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

3.1 Statement of compliance

These financial results should be read in conjunction with the complete set of financial statements for the year ended 31 December 2018, which have been audited by PricewaterhouseCoopers Chartered Accountants (Zimbabwe). The Group's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("the 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) except for IAS 21, Effects of changes in foreign exchange rates.

Audited Abridged Financial Results
FOR THE YEAR ENDED 31 DECEMBER 2018

The financial statements are based on statutory records that are maintained under the historical cost convention except for investment properties, equity securities at fair value through profit or loss and insurance and investment contract liabilities that have been measured on a fair value basis.

3.2 Audit opinion

An adverse opinion was issued in respect of functional currency as requirements of IAS 21 Effects of Foreign Exchange Rates were not met. The auditors report includes a section on key audit matters as defined by ISA 701, 'Communicating key audit matters in the independent auditor's report'. This includes both the rationale for determining the key audit matters and how they were addressed during the audit. Below are the key audit matters:
- valuation of investment property, and
- valuation of policyholder insurance contracts with and without DPF and investment contracts with DPF liabilities.

The directors have performed a sensitivity analysis of how different exchange rates would have impacted the consolidated and separate financial statements as at 31 December 2018 and disclosed this sensitivity analysis in note 23.

4 Accounting policies

The principal accounting policies adopted in the presentation of these financial statements are consistent with those of the previous financial year except for changes arising from adoption of IFRS 9 and IFRS 15. The Group applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2018;

4.1 IFRS 9 'Financial Instruments

IFRS 9 replaces the IAS 39 'Financial Instruments: Recognition and measurement' that relate to the recognition, classification and measurement of financial instruments, impairment of financial assets and hedge accounting. The adoption of IFRS 9 from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognized in the financial statements.

4.1.1 Initial recognition of financial assets

Under IFRS 9, on initial recognition, a financial asset is classified as measured at:
- Amortised cost;
- Fair value through other comprehensive income ("FVOCI") which may include debt or equity instruments; or
- Fair value through profit and loss ("FVTPL").

IFRS 9 eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale

4.1.2 Initial recognition of financial liabilities

IFRS 9 largely retains the requirements in IAS 39 for the classification and measurement of financial liabilities. On initial recognition financial liabilities are measured at fair value plus or minus, in the case of financial liabilities not classified at FVTPL, transaction costs that are incremental and directly attributable to the issue of the financial liability. Transaction costs of financial liabilities carried at FVTPL are expensed in profit or loss.

4.1.3 Subsequent measurement of financial assets

The following accounting policies apply to the subsequent measurement of financial assets;

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss
Debts investments at FVOCI	These assets are subsequently measured at fair value, interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

4.1.4 Subsequent measurement of financial liabilities

IFRS 9 largely retains the requirements in IAS 39 for the measurement of financial liabilities with one exception. Fair value movements attributable to changes in the credit risk of a financial liability designated at FVTPL is recorded in other comprehensive income and not recycled to profit of loss. The balance of the fair value movement is recorded in profit or loss.

The Group changed its accounting policies and made retrospective adjustments following the adoption of IFRS 9. This is disclosed in the statement of changes in equity and the IFRS 9 disclosures under note 22.

4.2 IFRS 15 Revenue from Contracts with Customers

4.2.1 Revenue recognition

In line with the IFRS 15, revenue is recognised when the following conditions have been met;
- the contract has been approved by the parties to the contract;
- each party's rights in relation to the goods or services to be transferred can be identified;
- the payment terms for the goods or services to be transferred can be identified;
- the contract has commercial substance;
- and it is probable that the consideration to which the entity is entitled to in exchange for the goods or services will be collected.

Insurance contracts for all insurance subsidiaries and rental income from leasing properties for property owning subsidiaries are outside the scope of IFRS 15. IFRS 15 did not have material impact on the amounts recognised as revenue nor the timing of revenue recognition.

		AUDITED Group 31-Dec-18 $000	AUDITED Group 31-Dec-17 $000	AUDITED Company 31-Dec-18 $000	AUDITED Company 31-Dec-17 $000
5	**Property, vehicles and equipment**				
	As at 1 January	10,258	9,251	57	109
	Acquisition of NDIL	-	906	-	-
	Additions	1,649	1,045	42	41
	Disposals	(99)	(297)	-	(79)
	Depreciation charge	(1,268)	(647)	(25)	(14)
	Aa at 31 December	**10,540**	**10,258**	**74**	**57**
6	**Investment property**				
	As at 1 January	136,433	124,302	-	-
	Acquisition of NDIL	-	11,676	-	-
	Additions	2,215	749	-	-
	Improvements to Existing properties	270	-	-	-
	Transfer to associate	(589)	-	-	-
	Fair value adjustments	6,841	(294)	-	-
	As at 31 December	**145,170**	**136,433**	**-**	**-**

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

		AUDITED Group 31-Dec-18 $000	AUDITED Group 31-Dec-17 $000	AUDITED Company 31-Dec-18 $000	AUDITED Company 31-Dec-17 $000
7	**Investment in subsidiaries**				
	First Mutual Microfinance (Private) Limited	-	-	200	-
	First Mutual Life Assurance Company (Private) Limited	-	-	22,227	15,384
	First Mutual Funeral Services (Private) Limited	-	-	800	-
	First Mutual Health Company (Private) Limited	-	-	20,639	12,900
	First Mutual Reinsurance Company (Private) Limited	-	-	10,237	10,807
	FMRE Property & Casualty (Proprietary) Limited	-	-	4,083	3,570
	First Mutual Wealth Management (Private) Limited	-	-	827	1,051
	TristarInsurance Company Limited	-	-	2,480	3,092
	NicozDiamond Insurance Company Limited	-	-	15,651	14,669
	Total	**-**	**-**	**77,144**	**61,473**

		AUDITED Group 31-Dec-18 $000	AUDITED Group 31-Dec-17 $000	AUDITED Company 31-Dec-18 $000	AUDITED Company 31-Dec-17 $000
8	**Equity securities at fair value through profit or loss**				
	As at 1 January	55,267	19,863	2,290	139
	Acquisition of NDIL	-	4,182	-	-
	Purchases	32,609	15,288	1,747	3,488
	Disposals	(1,237)	(9,178)	-	(476)
	Fair value gain on unquoted investments	21	10	-	-
	Fair value gain / (loss) on quoted equities	18,050	25,102	946	(861)
	As at 31 December	**104,710**	**55,267**	**4,983**	**2,290**
9	**Debt securities held to maturity investments**				
	As at 1 January	39,391	20,292	-	-
	Reclassification to debt securities at amortised cost	(39,391)			
	Acquisition of NDIL	-	1,711	-	
	Purchases	-	60,914	-	-
	Maturities	-	(43,526)	-	-
	As at 31 December	**-**	**39,391**	**-**	**-**
9.1	**Debt securities at amortised cost**				
	As at 1 January	-	-	-	-
	Reclassification from debt securities held to maturity investments	39,391	-	-	-
	Acquisition of NDIL	-	-	-	-
	Purchases	64,404	-	-	-
	Maturities	(73,996)	-	-	-
	As at 31 December	**29,799**	**-**	**-**	**-**
10	**Insurance receivables including loans and other receivables**				
	Insurance receivables	-	17,661	-	-
	Tenant receivables	-	1,654	-	-
	Amounts due from Group companies	-	-	-	549
	Other receivables	-	9,450	-	300
	Total	**-**	**28,765**	**-**	**849**
10.1	**Insurance, tenant and other receivables**				
	Insurance receivables	22,382	-	-	-
	Tenant receivables	616	-	-	-
	Amounts due from Group companies	-	-	1,083	-
	Other receivables	4,419	-	249	-
	Total	**27,417**	**-**	**1,332**	**-**
11	**Cash and balances with banks**				
	Money market investments with original maturities less than 90 days	42,816	20,027	2,168	-
	Cash at bank and on hand	18,268	33,001	1,677	4,898
	Cash and cash equivalents	**61,084**	**53,028**	**3,845**	**4,898**
12	**Life insurance contracts and investment contracts with Discretionary Participating Features ("DPF") liabilities**				
	As at 1 January	110,696	88,773	-	-
	Movement	30,639	21,923	-	-
	As at 31 December	**141,335**	**110,696**	**-**	**-**
13	**Investment contract liabilities without DPF**				
	As at 1 January	20,461	8,532	-	-
	Movement	7,549	11,929	-	-
	As at 31 December	**28,010**	**20,461**	**-**	**-**
14	**Shareholder risk reserve**				
	As at 1 January	11,932	12,922	-	-
	Movement	(262)	(990)	-	-
	As at 31 December	**11,670**	**11,932**	**-**	**-**
15	**Insurance contract liabilities - short term**				
	Outstanding claims	7,995	8,579	-	-
	Reinsurance	8,556	4,998	-	-
	Losses incurred but not reported	6,209	6,367	-	-
	Members savings pot	5,526	5,264	-	-
	Premium received in advance	2,524	1,965	-	-
	Unearned premium reserve	12,930	7,349	-	-
	Commissions	24	15	-	-
	Total	**43,764**	**34,537**	**-**	**-**
16	**Other payables**				
	Other payables	1 098	819	-	-
	Provisions	2 180	3 109	51	230
	Payroll and statutory payables	1 412	3 777	89	2
	Accrued expenses	1 213	1 561	396	243
	Unpaid losses	203	358	-	-
	Trade payables	1 107	632	103	205
	Property business related liabilities	2 233	1 967	-	-
	Amounts due to group companies	-	-	44	89
	Total	**9,446**	**12,223**	**683**	**769**
17	**Deferred tax**				
	As at 1 January	12,366	10,788	-	-
	Impact of adopting IFRS 9	511	-	-	-
	Recognised through statement of comprehensive income	3,559	1,578	-	-
	As at 31 December	**16,436**	**12,366**	**-**	**-**
18	**Net premium written**				
	Pension and savings business			27,838	20,619
	Life assurance			15,655	14,650
	Health insurance			62,895	56,867
	Property and casualty			74,240	32,791
	Gross premium written			**180,628**	**124,927**
	Less: reinsurance			(23,942)	(8,873)
	Net premium written			**156,686**	**116,054**
19	**Investment income**				
	Dividend received			12,729	824
	Fair value gain from unquoted equities at fair value through profit or loss			21	10
	Fair value gain from quoted equities at fair value through profit or loss			18,512	29,361
	Total investment income before interest income			**31,262**	**30,195**
	Interest income from money market investments			3,014	2,729
	Total investment income			**34,276**	**32,926**
20	**Net insurance claims and benefits**				
	Insurance claims and loss adjustment expenses				
	Health insurance			48,979	45,002
	Life assurance			4,232	4,831
	Property and casualty			31,896	12,084
	Total insurance claims			**85,107**	**61,917**
	Less: Insurance claims and benefits expenses recovered from reinsurers			(7,444)	(827)
	Net total insurance claims expense			**77,663**	**61,090**
	Pensions benefits			11,053	10,029
	Net insurance claims and benefits			**88,716**	**71,119**
21	**Profit before income tax is shown after charging:**				
	Staff costs			19,770	14,353
	Directors' fees			615	390
	Depreciation of property, vehicles and equipment			1,291	947
	Amortisation of software			211	156
	Audit fees			631	398

22 IFRS 9 DISCLOSURES

Below are IFRS 9 disclosures futher to note 4.1.

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

	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 US$m	New carrying amount under IFRS 9 US$m
Assets				
Equities	Fair value through profit or loss	Fair value through profit or loss	55,267	55,267
Cash and balances with banks	Loans and receivables	Amortised cost	53,028	53,028
Debt securities at amortised cost	Held to maturity investments	Amortised cost	39,391	39,391
Insurance, tenant and other receivables	Loans and receivables	Amortised cost	28,765	26,780
Total			**176,451**	**174,466**
Liabilities				
Life insurance contracts with and without DPF and investment contracts with DPF liabilities	Fair value through profit or loss	Fair value through profit or loss	110,696	110,696
Investment contract liabilities without DPF	Fair value through profit or loss	Fair value through profit or loss	20,461	20,461
Shareholder risk reserves	Fair value through profit or loss	Fair value through profit or loss	11,932	11,932
Borrowings	Amortised cost	Amortised cost	1,192	1,192
Insurance contract liabilities - short term	Amortised cost	Amortised cost	34,537	34,537
Insurance liabilities - life assurance	Amortised cost	Amortised cost	2,253	2,253
Other payables	Amortised cost	Amortised cost	12,223	12,223
Total			**193,294**	**193,294**

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

	Original carrying amount under IAS 39 as at 31 December 2017 US$m	Reclassification US$m	Remeasurement US$m	New carrying amount under IFRS 9 as at 1 January 2018 US$m
Financial assets at amortised cost				
Cash and balances with banks	53,028	-	-	53,028
Debt securities at amortised cost	39,391	-	-	39,391
Insurance, tenant and other receivables	28,765	-	(1,985)	26,780
Total amortised cost	**121,184**	**-**	**(1,985)**	**119,199**
Financial liabilities at amortised cost				
Borrowings	1,192	-	-	1,192
Insurance contract liabilities - short term	34,537	-	-	34,537
Insurance liabilities - life assurance	2,253	-	-	2,253
Other payables	12,223	-	-	12,223
Total amortised cost	**50,205**	**-**	**-**	**50,205**

23. SEGMENTAL RESULTS AND ANALYSIS

FOR THE YEAR ENDED 31 DECEMBER 2018

As at 31 December 2018	Life $000	Property and Casualty $000	Health $000	Property $000	Other $000	Gross Figures $000	Consolidation Entries $000	Total Consolidated $000
Net premium earned	43 028	48 156	62 895	-	-	154 079	(231)	153 848
Rental income	-	-	-	8 597	-	8 597	(912)	7 685
Investment income and fair value adjustments on investment property	30 243	1 489	5 613	6 305	19 906	63 556	(22 439)	41 117
Other income and fee income	7 118	861	210	437	4 726	13 352	(6 747)	6 605
Total income	**80 389**	**50 506**	**68 718**	**15 339**	**24 632**	**239 584**	**(30 329)**	**209 255**
Total expenses	(72 297)	(51 709)	(57 973)	(5 828)	(4 158)	(191 965)	7 478	(184 487)
Total assets	209 188	76 492	38 757	148 722	88 425	561 584	(176 116)	385 468
Total liabilities	187 238	37 948	12 991	17 894	847	256 918	(3 842)	253 076
Cash flows from operating activities	32 819	4 025	6 369	2 613	(309)	45 517	(16 322)	29 195
Cash flows utilised on investing activities	(19 430)	(1 848)	(6 554)	(2 294)	1 548	(28 578)	10 121	(18 457)
Cash utilised in financing activities	-	(646)	-	(1 100)	(2 451)	(4 197)	1 794	(2 403)
Profit before income tax	8 092	2 840	10 745	8 876	20 473	51 026	(26 211)	24 815

As at 31 December 2017	Life $000	Property and Casualty $000	Health $000	Property $000	Other $000	Gross Figures $000	Consolidation Entries $000	Total Consolidated $000
Net premium earned	34,851	23,540	56,867	-	-	115,258	(135)	115,123
Rental income	-	-	-	7,417	-	7,417	(947)	6,470
Investment income and fair value adjustments on investment property	30,398	1,918	5,930	(563)	16,683	54,366	(21,736)	32,630
Other income and fee income	6,083	450	234	560	4,370	11,697	(6,177)	5,520
Total income	**71,332**	**25,908**	**63,031**	**7,414**	**21,053**	**188,738**	**(28,995)**	**159,743**
Total expenditure	(64,009)	(24,100)	(51,501)	(4,083)	1,370	(142,323)	(2,633)	(144,956)
Total assets	164,537	62,864	28,157	143,485	71,743	470,786	(140,840)	329,946
Total liabilities	147,906	31,343	12,052	15,741	947	207,989	(1,717)	206,272
Cash flows from operating activities	6,800	(930)	6,138	774	(1,651)	11,131	7,120	18,251
Cash flows generated on investing activities	(9,098)	6,041	(2,810)	627	(17,654)	(22,894)	6,508	(16,386)
Cash utilised in financing activities	5,097	470	-	(793)	24,044	28,818	(14,975)	13,843
Profit before income tax	7,322	100	11,529	3,150	15,842	37,943	(23,143)	14,800

24. Events after the balance sheet date.

On 20 February 2019, the Reserve Bank Zimbabwe (RBZ) Governor announced a new Monetary Policy Statement ("MPS") whose highlights included:

- RTGS balances, bond notes and coins collectively as RTGS dollars ("RTGS$"). RTGS dollars become part of the multi-currency system.
- RTGS$ to be used by all entities (including government) and individuals in Zimbabwe for purposes of pricing of goods and services, record debts, accounting and settlement of domestic transactions.
- The MPS also saw the establishment of an inter-bank foreign exchange market where the exchange rate will be determined by market forces. The interbank market opened trading at a rate of US$1 to RTGS$ 2.5 on 22 February 2019.

The monetary policy announcement was followed by the publication of Statutory Instrument 33, 'Presidential Powers (Temporary Measures) (Amendment of Reserve Bank of Zimbabwe Act and Issue of Real Time Gross Settlement Electronic Dollars (RTGS Dollars)) Regulations of 2019 ("SI33")' on 22 February of 2019. The Statutory Instrument gave effect to the Introduction of the RTGS$ as legal tender and prescribed that "for accounting and other purposes" certain assets and liabilities and the effective date would be deemed to be RTGS dollars at a rate of 1:1 to the US$ and would become opening RTGS$ values from the effective date. The Directors, based on their interpretation of IFRS had considered the MPS of 20 February 2019, and the subsequent emergence of an interbank exchange rate to be an adjusting event in terms of IAS 10 "Events After the Reporting Period" as it was considered as reflective of underlying conditions as at the reporting date of 31 December 2018. In particular the promulgation of RTGS$ as currency, in the opinion of the Directors, was legal confirmation of market practice which had come to regard RTGS balances and transactions as representing an underlying de-facto currency. However given the restrictions imposed by SI33, the post balance sheet events have not been adjusted for to take into account these pronouncements. This results in an inconsistency between financial statements and IFRS.

Sensitivity of financial statements to application of different exchange rates

As disclosed in note 2, the determination of functional and presentation currency became a matter of significant judgement in Zimbabwe. The Public Accountants and Auditors Board ("PAAB") came up with recommended disclosures to provide users of financial statements with more information assuming the application of different exchange rates to the statement of financial position and statement of comprehensive income for US$ business written during the period 1 October 2018 to 31 December 2018.

Shown below is a sensitivity analysis on the statements of financial position and comprehensive income based on variances on exchange rates.

Sensitivity analysis for events after the reporting date

STATEMENT OF FINANCIAL POSITION

	Component of reported amounts			Sensitivity analysis	
ASSETS	**Nostro FCA US$ USD$000**	**RTGS$ RTGS$000**	**Total USD$ @ 1:1 USD$000**	**Total RTGS$ @ 1:2.5 RTGS$000**	**Total RTGS$ @ 1:3.1277 RTGS$000**
Monetary					
Financial assets:					
- debt securities held at amortised cost	-	29,799	29,799	29,799	29,799
Deferred acquisition costs	508	2,426	2,934	3,696	4,015
Income tax asset	-	622	622	622	622
Insurance, tenant and other receivables	4,259	23,158	27,417	33,806	36,479
Cash and balances with banks	3,701	57,383	61,084	66,635	68,957
Total Monetary	**18,468**	**113,388**	**121,856**	**134,558**	**139,872**
Non Monetary					
Property, plant and equipment	82	10,458	10,540	10,664	10,715
Investment property	-	145,170	145,170	145,170	145,170
Intangible assets	4	893	897	903	906
Equity securities at fair value through profit or loss	10,379	94,331	104,710	120,279	126,794
Investment in associate	-	1,491	1,491	1,491	1,491
Inventory	-	804	804	804	804
Total Non-Monetary	**10,465**	**253,147**	**263,612**	**279,310**	**285,880**
TOTAL ASSETS	**18,933**	**366,535**	**385,468**	**413,869**	**425,752**
LIABILITIES					
Monetary			-	-	-
Borrowings	-	92	92	92	92
Insurance contract liabilities - short term	5,616	38,148	43,764	52,187	55,712
Insurance liabilities - life assurance	-	2,269	2,269	2,269	2,269
Other payables	3,770	5,676	9,446	15,101	17,467
Current income tax liabilities	-	54	54	54	54
Total Monetary	**9,386**	**46,239**	**55,625**	**69,703**	**75,594**
Non Monetary					
Life insurance contracts liabilities with DPF	-	13,156	13,156	13,156	13,156
Life insurance contracts liabilities without DPF	5,011	10,604	15,615	23,132	26,277
Investment contract liabilities:					
- with DPF	-	112,564	112,564	112,564	112,564
- without DPF	-	28,010	28,010	28,010	28,010
Shareholder risk reserve	-	11,670	11,670	11,670	11,670
Deferred income tax	92	16,344	16,436	16,574	16,632
Total Non-Monetary	**5,103**	**192,348**	**197,451**	**205,106**	**208,309**
TOTAL LIABILITIES	**14,489**	**238,587**	**253,076**	**274,809**	**283,903**
TOTAL EQUITY	**4,444**	**127,948**	**132,392**	**139,060**	**141,849**

STATEMENT OF COMPREHENSIVE INCOME

INCOME	**Nostro FCA US$ (1 Oct-31 Dec) USD$000**	**RTGS$ (1 Jan-31 Dec) RTGS$000**	**Total USD$ @ 1:1 USD$000**	**Total RTGS$ @ 1:2.5 RTGS$000**	**Total RTGS$ @ 1:3.1277 RTGS$000**
Gross premium written	4 522	176 106	180 628	187 412	190 250
Reinsurance	(1 774)	(22 168)	(23 942)	(26 604)	(27 718)
Net premium written	**2 748**	**153 938**	**156 686**	**160 808**	**162 532**
Unearned premium reserve	(320)	(2 518)	(2 838)	(3 317)	(3 519)
Net premium earned	**2 428**	**151 420**	**153 848**	**157 491**	**159 013**
Rental income	-	7 685	7 685	7 685	7 685
Fair value adjustments - investment property	-	6 841	6 841	6 841	6 841
Investment income	(80)	34 356	34 276	34 155	34 105
Fee income:					
- insurance contracts	85	1 556	1 641	1 769	1 822
- investment contracts	-	3 698	3 698	3 698	3 698
Other income	74	1 192	1 266	1 377	1 424
Total income	**2 507**	**206 748**	**209 255**	**213 016**	**214 588**
EXPENDITURE					
Insurance benefits	(565)	(10 488)	(11 053)	(11 900)	(12 255)
Insurance claims and loss adjustment expenses	(937)	(84 170)	(85 107)	(86 512)	(87 100)
Insurance claims and loss adjustment expenses recovered from reinsurers	-	7 444	7 444	7 444	7 444
Net insurance benefits and claims	**(1 502)**	**(87 214)**	**(88 716)**	**(90 968)**	**(91 911)**
Movement in insurance liabilities	-	(36 226)	(36 226)	(36 226)	(36 226)
Movement in shareholder risk reserve	-	262	262	262	262
Investment profit on investment contract liabilities	-	(7 065)	(7 065)	(7 065)	(7 065)
Acquisition of insurance and investment contracts expenses	(121)	(12 573)	(12 694)	(12 875)	(12 951)
Administration expenses	(352)	(38 953)	(39 305)	(39 834)	(40 055)
Impairment allowances	(141)	(549)	(690)	(901)	(989)
Finance cost on borrowings	-	(53)	(53)	(53)	(53)
Total expenditure	**(2 116)**	**(182 371)**	**(184 487)**	**(187 660)**	**(188 988)**
Profit before share of profit of associate	**391**	**24 377**	**24 768**	**25 356**	**25 600**
Share of profit of associate	47	-	47	118	147
Profit before income tax	**438**	**24 377**	**24 815**	**25 474**	**25 747**
Income tax expense	(28)	(7 143)	(7 171)	(7 213)	(7 231)
Profit for the year	**410**	**17 234**	**17 644**	**18 261**	**18 516**

The deferred tax impact of applying diffenent exchange rate has not been taken into account in both the Satetment of Comprehensive Income and the Statement of Financial Position.

For the purposes of sensitivity, two different exchange rates were used as following rates were used;

- 1:2.5 US$ to RTGS$ being the official interbank exchange rate on 22 February 2019 when SI33 was issued;
- 1:3.1277 US$ to RTGS$ being the official interbank exchange rate on 10 April 2019 when the financial statements were approved by the Board

25 Going Concern

The Directors have assessed the ability of the Group to continue operating as a going concern, including the impact of SI33, and believe that the preparation of these financial statements on a going concern basis is still appropriate.

FIRST MUTUAL

PROPERTIES

Go Beyond

Audited Abridged Financial Results

FOR THE YEAR ENDED 31 DECEMBER 2018

CHAIRMAN'S STATEMENT

THE ECONOMY

The period under review was characterised by persistent cash, foreign currency, fuel shortages, fiscal and current account deficits. Financing of the fiscal deficit through domestic borrowings negatively affected the country's price stability. As a result, annual inflation closed the year at 42% up from 2.9% in January 2018. The operating environment remained largely uncertain due to rising inflationary pressures and foreign currency constraints. Therefore, your Group focused on preserving shareholder value through various strategic interventions.

The fiscal and monetary policy measures introduced in 2018, including the Transitional Stabilisation Programme, are critical to enhancing the country's recovery prospects. Further, Zimbabwe requires investments and production across all economic sectors. It is, therefore, imperative that policies should be investor-friendly given the importance of investment in stimulating growth and development. Rising economic activities are key to the sustainable growth of the real estate sector.

THE PROPERTY MARKET

In 2018, the Zimbabwean property market remained subdued, typified by available space supply exceeding demand, and the resultant low investment in commercial developments in the market. Most businesses were cautious on their expansion or set up plans in Zimbabwe, leading to limited uptake of the space. Infrastructure, particularly in the Central Business District (CBD) and industrial areas, is in dire need of refurbishment. The departure of a significant number of businesses from the CBD has seen occupancy levels continue to decline.

Furthermore, rentals remained flat during the year. This has had negative effects on the real yields against the backdrop of rising inflation. Despite the general low demand for space, retail assets were the exception to the trend with high occupancy levels. Landlords, including your Group, continued to explore innovative ways to preserve value in the face of the rising inflation.

Transactions within the property market were concentrated around the residential sector, where property investors achieved quicker financial closures on smaller transactions and obtained scale through volumes. Currency volatility triggered a rise in the demand for properties as investors sought to preserve value. However transactions remained low as sellers were not willing to dispose for the very same reason; value preservation and currency risk.

In addition the commercial real estate market was characterised by the following:

- An aging stock;
- Limited availability of new product offering;
- Growing sentiment for the development of new stock despite the excess supply
  of space; and
- Speculative developments within the office sector as some investors took a long-term view and provided new product offering to the market.

FUNCTIONAL CURRENCY

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

FINANCIAL PERFORMANCE

The Group had a positive performance for the year in spite of the tough operating environment. An increase in profit after tax of 139.57% was realised in addition to improved occupancy levels. Investment property grew by 6.32% driven by acquisitions and fair value gains.

Rental income increased by 8.86% to US$ 8.014 million (FY2017: US$ 7.362 million) driven mainly by new lettings, with occupancy levels improving by 5% to 76.10% (FY2017: 70.94%) and an increase in turnover rentals on retail space. Property expenses, at US$1.988 million, were up 24.93% for the year driven by investment in maintenance programmes to improve the quality of space aimed at attracting new tenants and retaining existing ones. Net property income marginally fell by 2.03% to US$6.034 million (FY 2017: US$6.159 million) due to ongoing investment in maintaining the infrastructure. Administration expenses rose by 27.71% to US$3.590 million in 2018 from US$2.815 in the prior year largely reflecting the cost inflation.

An independent property valuation conducted by Knight Frank Zimbabwe as at 31 December 2018 valued the property portfolio at US$146.150 million, being a 6.32% gain on the prior year, on a market value basis. The marginal gain was driven by property acquisitions, while fair value gains of US$6.265 million were realised in the retail and residential sectors. The Group's strategic land bank also appreciated in value.

In the face of a difficult broader macroeconomic environment the Group still recorded positive results for the year propelled by the resilient diversified property portfolio, posting a 139.57% increase in profit after tax of US$ 4.060 million (FY2017: US$1.695 million).

PROPERTY ACQUISITIONS

In line with the Group's strategy to grow the property portfolio, acquisitions valued at $2 million were completed in 2018. The property sales market for commercial assets remained dry as few players were willing to sell their strategic assets given the threat posed by inflationary pressures on monetary assets. Your Group will continue to selectively acquire prime located assets. The Group will also explore greenfield and brownfield development opportunities even given the limited supply of commercially viable stocks on the market.

DIVIDEND

At a meeting held on 10 April 2019, your Board resolved that a final dividend of RTGS$0.730 million being 0.0502 RTGS cents per share be declared from the profits for the year ended 31 December 2018. The dividend will be payable on or about 24 May 2019 to all shareholders of the Group registered at close of business on 10 May 2019. The shares of the Group will be traded cum-dividend on the Zimbabwe Stock Exchange up to 7 May 2019 and ex-dividend as from 8 May 2019.

TAX RESTRUCTURING

During the year, the Group embarked on a tax restructuring exercise to consolidate the property holdings to create operational efficiencies. The restructuring exercise was approved by the Zimbabwe Revenue Authority ("ZIMRA") and The Competition and Tariff Commission. The restructuring exercise will create a lean and efficient tax structure.

OUTLOOK

The general outlook over the long term remains positive with real economic growth estimates for Zimbabwe of ranging between 3.7% and 7% for 2019. Despite the challenges around debt to GDP ratio, limited availability of foreign currency, fiscal deficit, multiple tier pricing and cash shortages, forecasts remain positive against the backdrop of the Government's policy changes targeted at containing the fiscal deficit, promoting investment and increasing production.

In the short term, the market is projected to remain an occupier's market due to excessive supply of space and the lack of quality assets to absorb either expanding or new market entrants. Rental rates are, however, expected to rise in the short term, as property investors seek to maintain real rental values in the face of rising inflation. Development activity in the commercial property sector is expected to remain low as demand for new space remains subdued due to lethargic economic growth. In contrast, residential development activity is expected to remain strong. Real estate markets are positively correlated to macroeconomic performance. Therefore, any economic recovery is expected to have a trickle-down effect on the property sector.

Your Group remains alive to the developments in the economy, and will continue to adapt its strategies in order to preserve shareholder value and achieve sustainable returns.

APPRECIATION

On behalf of the Board, I wish to thank all our stakeholders for their continued invaluable support.

E. K Moyo
Chairman

10 April 2019

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Note	AUDITED 31 Dec 2018 US$	AUDITED 31 Dec 2017 US$
ASSETS			
Investment properties	5	146 150 000	137 457 000
Vehicles and equipment	6	178 618	103 927
Deferred income tax assets		-	414 629
Financial assets at fair value thorough profit or loss		164 946	-
Loans and other receivables	7	-	403 015
Financial assets held to maturity	8	-	190 311
Financial assets at amortised cost	9	593 327	-
		147 086 891	**138 568 882**
Current assets			
Inventories		22 189	23 705
Tax receivable		609 250	550 479
Trade and other receivables	10	1 045 088	3 299 327
Cash and cash equivalents	11	561 189	2 072 088
		2 237 716	**5 945 599**
Total assets		**149 324 607**	**144 514 481**
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Ordinary share capital		1 218 148	1 218 148
Retained earnings		129 855 697	126 525 986
Total shareholders' equity		**131 073 845**	**127 744 134**
Non-current liabilities			
Deferred tax liabilities	12	16 710 582	13 176 741
Borrowings	13	-	91 665
		16 710 582	**13 268 406**
Current liabilities			
Borrowings	13	91 665	1 100 000
Related party loan	14	-	306 982
Current income tax liability		-	128 051
Trade and other payables	15	1 448 515	1 966 908
		1 540 180	**3 501 941**
Total Liabilities		**18 250 762**	**16 770 347**
Total equity and liabilities		**149 324 607**	**144 514 481**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DEC 2018

	Note	AUDITED 31 Dec 2018 US$	AUDITED 31 Dec 2017 US$
Revenue	16	8 076 571	7 414 502
Property expenses	17	(1 987 615)	(1 590 996)
Allowance for credit losses		(54 732)	335 524
Net property income ("NPI")		**6 034 224**	**6 159 030**
Employee related expenses	18	(1 541 059)	(1 415 597)
Other expenses	18	(2 048 644)	(1 399 672)
NPI after admin expenses		**2 444 521**	**3 343 761**
Fair value adjustment		6 265 127	(593 552)
Finance income	19	189 084	287 868
Other income		296 946	237 953
Finance costs		(52 635)	(126 479)
Profit before income tax		**9 143 043**	**3 149 551**
Income tax expense	20	(5 083 332)	(1 454 945)
Profit for the year		**4 059 711**	**1 694 606**
Total comprehensive profit for the year		**4 059 711**	**1 694 606**
Attributable to:			
-Owners of the parent		4 059 711	1 694 606
-Non controlling interest		-	-
Total profit for the year		**4 059 711**	**1 694 606**
Basic and diluted earnings per share (US cents)		0.33	0.14
Weighted average number of shares in issue		1 236 927 672	1 237 952 370

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Attributable to owners of the parent		
	Ordinary Share Capital	Retained Earnings	Total Shareholders Equity
At 1 January 2017	**1 218 148**	**125 435 327**	**126 653 475**
Profit for the year	-	1 694 606	1 694 606
Dividend paid		(730 000)	(730 000)
At 31 December 2017	**1 218 148**	**126 399 933**	**127 618 081**
Profit of the period	-	4 059 711	4 059 711
IFRS 9 Impact - Day one	-	126 053	126 053
Dividend paid	-	(730 000)	(730 000)
At 31 December 2018	**1 218 148**	**129 855 697**	**131 073 845**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	AUDITED 31 Dec 2018 US$	AUDITED 31 Dec 2017 US$
Profit before tax		**9 143 043**	**3 149 551**
Adjustment for non-cash items		(6 292 661)	347 172
Cash flows from operating activities before working capital adjustments		**2 850 382**	**3 496 723**
Working capital adjustments		1 041 424	(1 473 141)
Cash generated from operations		**3 891 806**	**2 023 582**
Tax paid		(1 178 886)	(959 736)
Interest paid		(52 634)	(126 479)
Net cash flow from operating activities		**2 660 286**	**937 367**
Net cash flows (used) / generated from investing activities		(2 341 185)	463 626
Net cash flows used in financing activities		(1 830 000)	(1 523 036)
Net decrease in cash and cash equivalents		**(1 510 899)**	**(122 043)**
Opening cash and cash equivalents		2 072 088	2 194 131
Cash and cash equivalents at 31 December	11	**561 189**	**2 072 088**

NOTES TO THE CONSOLIDATED FINANCIAL RESULTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Corporate information

First Mutual Properties Limited is a public company incorporated and domiciled in Zimbabwe and its shares are publicly traded on the Zimbabwe Stock Exchange. The principal activities of the Group are property investment, development and management. The consolidated financial statements of the Group for the twelve months ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors at a meeting held on 10 April 2019.

2.1 **Basis of preparation**

The financial statements of the Group from which this press release has been extracted from were prepared in accordance with International Financial Reporting Standards("IFRS") and IFRS Interpretations Committee ("IFRS IC") interpretations applicable under IFRS and in the manner required by the Zimbabwes Companies Act (Chapter 24:03) except for IAS21, effects of changes in foreign exchange rates. The financial statements are based on statutory records that are maintained under the historical cost convention except for investment properties, available-for-sale financial assets and finacial assets at fair value through profit or loss that have been measured at fair value.

2.2 **Audit Opinion**

An adverse opinion was issued in respect of functional currency as requirements of IAS 21 Effects of Foreign Exchange Rates were not met. The auditor's report includes a section on key audit matters as defined by ISA 701, 'Communicating key audit matters in the independent auditor's report'. This includes both the rationale for determining the key audit matters and how they were addressed during the audit. The key audit matter is on valuation of investment property. The directors have performed a sensitivity analysis of how different exchange rates would have impacted the consolidated and separate financial statements as at 31 December 2018 and disclosed this sensitivity analysis in note 21.

3 **Accounting policies**

The accounting policies adopted in the preparation of the full year results are consistent with those followed in the preparation of the Group's annual report for the year ended 31 December 2018.

4 **Functional and presentation currency**

The Group had in previous financial periods used the United States of America Dollar ("US$") as its presentation currency and functional currency.

The macroeconomic developments and fiscal and monetary policy changes diclosed in note 21, lead to the reassessment of whether the US$ still met the primary and secondary
indicators of the functional currency of the Group, in accordance with the provisions of IAS 21, with effect from 1 October 2018.

The Directors, based on their interpretation of IFRS had considered the Monetary Policy
Statement ("MPS") of 20 February 2019, and the subsequent emergence of an interbank exchange rate to be an adjusting event in terms of IAS 10 "Events After the Reporting Period". However, this could not be affected because at law there was no local currency in Zimbabwe until 22 February 2019. The RTGS was also legally not recognised as a currency prior to the currency changes announced on 22 February 2019 that are detailed in note 21.

The Directors of the Group, in compliance with Statutory Instrument 41 of 2019, which
prescribed that where IFRS is not aligned to local laws, then local laws take precedence, therefore resolved not to effect the change in functional currency as at and for the year ended 31 December 2018.

5 **Investment properties**

	AUDITED 31 Dec 2018 US$	AUDITED 31 Dec 2017 US$
At 1 January	137 457 000	137 302 000
Additions	2 158 228	170 000
Improvements to existing properties	269 645	578 552
Fair value adjustment	6 265 127	(593 552)
	146 150 000	**137 457 000**

Investment property with a total carrying amount of US$12.700 million (Dec 2017: US$12.700 million) was encumbered at 31 December 2018.

6 **Vehicles and equipment**

	AUDITED 31 Dec 2018 US$	AUDITED 31 Dec 2017 US$
At 1 January	103 927	98 454
Additions	102 394	32 837
Depreciation	(27 703)	(27 364)
	178 618	**103 927**

DIRECTORS: E K Moyo (Chairman), C K Manyowa (Managing Director)*, D Hoto, S Jogi, W M Marere, E Mkondo, R B Ncube *Executive Director

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PROPERTIES

Go Beyond

Audited Abridged Financial Results

FOR THE YEAR ENDED 31 DECEMBER 2018

7 Accounting policies applied until December 2017 (Loans and other receivables)

At 1 January	403 015	950 000
Reclassification of loans and other receivables	(403 015)	397 542
Amortised interest	-	95 913
Repayments of interest	-	(90 440)
Repayments of principal	-	(950 000)
	-	**403 015**
Short-term portion	-	-
Long-term portion	-	403 015
	-	**403 015**

Loans and other receivables relate to treasury bills worth $403 015 (Dec 2017: US$403 015). These were acquired in 2017 at a nominal value of $397 542. Treasury bills with a norminal value of US$198 771 have a three year tenure and will mauture on 20 July 2020 while another block of treasury bills with a norminal value of US$198 771 has a 10 year tenure and will mature on 3 May 2027.

8 Accounting policies applied until December 2017 (Financial assets held to maturity)

	AUDITED 31 Dec 2018 US$	AUDITED 31 Dec 2017 US$
At 1 January	190 311	277 385
Reclassification of financial assets held to maturity	(190 311)	-
Accrued interest	-	20 450
Repayments	-	(107 524)
	-	**190 311**

These are money market investments with financial institutions backing 15 year mortgages for staff. These investments have been reclassiffied at 1 January 2018 to Financial Assets at amortised cost.

9 Financial assets at amortised cost

	AUDITED 31 Dec 2018 US$	AUDITED 31 Dec 2017 US$
At 1 January	-	-
Reclassified from loan and other receivables (Note 7)	403 015	-
Reclassified from financial assets held to maturity (Note 8)	190 311	-
Amortised interest	14 765	-
Repayments received	(14 764)	-
	593 327	-

The Group considers credit risk of the financial assets at amortised cost to be insignificant under IFRS 9. Nil credit loss has been recognised during the twelve months to 31 December 2018.

10 Trade and other receivables

	AUDITED 31 Dec 2018 US$	AUDITED 31 Dec 2017 US$
Tenant receivables	1 745 387	2 474 796
Tenant operating cost recoveries	478 840	859 925
Property sales receivables	14 136	96 323
Trade receivables	**2 238 363**	**3 431 044**
Less: Allowance for credit losses	(1 599 859)	(1 776 737)
Net trade receivables	**638 504**	**1 654 307**
Prepayments	30 704	1 428 805
Other receivables	473 569	120 483
Related party receivables	(97 689)	95 732
	1 045 088	**3 299 327**

11 Cash and cash equivalents

Short-term investments	-	1 766 315
Cash at Bank	561 189	305 773
	561 189	**2 072 088**

12 Deferred tax liability

	AUDITED 31 Dec 2018 US$	AUDITED 31 Dec 2017 US$
At 1 January	13 176 741	12 322 492
Recognised in the statement of profit or loss		
-Arising on vehicles and equipment	18 307	(1 063)
-Arising on investment properties	3 515 534	586 512
-Arising on assessed losses	-	268 800
	16 710 582	**13 176 741**

13 Borrowings

At 1 January	1 191 665	2 291 667
Amortised Interest	49 919	126 479
Repayments of interest	(49 919)	(126 479)
Repayments of principal	(1 100 000)	(1 100 002)
	91 665	**1 191 665**
Short-term portion	91 665	1 100 000
Long-term portion	-	91 665
	91 665	**1 191 665**

The loan facility is a five year term facility expiring in January 2019 at an effective interest rate of 6.5%, secured to immovable property registered and stamped to cover US$6.5 million.

14 Related party loan

	AUDITED 31 Dec 2018 US$	AUDITED 31 Dec 2017 US$
At 1 January	306 982	-
Loan advanced	1 259 300	522 000
Amortised Interest	2 778	18
Repayments of interest	-	(18)
Repayments of principal	(1 569 060)	(215 018)
	-	**306 982**

The loan facility was sourced in December 2017 as bridging finance from a fellow subsidiary of the parent to partially fund a prepayment towards the acquisition of a property in Harare. The loan was repaid in full and was administered under the following terms;

Norminal value	US$1 259 300
Deal Status	Bridging finance
Deal Date	29-Jun-18
Maturity date	26-Jul-18
Coupon rate	3% per annum
Security	None

15 Trade and other payables

	AUDITED 31 Dec 2018 US$	AUDITED 31 Dec 2017 US$
Tenant payables	301 126	237 108
Related party payables	135 059	361 848
Sundry payables	437 920	606 985
Trade payables	574 410	760 967
	1 448 515	**1 966 908**

16 Revenue

	AUDITED 31 Dec 2018 US$	AUDITED 31 Dec 2017 US$
Rental income	8 014 375	7 362 306
Property services income	62 196	52 196
	8 076 571	**7 414 502**

17 Property expenses

Maintenance costs	1 256 950	736 019
Property security and utilities	38 270	34 050
Valuation fees	17 680	23 976
Operating cost under recoveries	674 715	796 951
	1 987 615	**1 590 996**

18 Profit before income tax takes into account the following

	AUDITED 31 Dec 2018 US$	AUDITED 31 Dec 2017 US$
Directors' fees -for services as directors	55 972	40 000
Audit fees	67 186	23 814
Information communication and technology expenses	116 124	95 510
Fees and other charges	849 984	64 673
Depreciation	27 757	27 364
Office costs	197 903	166 446
Group shared services	610 693	859 599

19 Finance income

Interest on overdue tenants accounts	148 958	257 173
Interest on loans and other receivables	-	95 913
Loss on disposal of equities	-	(106 368)
Interest on money market investments	40 126	41 150
	189 084	**287 868**

20 Income tax expense

Current income tax	1 122 478	742 710
Deferred tax	3 960 854	712 235
	5 083 332	**1 454 945**

SEGMENT REPORTING FOR THE YEAR ENDED 31 DECEMBER 2018

	Office US$	Retail US$	Industrial US$	Other US$	Adjustment US$	Total US$
Revenue	4 187 547	2 478 635	1 050 135	398 835	(38 581)	8 076 571
Property expenses and allowance for credit losses	(1 374 007)	(334 271)	(158 821)	(175 248)	-	(2 042 347)
Segment results	**2 813 540**	**2 144 364**	**891 314**	**223 587**	**(38 581)**	**6 034 224**
Fair value	650 465	813 384	130 000	4 671 278	-	6 265 127
Segment profit	**3 464 005**	**2 957 748**	**1 021 314**	**4 894 865**	**(38 581)**	**12 299 351**
Employee related expenses	-	-	-	(1 541 059)	-	(1 541 059)
Other expenses	(1 312 971)	(374 911)	(170 545)	(2 088 095)	1 897 877	(2 048 645)
Finance costs	-	-	-	(52 634)	-	(52 634)
Finance income	45 221	75 834	19 533	48 496	-	189 084
Other income	52 338	(392)	-	245 000	-	296 946
Profit before income tax	**2 248 593**	**2 658 279**	**870 302**	**1 506 573**	**1 859 296**	**9 143 043**

RECONCILIATION OF SEGMENT RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

	Office US$	Retail US$	Industrial US$	Other US$	Total US$
Assets					
Investment property	72 010 000	32 360 000	11 630 000	30 150 000	146 150 000
Trade receivables	210 245	102 165	58 655	267 440	638 505
Segment assets	**72 220 245**	**32 462 165**	**11 688 655**	**30 417 440**	**146 788 505**
Other non-current assets	-	-	-	936 891	936 891
Other current assets	-	-	-	1 599 211	1 599 211
Total assets	**72 220 245**	**32 462 165**	**11 688 655**	**32 953 542**	**149 324 607**
Current liabilities	834 098	38 951	35 004	632 127	1 540 180
Capital expenditure	1 216 250	1 108 847	-	205 172	2 530 269

SEGMENT REPORTING FOR THE YEAR ENDED 31 DECEMBER 2017

	Office US$	Retail US$	Industrial US$	Other US$	Adjustment US$	Total US$
Revenue	3 902 865	2 230 762	1 080 465	237 785	(37 375)	7 414 502
Property expenses and allowance for credit losses	(1 149 199)	(255 019)	325 603	(176 857)		(1 255 472)
Segment results	**2 753 666**	**1 975 743**	**1 406 068**	**60 928**	**(37 375)**	**6 159 030**
Fair value	(120 000)	15 579	(401 542)	(87 589)	-	(593 552)
Segment profit	**2 633 666**	**1 991 322**	**1 004 526**	**(26 661)**	**(37 375)**	**5 565 478**
Employee related expenses	-	-	-	(1 415 597)	-	(1 415 597)
Other expenses	(1 360 777)	(449 741)	(110 198)	(1 437 048)	1 958 092	(1 399 672)
Finance costs	-	-	-	(126 479)		(126 479)
Fair value through profit or loss	-	-	-	-		-
Other income	46 566	9 942	3 245	178 200		237 953
Finance income	68 367	79 909	92 382	47 210		287 868
Profit before income tax	**1 387 822**	**1 631 432**	**989 955**	**(2 780 375)**	**1 920 717**	**3 149 551**

RECONCILIATION OF SEGMENT RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

	Office US$	Retail US$	Industrial US$	Other US$	Total US$
Assets					
Investment property	70 240 000	30 630 000	11 630 000	24 957 000	137 457 000
Trade receivables	466 374	426 720	665 822	95 390	1 654 306
Segment assets	**70 706 374**	**31 056 720**	**12 295 822**	**25 052 390**	**139 111 306**
Other non-current assets	-	-	-	1 111 882	1 111 882
Current assets	-	-	-	4 291 293	4 291 293
Total assets	**70 706 374**	**31 056 720**	**12 295 822**	**30 455 565**	**144 514 481**
Liabilities	596 374	150 031	151 548	2 603 988	3 501 941
Capital expenditure	**107 979**	**50 328**	**1 542**	**452 446**	**612 295**

21 Events after the balance sheet date

On 20 February 2019, the Reserve Bank of Zimbabwe ("RBZ") Govenor made an announcement to denominate the existing Real Time Gross Settlement ("RTGS") balances, bond notes and coins in circulation as RTGS$. The RBZ, with immediate effect, established an inter-bank foreign exchange market to formalise the trading of RTGS balances and bond notes with US dollars and other currencies on a willing-buyer willing-seller basis through banks and bureaus de change.

In the Government Gazette Extraordinary dated 22 February 2019, Statutory Instrument 33 of 2019 'Presidential Powers (Temporary Measures) (Amendment of Reserve Bank of Zimbabwe Act and Issue of Real Time Gross Settlement Electronic Dollars (RTGS Dollars)) Regulations, 2019 ("SI33/19")', was gazzeted to give legal effect to the Monetary Policy. Statutory instrument 33 of 2019 gave effect to the following:

- introduction of the RTGS dollar as legal tender and pescribed that for accounting and other purposes existing assets and liabilities valued in US dollars are deemed valued in RTGS dollars except for FCA nostro accounts,
- Acts of Parliament and statutory instruments referring to amounts in US dollars must be construed as referring to the same amount in RTGS dollars,
- bond notes and coins continue as legal tender, exchangeable with the RTGS dollar on a one-to-one basis, and
- the opening parity rate of 1 US dollar to 1 RTGS dollar will vary as "determined by the rate at which authorised dealers under the Exchange Control Act exchange the RTGS dollar for the US dollar on a willing-seller willing-buyer basis".

The management , based on the their interpretation of International Financial Reporting Standard ("IFRS") had considered the Monetary Policy Statement and the subsequent emergence of the interbank exchange rate to be an adjusting event in terms of International Accounting Standard 10 ("IAS 10") "Events after the reporting period". The events are reflective of the underlying conditions as at the reporting date of 31 December 2018 and were a confirmation of market practice which had come to regard the RTGS balances as an underlying currency. However given the accounting restriction imposed by SI33/19, the post balance sheet events have not been adjusted for and have prepared the accounts based on 1:1 to the US dollar in line with SI33/19 and guidance issued by Public Auditors and Accountans Board ("PAAB") . Management has prepared sensitivity income and balance sheet as part of the disclosures so as to give the readers an appreciation of the impact of this event.

ASSETS	Nostro FCA US$	RTGS $	Total USD$ @ 1:1	Total RTGS$ @ 1:2.5	Total RTGS$ @ 1:3.1383	"Total RTGS$
Monetary						
Financial assets:						
- unquoted equity securities at fair value through profit or loss	-	164 947	164 947	164 947	164 947	164 947
-debt securities held at amortised cost	-	593 327	593 327	593 327	593 327	593 327
Income tax asset	-	609 249	609 249	609 249	609 249	609 249
Receivables including loans and other receivables	-	1 045 088	1 045 088	1 045 088	1 045 088	1 045 088
Cash and balances with banks	5 825	555 364	561 189	569 927	573 646	585 626
Non Monetary						
Property, plant and equipment	-	178 618	178 618	178 618	178 618	178 618
Investment property	-	146 150 000	146 150 000	146 150 000	146 150 000	146 150 000
Inventory	-	22 189	22 189	22 189	22 189	22 189
TOTAL ASSETS	**5 825**	**149 318 782**	**149 324 607**	**149 333 345**	**149 337 064**	**149 349 044**
LIABILITIES						
Monetary			-	-	-	-
Borrowings	-	91 665	91 665	91 665	91 665	91 665
Other payables	-	1 715 476	1 715 476	1 715 476	1 715 476	1 715 476
Non Monetary						
Deferred income tax	-	16 710 582	16 710 582	16 710 582	16 710 582	16 710 582
TOTAL LIABILITIES	-	**18 517 723**	**18 517 723**	**18 517 723**	**18 517 723**	**18 517 723**

The deferred tax impact of applying different exchange rates has not been taken into account in the Statement of Financial Position.

For the purposes of sensitivity, two different exchange rates were used as following rates were used:

- 1:2.5 US$ to RTGS$ being the official interbank exchange rate on 22 February 2019 when SI33/19 was issued;
- 1:3.1383 US$ to RTGS$ being the official interbank exchange rate on 10 April 2019 when the financial statements were approved by the Board.

22 Going Concern

The Directors have assessed the ability of the Group to continue operating as a going concern, including the impact of SI33/19, and believe that the preparation of these financial statements on a going concern basis is still appropriate.

FIRST MUTUAL

WEALTH

Go Beyond

Audited Abridged Financial Results

FOR THE YEAR ENDED 31 DECEMBER 2018

It's time to Go Beyond

It's possible for you to gain financial freedom, through us, today!

CHAIRMAN'S STATEMENT

Economic Environment

The Zimbabwe economy is estimated to have grown by 4% in 2018 compared to 4.7% in 2017 driven by strong mining growth of 13%, Agriculture at 12.4% and construction at 7.7%. Mining growth was underpinned by record gold deliveries, improved chrome production and resilient platinum and palladium output alongside nickel. While international commodity prices have remained under pressure, performance by the mining sector has been sustained by increased output. The downside to the GDP growth was the acute shortage of foreign currency evidenced by ballooning parallel currency market premiums and sharp rise in inflation. The annual inflation rate rose to 42.09% year on year in December of 2018 compared to 3.5% same period 2017. The key inflation driver for the greater part of the year was the foreign exchange shortages driven by the mismatch between electronic balances spurred by Government financing the budget deficit through Treasury Bills and RBZ overdraft facility. Further inflationary pressure was also experienced when Government introduced currency reforms that included separation of RTGS FCAs and NOSTRO FCAs in October 2018. This move was taken as Government's hint of an eventual formal exchange rate floating and introduction of local notes and coins. Government also introduced the 2% Intermediate Money Transfer Tax to boost revenues and reduce dependency on deficit monetisation. Whilst the tax was painful on business community, it has helped Government ease back on money printing. The broad money supply grew at a lower rate of 25.56% to $10.09bn in November compared to an annual growth rate of 47.5% in July 2018. The equities market benefitted from the migration to real assets especially in the second half of the year as inflationary fears increased. This growth is also reflected in the movement of Funds Under Management and enhanced portfolio performance. The mainstream ZSE's Industrials Index closed the year up 46.28% while Minings were up 59.91%. Foreign investors were also net buyers of equities in the year. Rentals remained sticky upwards and hence property valuations remained subdued despite inflationary pressures. The cost of doing business has been on the rise as service providers priced in the parallel market premiums into the prices of goods and services.

Functional currency

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

Financial performance

In the year 2018, Funds Under Management (FUM) increased significantly by 25.3% from US$200.8m to US$251.7m mainly attributed to positive market value fluctuation in quoted equities and new contributions. The US$50.8m increase in the FUM comprised of US$10m in new contributions and US$40.8m in positive market value fluctuations which were supported by the bullish trend on the ZSE which was experienced towards the end of the year 2018 and dividends in specie received from the quoted investments. The inflationary environment in the year 2018, saw investors moving away from monetary assets to real assets thereby increasing demand for quoted equities. Investment management fees declined by 15.7% in line with the First Mutual Wealth new business model which earns fees on actively managed portfolios that exclude the First Mutual Holdings Limited property portfolio amounting to US$77m. Administration expenses at US$1.4m largely remained the same as First Mutual Wealth implemented various cost management initiatives in line with the active portfolio management strategy. New high networth clients were acquired during the year as new products covering the fixed income and alternative investments were developed in the reporting period. Shareholders' equity at US$762,186 is above the required regulatory minimum capital level and the business has adequate liquid capital in excess of the regulatory requirements.

Directorate

There were changes to the First Mutual Wealth Management board in the year under review. Mr J Chikura was appointed to the board as chairman from 1 January 2018 whilst Dr Arnold Chidakwa and Rachel P Kupara were appointed to the board during the year 2018.

The new directors bring vast experience in wealth management and the entity will benefit from their contributions.

Dividend

The Board has resolved that a final dividend of US$41.72 per share be declared for the year ended 31 December 2018.

Outlook

In the outlook, Zimbabwe is expected to record GDP growth of 3.1% in 2019 owing to subdued performance in agriculture on account of erratic rainfall patterns, inconsistent access to forex by mining entities and the economy at large. Any economic recovery is premised on tackling macroeconomic problems in particular the resolution of the foreign currency crisis as well as improving Foreign Direct Investment and finding an acceptable plan to the foreign debt resolution. Furthermore, the Government's ability to live within its means will be key in keeping a lid on inflationary pressures and cost of doing business. So far the Government seems intent on walking the talk on these reforms albeit at a slow pace. The implementation of the Transitional Stabilisation Program both in spirit and letter is crucial if meaningful economic growth is to be realised notwithstanding the pain to be experienced. The company is taking various initiatives and strategies to create wealth including new product launches and implementation of measures to protect the stakeholder value mainly through continued migration to real assets.

Appreciation

On behalf of the board of directors, I would like to convey my profound gratitude to our clients, staff, the regulatory authorities and other stakeholders for their continued support.

J Chikura
Chairman
26 February 2019

STATEMENT OF FINANCIAL POSITION
AS AT 31 DEC 2018

ASSETS	Note	31 DEC 2018 US$	31 DEC 2017 US$
Vehicles and equipment	5	68 767	63 535
Intangible asset	6	23 021	39 271
Deferred tax		-	14 158
Financial assets	7	451 853	411 934
Related party receivables		56 835	137 149
Trade and other receivables	9	119 396	243 965
Inventories		1 073	834
Cash and cash equivalents	8	462 535	332 482
Total assets		**1 183 480**	**1 243 328**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	10	6	6
Share premium		592 640	592 640
Retained earnings		169 540	458 894
Total equity		**762 186**	**1 051 540**
LIABILITIES			
Deferred tax		1 248	-
Related party payables		336 151	24 578
Provisions		31 430	86 368
Income tax Payable		758	27 021
Other payables	11	51 707	53 821
Total liabilities		**421 294**	**191 788**
Total equity and liabilities		**1 183 480**	**1 243 328**

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DEC 2018

	Note	31 DEC 2018 US$	31 DEC 2017 US$
Income			
Investment fees		1 371 220	1 627 843
Administrative expenses		(1 365 433)	(1 316 962)
Operating profit		**5 787**	**310 881**
Other income		52 439	54 630
Investment Income	12	74	120 025
Profit before income tax	13	**58 300**	**485 536**
Income tax expense	14	(32 935)	(110 817)
Profit for the year		**25 365**	**374 719**
Other comprehensive income		-	-
Total comprehensive income for the year		**25 365**	**374 719**
Attributable to:			
Equity holders of the parent		**25 365**	**374 719**

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DEC 2018

	Share capital US$	Share premium US$	Retained earnings US$	Total US$
Balance as at 1 January 2017	**6**	**545 445**	**190 241**	**735 692**
Issue of ordinary share	-	47 195	-	47 195
Profit for the year	-	-	374 719	374 719
Dividend paid	-	-	(106 066)	(106 066)
Balance as at 31 December 2017	**6**	**592 640**	**458 894**	**1 051 540**
Year ended 31 Dec 2018				
Balance as at 1 January 2018	**6**	**592 640**	**458 894**	**1 051 540**
Impact of adopting IFRS 9	-	-	-	-
Profit for the year	-	-	25 365	25 365
Dividend declared and paid	-	-	(314 719)	(314 719)
Balance as at 31 December 2018	**6**	**592 640**	**169 540**	**762 186**

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DEC 2018

	Note	31 DEC 2018 US$	31 DEC 2017 US$
Operating activities			
Profit before income tax		58 300	485 536
Adjustments for:			
Depreciation of vehicles and equipment	5	19 546	13 402
Amortisation of investments system	6	16 250	16 250
Loss on PPE disposal		2 569	341
Investment income	12	(74)	(120 025)
		96 591	**395 504**
Changes in working capital:		**624 135**	**(193 415)**
Cash generated from operating activities		**720 726**	**202 089**
Interest received		22 051	16 517
Income tax paid	14.1	(43 792)	(96 677)
Net cash generated from operating activities		**698 985**	**121 929**
Investing activities			
Purchase of vehicles and equipment	5	(30 585)	(33 340)
Proceeds from disposal of vehicles and equipment		6 141	64
Purchase of other investments		(232 672)	(180 718)
Dividends received		2 903	1 696
Net cash flows applied to investment activities		**(254 213)**	**(212 298)**
Financing activities			
Issue of ordinary shares		-	47 195
Dividends paid		(314 719)	(106 066)
Net Cash flows applied to financing activities		**(314 719)**	**(58 871)**
Net increase / (decrease) in cash and cash equivalents		**130 053**	**(149 240)**
Cash and cash equivalents at the beginning of the year		332 482	481 722
Cash and cash equivalents at the end of the period	8	**462 535**	**332 482**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DEC 2018

1 Corporate Information

First Mutual Wealth Management (Private) Limited (the "Company") is a private limited liability company that is an investment manager licensed by the Securities and Exchange Commission of Zimbabwe.

The Company is incorporated and domiciled in Zimbabwe. The parent of the Company is First Mutual Holdings Limited which is domiciled in Zimbabwe and is listed on the Zimbabwe Stock Exchange. The ultimate parent of First Mutual Holdings Limited is National Social Security Authority ("NSSA"), an institutional investor that is the national pension fund administrator in Zimbabwe.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DEC 2018

2 Functional and presentation currency

The Company had in previous financial periods used the United States of America Dollar ("US$") as its presentation currency and functional currency.

The macroeconomic developments and fiscal and monetary policy changes diclosed in note 15, lead to the reassessment of whether the US$ still met the primary and secondary indicators of the functional currency of the Company, in accordance with the provisions of IAS 21, with effect from 1 October 2018.

The directors of the company concluded that there was a change in functional currency, however this could not be affected because at law there was no local currency in Zimbabwe until 22 February 2019. The RTGS was also legally not recognised as a currency prior to the currency changes announced on 22 February 2019 that are detailed in note 15.

The directors of the company, in compliance with Statutory Instrument 41 of 2019, which prescribed that where IFRS is not aligned to local laws, then local laws take precedence, therefore resolved not to effect the change in functional currency as at and for the year ended 31 December 2018.

3.1 Statement of compliance

These financial results should be read in conjunction with the complete set of financial statements for the year ended 31 December 2018, which has been audited by PricewaterhouseCoopers Chartered Accountants (Zimbabwe). The company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("the 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) except for IAS 21, Effects of changes in foreign exchange rates. The financial statements are based on statutory records that are maintained under the historical cost convention except for investment properties, equity securities at fair value through profit or loss and insurance and investment contract liabilities that have been measured on a fair value basis.

3.2 Audit opinion

An adverse opinion was issued in respect of functional currency as requirements of IAS 21 Effects of Foreign Exchange Rates were not met.

The directors have performed a sensitivity analysis of how different exchange rates would have impacted the financial statements as at 31 December 2018 and disclosed this sensitivity analysis in note 15.

4 Accounting policies

The principal accounting policies adopted in the presentation of these financial statements are consistent with those of the previous financial year except for changes arising from adoption of IFRS 9 and IFRS 15. The Company applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2018;

4.1 IFRS 9 'Financial Instruments

IFRS 9 replaces the IAS 39 'Financial Instruments: Recognition and measurement' that relate to the recognition, classification and measurement of financial instruments, impairment of financial assets and hedge accounting. The adoption of IFRS 9 from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognized in the financial statements.

4.1.1 Initial recognition of financial assets

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

- Amortised cost;
- Fair value through other comprehensive income ("FVOCI") which may include debt or equity instruments; or
- Fair value through profit and loss ("FVTPL").

IFRS 9 eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale

4.1.2 Initial recognition of financial liabilities

IFRS 9 largely retains the requirements in IAS 39 for the classification and measurement of financial liabilities. On initial recognition financial liabilities are measured at fair value plus or minus, in the case of financial liabilities not classified at FVTPL, transaction costs that are incremental and directly attributable to the issue of the financial liability. Transaction costs of financial liabilities carried at FVTPL are expensed in profit or loss.

4.1.3 Subsequent measurement of financial assets

The following accounting policies apply to the subsequent measurement of financial assets;

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss
Debts investments at FVOCI	These assets are subsequently measured at fair value, interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

4.1.4 Subsequent measurement of financial liabilities

IFRS 9 largely retains the requirements in IAS 39 for the measurement of financial liabilities with one exception. Fair value movements attributable to changes in the credit risk of a financial liability designated at FVTPL is recorded in other comprehensive income and not recycled to profit of loss. The balance of the fair value movement is recorded in profit or loss.

The Compay changed its accounting policies and this is disclosed in the statement of changes in equity and the IFRS 9 disclosures under note 4.1.5.

4.1.5 IFRS 9 Disclosures

Impact of classification and measurement of the financial assets at 1 January 2018

Financial Asset	Original Classification Under IAS 39	Classification Under IFRS 9	Carrying Amount Under IAS 39	New Carrying Amount under IFRS 9
Cash and cash equivalents	Cash and cash equivalents	Armotised Cost	332,482	332,482
Related Party Receivables	Loans and receivables	Armotised cost	137,149	137,149
Trade and other Receivables	Loans and receivables	Armotised cost	243,965	243,965
Investments Equity	Fair Value Through Profit and loss	Fair Value Through Profit and loss	204,138	204,138
Debt securities at armotised cost	Debt securities at armotised	Armotised Cost	207,796	207,796

Management has assessed the impact of IFRS 9 and IFRS 15 for the year 2017 and 2018 there were no material adjustments to the financial instruments.

FIRST MUTUAL
WEALTH

Go Beyond

Audited Abridged Financial Results
FOR THE YEAR ENDED 31 DECEMBER 2018

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DEC 2018

4.2 IFRS 15 Revenue from Contracts with Customers

4.2.1 Revenue recognition

In line with the IFRS 15, revenue is recognised when the following conditions have been met;

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

IFRS 15 did not have material impact on the amounts recognised as revenue nor the timing of revenue recognition.

5 Vehicles and equipment

	Computer and office equipment US$	Motor vehicles US$	Office furniture US$	Total
Year Ended 31 Dec 2017				
Opening net book amount	18 022	21 914	4 066	44 002
Additions	33 140	-	200	33 340
Disposals	(405)	-	-	(405)
Depreciation charge	(8 051)	(4 870)	(481)	(13 402)
Closing net book amount	**42 706**	**17 044**	**3 785**	**63 535**
As at 31 Dec 2017				
Cost	56 957	24 349	5 076	86 382
Accumulated depreciation	(14 251)	(7 305)	(1 291)	(22 847)
Net book amount	**42 706**	**17 044**	**3 785**	**63 535**
Year ended 31 December 2018				
Opening net book amount	42 706	17 044	3 785	63 535
Additions	30 585	-	-	30 585
Disposals	(5 807)	-	-	(5 807)
Depreciation charge	(14 137)	(4 870)	(539)	(19 546)
Closing net book amount	**53 347**	**12 174**	**3 246**	**68 767**
As at 31 December 2018				
Cost	78 975	24 349	5 076	108 400
Accumulated depreciation	(25 628)	(12 175)	(1 830)	(39 633)
Net book amount	**53 347**	**12 174**	**3 246**	**68 767**

6 Intangible assets

	Computer software	
	2018 US$	**2017 US$**
Year ended 31 December		
Opening net book amount	39 271	55 521
Additions	-	-
Amortisation charge	(16 250)	(16 250)
Closing net book amount	**23 021**	**39 271**
As at 31 December		
Cost	65 000	65 000
Amortisation and impairment	(41 979)	(25 729)
Closing net book amount	**23 021**	**39 271**

	31 DEC 2018	**31 DEC 2017**
7 Financial assets		
Investments at fair value through profit and loss:		
- Unlisted securities	126 379	-
- Listed securities)	208 801	204 138
At amortised costs	116 673	207 796
Total Investments	**451 853**	**411 934**
8 Cash and cash equivalents		
Cash at bank and on hand	40 342	31 592
Short term deposits	422 193	300 890
Total cash and cash equivalents	**462 535**	**332 482**
9 Trade and other receivables		
Prepayments	54 299	167 637
Other debtors	5 187	19 757
Staff debtors	59 910	56 571
	119 396	**243 965**
10 Share capital		
Authorised		
20 000 ordinary shares of US$0,01	200	200
Issued and fully paid		
As at 31 December 2018		
(608 shares of US$0,01 each)	6	6
Unissued shares		
Unissued shares are under the control		
of the Directors (19,392 shares of $0.01 each)	194	194
11 Other payables		
Other payables	30 841	30 376
Payroll related liabilities	5 107	4 863
Value Added Tax	15 759	18 582
	51 707	**53 821**
12 Investment income		
Interest Income	22 051	30 829
Dividend income	2 903	1 696
Fair value loss -Equities	(24 880)	87 500
	74	**120 025**
13 Profit before tax is shown after charging		
Staff costs	595 123	704 794
Directors' fees	46 860	30 796
Depreciation of vehicles and equipment	15 936	13 408
Amortisation	16 250	16 250
14 Tax expense		
Income tax charge	17 529	115 803
Deferred tax	15 406	(4 986)
Income tax reported in the statement		
of comprehensive income	**32 935**	**110 817**
14.1 Tax paid		
Balance at 1 January	27 021	7 060
Adjustments	-	835
Income tax charge	17 529	115 803
Balance at the end of the period	(758)	(27 021)
Tax paid	**43 792**	**96 677**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DEC 2018

15 Events after the balance sheet date.

On 20 February 2019, the Reserve Bank of Zimbabwe (RBZ) Governor announced a new Monetary Policy Statement ("MPS") whose highlights included:

- RTGS balances, bond notes and coins collectively as RTGS dollars ("RTGS$"). RTGS dollars become part of the multi-currency system.
- RTGS$ to be used by all entities (including government) and individuals in Zimbabwe for purposes of pricing of goods and services, record debts, accounting and settlement of domestic transactions.
- The MPS also saw the establishment of an inter-bank foreign exchange market where the exchange rate will be determined by market forces. The interbank market opened trading at a rate of US$1 to RTGS$ 2.5 on 22 February 2019.

The monetary policy announcement was followed by the publication of Statutory Instrument 33 Presidential Powers (Temporary Measures) (Amendment of Reserve Bank of Zimbabwe Act and Issue of Real Time Gross Settlement Electronic Dollars (RTGS Dollars)) Regulations, 2019 Regulations, 2019 ("SI33") on 22 February 2019. The Statutory Instrument gave effect to the Introduction of the RTGS$ as legal tender and prescribed that "for accounting and other purposes" certain assets and liabilities and the effective date would be deemed to be RTGS dollars at a rate of 1:1 to the US$ and would become opening RTGS$ values from the effective date. The directors, based on their interpretation of IFRS had considered the MPS of 20 February 2019, and the subsequent emergence of an interbank exchange rate to be an adjusting event in terms of IAS 10 "Events after the reporting period" as it was considered as reflective of underlying conditions as at the reporting date of 31 December 2018. In particular the promulgation of RTGS$ as currency, in the opinion of the directors, was legal confirmation of market practice which had come to regard RTGS balances and transactions as representing an underlying de-facto currency. However given the restrictions imposed by SI33, the post balance sheet events have not been adjusted for to take into account these pronouncements. This results in an inconsistency between financial statements and IFRS.

Sensitivity of financial statements to application of different exchange rates

As disclosed in note 2, the determination of functional and presentation currency became a matter of significant judgement in Zimbabwe. The Public Accountants and Auditors Board ("PAAB") came up with recommended disclosures to provide users of financial statements with more information assuming the application of different exchange rates to the statement of financial position and statement of comprehensive income for US$ business written during the period 1 October 2018 to 31 December 2018.

Shown below is a sensitivity analysis on the statements of financial position and comprehensive income based on variances on exchange rates.

SENSITIVITY ANALYSIS FOR EVENTS AFTER THE REPORTING DATE

STATEMENT OF FINANCIAL POSITION

	Component of reported amounts		Sensitivity analysis		
			Total USD$	Total RTGS$	Total RTGS$
ASSETS	Nostro FCA US$	RTGS$	@ 1:1	@ 1:2.5	@ 1:3.1277
	USD$	RTGS$	USD$	RTGS$	RTGS$
Monetary					
Financial assets:					
- debt securities at amortised cost	-	116 673	116 673	116 673	116 673
Related party receivables	-	56 835	56 835	56 835	56 835
Trade and other receivables	-	119 396	119 396	119 396	119 396
Cash and balances with banks	-	462 535	462 535	462 535	462 535
Total Monetary	**-**	**755 439**	**755 439**	**755 439**	**755 439**
Non Monetary					
Property, plant and equipment	-	68 767	68 767	68,767	68 767
Intangible assets	-	23 021	23 021	23,021	23 021
Financial assets:					
- equity securities at fair value through profit or loss	79 070	256 110	335 180	453 785	503 417
Inventory	-	1 073	1 073	1,073	1 073
Total non monetary	**79 070**	**348 971**	**428 041**	**546 646**	**596 278**
TOTAL ASSETS	**79 070**	**1 104 409**	**1 183 480**	**1 302 084**	**1 351 716**
LIABILITIES					
Monetary					
Other and related party payables	-	387 858	387 858	387 858	387 858
Current income tax liabilities	-	758	758	758	758
Total Monetary	**-**	**388 616**	**388 616**	**388 616**	**388 616**
Non Monetary					
Provisions	-	31 430	31 430	31 430	31 430
Deferred income tax	-	1 248	1 248	1 248	1 248
Total non monetary	**-**	**32 678**	**32 678**	**32 678**	**32 678**
Shareholder equity	**-**	**762 186**	**762 186**	**762 186**	**762 186**

STATEMENT OF COMPREHENSIVE INCOME

	Nostro FCA US$	RTGS$	Total USD$	Total RTGS$	Total RTGS$
INCOME	(1 Oct-31 Dec)	(1 Jan-31 Dec)	@ 1:1	@ 1:2.5	@ 1:3.1277
	USD$	RTGS$	USD$	RTGS$	RTGS$
Investment fees	-	1 371 220	1 371 220	1 371 220	1 371 220
Investment income	(4 651)	4 725	74	(6 903)	(9 822)
Other income	-	52 439	52 439	52 439	52 439
Total income	**(4 651)**	**1 428 384**	**1 423 733**	**1 416 756**	**1 413 837**
EXPENDITURE					
Administration expenses	-	(1 365 433)	(1 365 433)	(1 365 433)	(1 365 433)
Total expenditure	**-**	**(1 365 433)**	**(1 365 433)**	**(1 365 433)**	**(1 365 433)**
Profit before income tax	**(4 651)**	**62 951**	**58 300**	**51 322.50**	**48 404**
Income tax expense		(32 935)	(32 935)	(32 935)	(32 935)
Profit for the year	**(4 651)**	**30 016**	**25 365**	**18 388**	**15 469**

For the purposes of sensitivity, two different exchange rates were used as following rates were used;

- 1:2.5 US$ to RTGS$ being the official interbank exchange rate on 22 February 2019 when SI33 was issued;
- 1:3.1277 US$ to RTGS$ being the official interbank exchange rate on 10 April 2019.

16 Going Concern

The directors have assessed the ability of the Company to continue operating as a going concern, including the impact of SI33, and believe that the preparation of these financial statements on a going concern basis is still appropriate.

17 Compliance to Securities and Exchange Commission of Zimbabwe (SECZ) requirements

First Mutual Wealth Management is compliant with the regulator's minimum capital requirements.

18 Corporate Governance

The board and management believes that First Mutual's governance , systems and practices are appropriate for the Company and are in line with the National Code on Corporate Governance.

S Lorimer

By Order of the Board
26 February 2019

Company Secretary
Shiela Lorimer

DIRECTORS: J Chikura (Chairman), D Hoto, A Chidakwa, R P Kupara, W M Marere, O Mtasa