OLD MUTUAL ZIMBABWE LIMITED

2018 ANNUAL REPORT

OLDMUTUAL

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Certificate of incorporation no.
5684/1998

CHAIRMAN'S STATEMENT

Environment

The 2018 financial year opened with a great deal of promise. Optimism was based on hopes of post-election economic progress. This was premised on expectations of macro-economic policy re-balancing and re-integration into the international community. A contested election outcome and a cautious international reception significantly weighed on the pace and depth of the anticipated post-election economic progress.

Real sector economic output was primarily supported by the agriculture and mining sectors, with tobacco and gold output registering growth of 33.3% and 25.3%, respectively from prior year. Of concern is the economy's reliance on these two primary sectors, given their vulnerability to factors such as adverse weather and international commodity price fluctuations threatening aggregate forward earnings.

National tax collections for 2018 closed at $5.1 billion, exceeding target and prior year by 18.6% and 34.2% respectively. Strong revenue performance was mostly attributed to a revised Intermediated Money Transfer Tax (IMTT) and general price increases, particularly in the final quarter of the year. This notwithstanding, Treasury registered an estimated budget deficit of $2.9 billion in 2018, up from $2.5 billion in the prior year, as expenditure remained high. Broad money supply reached $10.1 billion as of October 2018, up 24.1% from the beginning of the year. In the prior year, money supply had grown by 36.3%.

Policy direction has been largely premised on a twelve year economic recovery plan (Vision 2030). The first two years towards Vision 2030 encompass a transitional stabilisation phase of policy rebalancing. This phase entails fiscal consolidation and monetary policy strengthening. This notwithstanding, persistently high levels of government spending and generalized market uncertainty over monetary policy fuelled adverse market reactions, particularly during the latter part of 2018.

There were significant pricing, incomes and asset valuation distortions in the market due to foreign currency shortages and currency uncertainty. To mitigate the risk of loss of value emanating from monetary policy and associated uncertainties, the group deliberately took an overweight position in non-monetary assets. By 31 December 2018, consumer inflation had surged to a post 2009 peak of 42.09%.

The Zimbabwe Stock Exchange (ZSE) was characterized by significant volatility during the year ended 31 December 2018. The ZSE industrial index closed the year under review 46.3%, up on the prior year of which the final quarter alone registered a 25.9% growth.

Interest bearing returns remained constrained; as weak banking sector appetite for deposits negatively impacted yields. Fixed interest bearing investments yielded negative real returns in light of a late surge in inflation. Property occupancy and collections improved despite concerns over tenant quality in light of difficult economic conditions.

Financial performance

The Group generated strong results with profit after tax up by 37% from $219.3 million in 2017 to $300.7 million for the financial year ended 31 December 2018. The growth in profitability was largely due to a combination of increases in operating profit and investment returns. Operating profit increased by 23% from $64.5 million to $79.2 million, driven by profit growth in the life, banking and asset management businesses. Investment returns grew by 56% from $640.9 million to $1 billion mainly due to capital gains on listed equities that were earned on a higher asset base in 2018 compared to the prior period. A more detailed break-down of the financial performance is contained in the Chief Executive Officer's report.

Operations

The Group primarily focused on building digital capabilities in order to enhance service delivery, improving operational efficiencies, financial inclusion and exploiting opportunities for growth. Despite the challenging operating environment, commendable progress was made in these initiatives and more detail is contained in the Chief Executive Officer's report.

In recognition of the Group's efforts, the following awards were received by Old Mutual Zimbabwe:

- CABS received three awards at the Corporate Governance Awards hosted by the Institute of Chartered Secretaries and Administrators in Zimbabwe (ICSAZ). The awards are as follows;
    - Best Banking Governance Practices.
    - Best Banking Risk Management Practices.
    - Overall Best Governed Banking Institution.
- CABS was voted the Top-performing Bank in the 2018 Banks and Banking Survey conducted by the Zimbabwe Independent.
- Old Mutual was presented an award for being a Superbrand in the Life Assurance Sector at the 2018 Superbrands Awards.

Outlook

Going forward, the overall pace and magnitude of macro-economic revival is likely to depend significantly on the government's ability to sustainably rebuild public and investor confidence, bring spending under control, as well as to re-engage successfully with the international community. This needs to be accompanied by effective implementation of programmes stemming from the new policies under development. The Group has always had confidence in Zimbabwe's economic potential and supports the development of economic policies that will allow this potential to be realised.

Appreciation

On behalf of the Board, I would like to thank our customers for their continued support and trust throughout 2018. I also extend my appreciation to the Group's employees and management for their efforts, dedication and sense of purpose without which we would not have been able to achieve these commendable results in what was a very challenging operating environment.

CEO'S REVIEW

Introduction

It gives me great pleasure to present to you the business report for the financial year ended 31 December 2018. For the 2018 financial year we sought to deliver value for our stakeholders by focusing on:

- Exploiting opportunities for growth;
- Building digital capabilities and improving operational efficiencies and;
- Financial inclusion.

The operating environment within which we pursued these key initiatives was very challenging as it was characterised by currency uncertainty, acute foreign currency shortages, inflationary pressures and a decline in disposable income for our customers. We made commendable progress in attaining our objectives for these key focus areas within the context of a difficult operating environment. A review of each of these key focus areas is detailed below.

Exploiting opportunities for growth

We completed development of a total of 1,082 stands in Pumula South and Nkulumane. Paid-up beneficiaries of this project have already started occupying their stands. We expect these stands to aid in clearing the housing backlog in the City of Bulawayo.

Towards the end of November 2018 CABS introduced a Prepaid MasterCard which has been well received by our customers. The card provides our customers with an easy and secure way of making foreign currency payments. This card is issued instantly at CABS branches.

We have been looking to diversify our property portfolio by increasing allocation to office parks and the tourism sector. We have also been exploring opportunities to diversify geographically. During the year we acquired 6.6 hectares of land in the resort town of Victoria Falls where we will put up hospitality related infrastructure, thereby gaining a presence in the tourism sector. We also acquired 9 hectares of land in Hwange which is earmarked for development of commercial property and amenities in the future.

As at 31 December 2018 we had a private equity (alternate investments) deal pipeline of $223.5 million. However take off of approved projects was affected by foreign currency shortages. This limited deployment of funds into new investments during the year. However, our alternative investments portfolio grew from $55.8 million at end 2017 to $108.2 million as of 31 December 2018. The growth was due to a combination of new investment disbursements of $13 million and capital appreciation of existing portfolio companies. Our focus on private equity is therefore starting to bear fruit in terms of increasing the investment return.

We grew customer numbers by 10% to 1.3 million as at end 2018. The growth in customer numbers was driven by the retail mass market segment in our life business. This is encouraging as it reflects that the population still values financial planning even in the midst of volatility.

Building digital capabilities and improving operational efficiencies

During the year we completed the set up and resourcing of an integrated contact centre to facilitate better communication with our customers across multiple channels that include telephony, e-mail, SMS and social media. The centre has improved customer experience through provision of seamless services in a one stop shop set-up. Our vision is to evolve it from a customer experience centre to include revenue generation through lead generation and handling of sales. The centre also generates vital data analytics which are key to our business development.

We continued investing in digital platforms for our banking customers to provide them with flexibility of transacting without having to get into banking halls. As a result the total number of transactions performed on Mobile and Point of Sale (POS) platforms grew by 49% from 128 million in 2017 to 190 million in 2018. POS transactions grew by 58% while mobile transactions grew by 27%.

We managed to contain operating expenditure in the face of rapidly rising inflation, particularly in the last quarter of the year. The decline in expenses demonstrates the fruits of the investments we have been making in information technology systems. We can now realise efficiencies and reduce expenses without compromising growth and customer service.

We also expanded our one-stop-financial services shop concept by launching two additional Green Zones in 2018 – taking the total number of Green Zones to 8. Customer service in our green zones remains unique and outstanding. This reflects our strong commitment to improving customer experience and meeting all our customers' financial needs through an integrated financial services model. The new Green Zones were opened in Chinhoyi and Mutare.

Financial inclusion

The construction phase of our Eastgate Market was completed. The Eastgate Market is now open and some line shops and the anchor tenant have started operating. We had anticipated to officially open the Eastgate Market in 2018; however, some delays were encountered in the delivery of the project. The delays were due to challenges in sourcing foreign currency for some building materials that are not available locally. The building is a demonstration of our commitment to the nation's economy through infrastructure development and it is also part of our broader financial inclusion strategy where we seek to facilitate growth of small and medium enterprises (SMEs).

For the 2017/2018 agricultural season, we expanded our weather index insurance product offering (Ruzhowa/Uthango) to include cover for excess rainfall as well as other crops that were not initially covered. Initially the product covered the impact of drought on maize only. The dry spell in January 2018 triggered pay-outs in some locations and saw over 300 farmers receiving pay-outs. These pay-outs, in the face of decreased yields were vital in highlighting the importance and value of weather index insurance to our target market. We are scaling up further going forward and we expect this initiative to add to the sustainability of small-scale farming activities.

Our micro-finance business which commenced operating in 2017 made some progress in widening its market presence. It now has active offices in Harare, Bulawayo, Chiredzi, Gweru and Mutare. The business is now working on an expansion drive to grow its loan book through product refinement and further increasing its geographical presence. The micro-finance offering is now complemented by micro-insurance so that our customers are now offered both weather index insurance and micro-loans in the agriculture space. This is key in assisting our small scale farming community to build resilience as they expand their operations.

We have been running a financial literacy programme as part of our contribution to Financial Inclusion. In 2018 we reached over 12,500 individuals across the country.

Financial performance

Gross written premiums (GWP) grew by 10% from $194.8 million to $214.1 million in total for the life and short term insurance businesses due to a combination of improved client retention

CEO'S REVIEW (CONTINUED)

and new business that was underwritten. Operating profit for the life business was 31% higher than prior period as a result of growth in the retail segment and asset based fees. However, the short term insurance business recorded an underwriting loss of $0.3 million largely due to a 47% growth in claims from prior year. The growth in claims was driven by significant private motor claims as repair costs increased on the back of foreign currency shortages that resulted in an increase in the cost of imported components and consumables used for repairs. There were also significant fire claims incurred during the year.

The banking business recorded a profit growth of 17%, to $49.2 million, up from $42.1 million in 2017. This was mainly due to growth in net interest income by 19% from a combination of growth in loans and advances and an improvement in net interest margin. Net non-interest income grew by 13% to $45.6 million due to continued use of card based and electronic banking platforms as alternatives to cash.

Funds under management (FUM) for the asset management business increased by 52% from $2.7 billion at the beginning of the financial period to $4.1 billion as at 31 December 2018. This was due to a combination of growth in net client cash flows (NCCF) and positive investment performance. As a result of the growth in FUM, operating profit for the asset management business increased by 60%.

Operating expenses declined by 3% to $91.4 million from $93.8 million in the comparable prior period. The decline was mainly attributable to investments we have been making in information technology systems and other cost rationalisation measures. However the last quarter of the year saw increased cost pressures in line with a general deterioration in the macro-economic environment.

Total assets increased by 41% from $3.1 billion to $4.4 billion driven by growth in investments and securities, and loans and advances.

Corporate social responsibility initiatives

We continued to support the community through a number of initiatives. Some of the key initiatives we supported in 2018 are shown below:

Education

- 2018 Mathematics Olympiad competition.
- Financial literacy training.
- Zimbabwe Schools Quiz.

Sports

- Old Mutual sponsored runs – Harare Marathon, Vumba Half Marathon, Westgate Half Marathon, Dangamvura Fun Run and the Nkulumane Fun Run.
- Community grassroots rugby development
- 2018 Tennis Futures tournament.
- 2018 Zimbabwe Open Golf tournament.
- Teams that represented Zimbabwe at the Craven Week rugby tournament.
- Old Mutual Heath Streak Under-14 Cricket Cup.

Arts and Culture

- Harare International Festival of the Arts (HIFA) 2018.

Environment

- Friends Of The Environment (FOTE) initiatives.

Focus areas for 2019

We remain focused on building a strong business that will be best positioned to continue to deliver value to customers and shareholders into the future. In response to the operating environment the key focus areas are as follows:

- Growing our capacity to offer market relevant products;
- Building digital platforms; and
- Business reorganisation to enhance efficiencies.

Appreciation

On behalf of management, I would like to thank our Board of Directors for their guidance, our customers for their support in 2018 and the Group's employees for their efforts in ably serving our customers and shareholders in 2018 despite the challenging operating environment.

DIRECTORS' REPORT

Responsibility

The directors are responsible for the preparation and fair presentation of the Group and Company annual financial statements, comprising the statement of financial position as at 31 December 2018; and the statements of profit or loss; and comprehensive income; changes in equity and cash flows for the year then ended; and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and the requirements of the Companies Act (Chapter 24:03). In addition, the directors are responsible for preparing the directors' report.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the ability of the Group and Company to continue as a going concern and have no reason to believe that the business will not be a going concern in the year ahead.

The auditor is responsible for reporting on whether the financial statements are fairly presented in accordance with the applicable financial reporting framework.

Compliance with legislation

These financial statements, which have been prepared under the historical cost convention (except for fair value measurement where applicable), are in agreement with the underlying books and records, have been properly prepared in accordance with the accounting policies set out in note 2, and comply with the disclosure requirements of the Companies Act (Chapter 24:03) and the relevant regulations made thereunder: the Insurance Act (Chapter 24:07), the Pension and Provident Funds Act (Chapter 24:09), the Microfinance Act (Chapter 24:09), the Building Societies Act (Chapter 24:02), the Banking Act (Chapter 24:20), the Asset Management Act (Chapter 24:26), the Collective Investments Schemes Act (Chapter 24:19) and the Securities Act (Chapter 24:25).

Compliance with IFRSs

The financial statements are prepared with the aim of complying fully with International Financial Reporting Standards (IFRSs). IFRSs comprise interpretations adopted by the International Accounting Standards Board (IASB), which includes standards adopted by the International Accounting Standards Board (IASB) and interpretations developed by the International Financial Reporting Interpretations Committee (IFRIC) or by the former Standing Interpretations Committee (SIC). Complying with IFRSs achieves consistency with the financial reporting framework adopted by the parent company, Old Mutual Limited, which is incorporated in South Africa. Using a globally recognized reporting framework also allows comparability with similar businesses and consistency in the interpretation of the financial statements.

While full compliance with IFRSs has been possible in previous reporting periods, only partial compliance has been achieved for 2018. The IFRS Conceptual Framework, provides that in applying fair presentation to the financial statements, entities should go beyond consideration of the legal form of transactions and other factors impacting on the financial statements to also consider the underlying economic substance therein. International Accounting Standard 21 "The Effects of Changes in Foreign Exchange rates" (IAS21) requires an entity to apply certain parameters in determining the functional currency of a company, for use in preparing financial statements. IAS 21 also requires an entity to make certain judgements around appropriate exchange rates to be applied between currencies where exchangeability through a legal exchange mechanism (such as a formal currency market) is not achievable. In February 2019, the Government of Zimbabwe issued Statutory Instrument 33 of 2019, which, based on our legal interpretation,

DIRECTORS' REPORT (CONTINUED)

for accounting and other purposes, prescribes parity between the US Dollar and local currency as at and up to the effective date of 22 February 2019, and also prescribes the manner in which certain balances in the financial statements may be treated as a consequence of the recognition of the RTGS Dollar as currency in Zimbabwe.

In our opinion, the requirement to comply with Statutory Instrument 33 of 2019 has created inconsistencies with IAS 21, as well as with the principles embedded in the IFRS Conceptual Framework, as also enunciated in the guidance issued by the Public Accountants and Auditors Board on 21 March 2019. This has resulted in accounting treatment being adopted in the 2018 financial statements, which is different from that which would have been adopted if the group had been able to fully comply with IFRS. As such, directors and management have been unable to produce financial statements which in their view would be true and fair and urge users of the financial statements to exercise due caution. Note 63 seeks to provide users with more information given the context and the aforementioned guidance.

Capital

The issued share capital is made up of 249 035 156 "A" class shares of US$0,0000032 each, 83 011 718 "B" class shares of US$0,0000032 each and 1 redeemable preference share of US$1.00. The shares are owned by OM Zimbabwe Holdco Limited (75%); as well as allocations to Indigenisation Trusts and intended indigenous beneficiaries (21.5%) and a strategic partner (3.5%). The 1 redeemable preference share issued is owned by the Old Mutual (Zimbabwe) Dividend Access Trust.

Dividends

During the year the following dividends were paid out as follows:

I. Preference dividend declared out of 2017 profits and paid during the year;
April 2018 $3 624 256

II. Ordinary dividend declared out of 2017 profits and paid during the year;
April 2018 $10 000 000

III. A Special ordinary dividend declared out of 2017 profits and paid during the year;
April 2018 $10 000 000

IV. An interim preference dividend declared out of 2018 profits and paid during the year
October 2018 $7 466 779

V. An interim ordinary dividend declared out of 2018 profits and paid during the year,
October 2018 $5 000 000

DIRECTORS' REPORT (CONTINUED)

Directors

Mr.	J	!Gawaxab	(Chairman)
Mr.	D	Benecke	
Mr.	TM	Johnson	
Mr.	MP	Mahlangu	
Mr.	K	Mandevani	
Mr.	IT	Mashinya*	(Group Chief Operating Officer)
Mr.	NTT	Mudekunye*	(Group Finance Director)
Mr.	J	Mushosho*	(Group Chief Executive Officer)
Dr.	LL	Tsumba	
Mr.	IG	Williamson	

*Denotes Executive Director

Messrs. NTT Mudekunye, J !Gawaxab and TM Johnson retire by rotation, and being eligible, offer themselves for re-election.

Far reaching amendments to the Banking Act (Chapter 24:20) were gazetted on 13 May 2016. This legislation affects Central Africa Building Society as well as Old Mutual Zimbabwe Limited particularly with regards to board structure and composition. The Group is in the process of instituting measures to achieve compliance with the Act. With respect to CABS, progress was made during the year with the appointment of a new independent board chairman and other structural changes.

The annual financial statements for the year ended 31 December 2018 set out on pages 31 to 125 were approved by the Board of Directors on 29 March 2019 and are signed on its behalf by:

Director
29 March 2019

Director
29 March 2019

CORPORATE GOVERNANCE REPORT

Board and Board Committees

The Board provides oversight and strategic direction in respect of all the business operations that form part of Old Mutual Zimbabwe Limited (OMZIL), collectively referred to as the OMZIL Group. Part of its role is to ensure that each subsidiary complies with its regulatory landscape, as some of the entities are separately regulated by the Reserve Bank of Zimbabwe, the Insurance and Pensions Commission and the Security and Exchange Commission. Being the controlling company of CABS, OMZIL is regulated by the Reserve Bank of Zimbabwe. OMZIL also subscribes to the rules of the Financial Securities Exchange (Finsec), given that 25% of its shares are listed on this Alternative Trading Platform.

As at 31 December 2018, the operating subsidiaries of OMZIL were:

1. Old Mutual Life Assurance Zimbabwe Limited (OMLAC),
2. RM Insurance Holdings Limited (RMI), holding company of Old Mutual Insurance Company (Private) Limited (OMICO),
3. Central Africa Building Society (CABS),
4. Old Mutual Investment Group Zimbabwe (Private) Limited (OMIG),
5. Old Mutual Property Zimbabwe (Private) Limited (OMP),
6. Old Mutual Securities (Private) Limited (OMSEC),
7. Old Mutual Shared Services (Private) Limited (OMSS),
8. Old Mutual Finance (Private) Limited (OMFin), and
9. CABS Custodial Services (Private) Limited (CABS Cus).

Board Committees and their functions

For the year ended 31 December 2018, the OMZIL Board of Directors comprised of ten directors, including the independent Board Chairman. Some directors who are members of the OMZIL Board are the Chairmen of the Group's subsidiaries, namely, for OMLAC, OMICO, and OMIG. The Board had three committees in place, that is, the Group Audit Committee, the Group Risk and Compliance Committee, and the Remuneration and Nominations Committee.

Group Audit Committee

The Group Audit Committee is responsible for reviewing the principles, policies and practices adopted in the preparation of the OMZIL Group accounts and to ensure that the annual financial statements of the Group comply with all statutory, regulatory and internal governance requirements. The Chairman of this Committee is an independent non-executive director as defined under the King IV corporate governance framework, and the members of the Committee include the Chairmen of the Audit, Risk and Compliance Committees of the Group's subsidiaries.

Group Risk and Compliance Committee

The Committee reviews the management of risk and the monitoring of compliance effectiveness within the Group. The Committee reviews the policies and overall process for identifying and assessing business risks and managing their impact on the Group. The Chairman of this Committee is an independent non-executive director.

Remuneration and Nominations Committee

The role of the Remuneration and Nominations Committee is to oversee the process of appointing directors to the OMZIL Board and the Boards of its subsidiary entities as well as ensuring that appropriate remuneration policies are applied for management and staff in the Group. During the course of the year, the Committee considered several candidates for the position of CABS Board Chairman and successfully recommended the most suitable candidate for appointment. The Committee is chaired by an independent non-executive director.

Director Training

During 2018, business unit specific and generic training was conducted for the directors in the various OMZIL Group subsidiaries. The training areas included Actuarial technical training, IFRS 9, ICT Governance, Basel II, and Reinsurance. Members of the Group and Subsidiary Audit Committees attended the third annual KPMG Audit Committee Forum.

Board and Committee attendance

During the year ended 31 December 2018, the Board and its three committees met at least four times.

OMZIL Board of Directors

		Feb	April	Aug	Oct (Strategy)	Nov
1.	!Gawaxab J	P	A	A	A	P
2.	Mushosho J	P	P	P	P	P
3.	Tsumba L L, Dr	P	P	P	P	P
4.	Mandevani K, Dr	P	P	P	P	P
5.	Benecke D	P	P	P	P	P
6.	Johnson T M	P	P	P	P	P
7.	Mahlangu M P	P	P	P	A	P
8.	Williamson I G	A	P	P	P	P
9.	Mashinya I T	P	P	P	P	P
10.	Mudekunye N T T	P	P	P	P	P

CORPORATE GOVERNANCE REPORT (CONTINUED)

Group Risk and Compliance Committee

		Feb	April	Aug	Nov
1.	Benecke D	P	P	P	P
2.	Frost N*S	P	P	P	P
3.	Chitengu R C D*s	P	P	P	P
4.	Mills A*S	P	P	P	P
5.	Nkomo B L*S	P	P	P	P
6.	Zamchiya B*S	P	P	P	P
7.	Chipika J*S	P	A	A	A
8.	Mashinya I	P	P	P	P
9.	Mudekunye N T T	P	P	P	P

Group Audit Committee

		Jan	Feb	Mar	Apr	Aug	Oct	Nov
1.	Benecke D	P	P	P	P	P	P	P
2.	Frost NS	A	P	P	P	P	A	P
3.	Chitengu R C DS	A	P	P	P	P	P	P
4.	Mills AS	P	P	P	P	P	P	P
5.	Nkomo B LS	A	P	P	P	P	P	P
6.	Zamchiya BS	P	P	P	P	P	P	P

Remuneration and Nominations Committee

		Jan	Feb	Mar	Apr	July	Oct
1.	!Gawaxab J	P	P	P	P	P	P
2.	Johnson T M	P	P	P	P	P	P
3.	Mahlangu M P	P	P	P	P	P	P

Key

P - Present
A - Apology
S - Subsidiary Board & Audit/Risk Committe member
* - Invitee

ENTERPRISE RISK MANAGEMENT

Chief Risk Officer's Statement

The year 2018 was an important year for the delivery of the Old Mutual Zimbabwe Limited ('OMZIL') business and risk strategies. The major risks for the business remained largely the same as those outlined in the 2017 report although there was increased emphasis of some risks. External risk factors continued to be a key driver of most risks in the business largely stemming from the macro-economic challenges and socio-political developments experienced during the year. Risk events during the year largely remained under control although there were increased cases of bank card cloning at the banking subsidiary, CABS. Various initiatives have since been embarked on to protect customers and the bank against card losses.

There were major developments in the regulatory and compliance space during the year. These included the introduction of the Intermediated Money Transfer Tax and the Money Laundering and Proceeds of Crime Amendment Act. Some of these developments meant that the business had to implement additional changes and/or configurations to systems and processes under tight time constraints in order to comply with the new requirements. Nonetheless, the OMZIL Group remained generally compliant with all laws and regulations, and any areas of improvement have been highlighted to regulators and action plans put in place.

The business will continue to explore ways to ensure it remains future fit to serve customers and provide the certainty they need most in uncertain times. This is despite the fact that the business has had to re-prioritise some of its strategic projects as most of these depend on foreign currency availability which is currently in short supply in the country. During the year, the business completed a processes review project that had been initiated to improve the control environment within the group through documenting the processes in a standard format and eliminating process inefficiencies. The business recognizes the need to continue reviewing processes as the needs and demands of customers evolve, and due to technological and strategic changes.

Looking into 2019, the business will be working on broadening its stress testing activities and feeding the learnings into the business continuity management processes to ensure we continue to weather storms that the business may face. We do not anticipate significant changes in the risk profile although we envisage that political and macro-economic developments could change the profile of some risks, while the group's clients in the agricultural sector have been affected by the El Nino phenomenon, and recently by the effects of the Cyclone Idai.

Finally, given the economic challenges the country is facing, the business is mindful of the impact this has on its various stakeholders including customers and employees. While some external risks may be beyond our control as a business we will continue to work and engage with all key players to ensure best risk-return outcomes for our stakeholders and the communities we serve.

ENTERPRISE RISK MANAGEMENT (CONTINUED)

The objective of Enterprise Risk Management ['ERM'] in OMZIL is to align strategy, capital, processes, people, technology and knowledge in order to evaluate and manage business opportunities, uncertainties and threats in a structured, disciplined manner, ensuring that risk and capital implications are considered when making strategic and operational decisions. ERM is designed to increase the understanding of the risks inherent in the business in order to improve decision-making. It does not aim to eliminate risk from our business but rather to ensure that all risks are identified, quantified where possible, escalated to governance bodies, and effective mitigation plans put in place.

OMZIL adopts a three lines of assurance approach in its ERM model as shown below:

First Line of Assurance Chief Executive Officer and Business Executives	**Second Line of Assurance** Chief Risk Officer, Statutory Actuary, Risk & Compliance function	**Third Line of Assurance** Internal & External Audit
Own risk management strategy, policy and process. Set tone from the top and cascade positive risk culture. Manage day-to-day risk origination and management in accordance with risk policy and strategy. Identify and assess risks and implement mitigating actions. Report and escalate material risks and issues to governance bodies.	Providing oversight and challenge to first line risk management decisions. Support line management and ensure there is alignment between business and risk strategy. Provide assurance to the board and regulators. Raise ERM awareness across all levels. Ensure active use of risk appetite in the business.	Provide independent assurance on the effectiveness of governance, risk management and the system of internal controls. Provide risk and control advice. Provide insight and foresight regards the risk and control environment.

Risk Governance

The Board is responsible for running the affairs of the institution, as a whole and with regard to risk management, it is ultimately accountable for ensuring risk management and the internal control systems are sound, adequate and effective. The board reviews the outcomes of the ERM process on an ongoing basis to achieve its goal of delivering long-term value to its investors. The board ensures that clearly defined ERM roles and responsibilities for the Group Chief Executive Officer, his management team, sub-committees and key functions are in place. The board aligns the interests of management with those of the investors through appropriate performance contracting and remuneration structures. The board delegates its oversight and management responsibilities in terms of the three lines of assurance governance model depicted in the preceding section. In 2018, the Group's Audit, Risk and Compliance Committee (ARCC) was split into two separate committees being the Group Audit Committee and the Group Risk and Compliance Committee, to comply with the requirements of the Banking Amendment Act, 2015. To ensure uniform alignment of the risk governance framework across the Group, the Audit and Risk Committees at subsidiary levels report to the Group's Audit Committee (GAC) and the Group Risk and Compliance Committee (GRCC) respectively. The Group risk governance system takes into account regulatory and compliance requirements.

The diagram on the next page shows how authority flows within the OMZIL risk governance framework.

ENTERPRISE RISK MANAGEMENT (CONTINUED)

OMZIL GROUP BOARD

Group Audit Committee (GAC)
Is charged with the oversight of financial reporting, system of internal controls and disclosure. It also monitors the effectiveness and objectivity of internal and external auditors.

Group Risk & Compliance Committee (GRCC)
Reviews the principles, policies and practices adopted across the Group. Responsible for the effectiveness of the systems of governance, risk management and internal control and monitoring the effectiveness and objectivity of the second line

Group Executive Committee (GEXCO)
GEXCO reviews and provides inputs to Group risk policies and the Group values, which set the tone and which should underpin the behaviour of employees across the Group.

Remuneration & Nomination Committee
Reviews and approves performance contracts and principles of incentive schemes to ensure that they do not have an adverse risk effect on staff working practices, reporting or environmental, social and governance issues.

Group Executive Risk Committee (GERC)
The Committee advises and provide assurance to the Group Chief Risk Officer on the implementation of the Group's risk framework including the quality and effectiveness of the internal controls, risk appetite, the risk profile and Capital Management processes and to review the Group's risk profile, significant losses and control breakdowns. The Committee forms part of the second line of assurance at Group Level.

Group Capital Management Committee (GCMC)
The GCMC has authority to manage the capital of the Group in a manner consistent with the expectations of the shareholders as agreed with the Group Board from time to time. The committee advises Group Finance on, and provides a forum for coordinating, capital and solvency management within the Group.

ENTERPRISE RISK MANAGEMENT (CONTINUED)

BUSINESS STRATEGY AND RISK STRATEGY

OUR RISK MANAGEMENT PHILOSOPHY			
Lifetime Partner	**Business Strategy**	**Growth**	**Customers**
• An important aspect of being our customer's most trusted financial partner and of delivering on our brand promises is to be a certain friend in uncertain times. This provides the foundation for our approach to risk management: we want to ensure that we will be around to provide, especially in adverse financial conditions. Our reputation and success as a business is based on being available when our customers need us most.	• Our risk strategy is an integral part of our business strategy. It expresses our overall philosophy towards risk taking that we regard as necessary to achieve our vision, and reflects the risk elements of our business strategy. Our business strategy mainly involves defending our dominant position in the market whilst simultaneously exploiting pockets of growth. The successful implementation of this strategy will rely on balanced risk management that manages the trade-off between risk and returns.	• Our risk strategy is influenced by our growth aspirations. We recognize and accept that in order to grow, we need to be willing to take on and accept higher risks in those markets/sectors where we aim to grow. We recognize that if we take an excessively cautious approach, this will limit our growth opportunities. We are therefore willing and able to take greater risks where this is necessary for growth, while still maintain appropriate controls and capital levels. Long-term growth means more value for our customers.	• We recognize that as a business we accept risk on behalf of our customers and therefore it is important for us to do this in a responsible manner in order to provide protection and financial value to our customers. In our business it is very important for customers and regulators to trust us, but trust takes time to be earned and can be undermined very quickly by poor decisions or actions. Key part of our strategy is therefore based on treating customer's fairly and integrity continues to be one of our core values.

As a business we do not view risk management as a separate standalone process but rather as an integral part of the decision-making processes related to business, risk and financial management. This defines the way we do business and is underpinned by the following overarching components:

Group Governance Framework (GGF)

The GGF defines how the Group Board executes its direction and oversight responsibilities and what it expects from subsidiary boards in the Group.

Financial Management Framework

The financial management framework establishes an integrated link between business, risk and financial strategy.

Risk Management System

This includes the processes for setting risk strategy and appetite (in the context of the business strategy), risk identification, measurement, mitigation, monitoring and reporting as well as stress and scenario testing. This is governed by the Group ERM Policy.

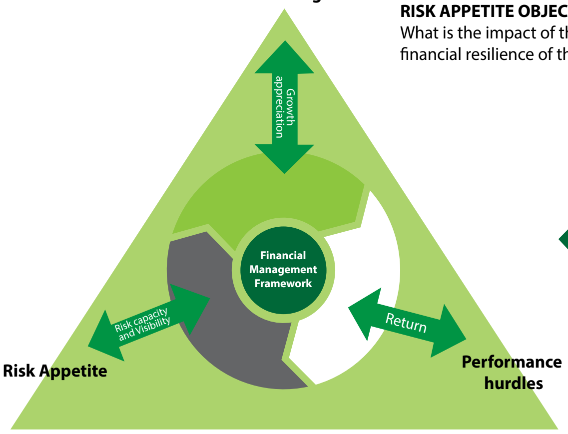
ENTERPRISE RISK MANAGEMENT (CONTINUED)

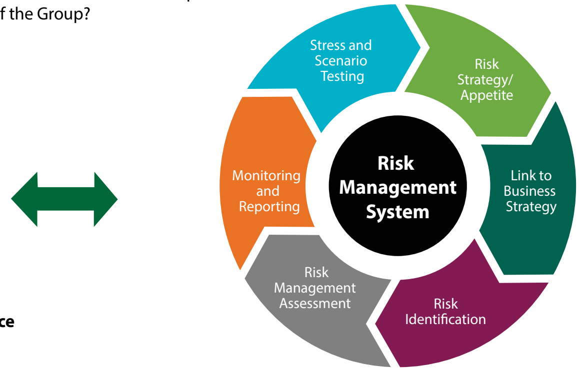
The overview of this process in the context of the relationship amongst the 3 components outlined above is shown in the following illustration:

GROWTH OBJECTIVE:
what are the growth aspirations of the Groups?
Is the initiative consistent with the strategic business growth objectives?

RETURN OBJECTIVES:
What is the RoNAV of the initiative?
Are we meeting performance hurdles?

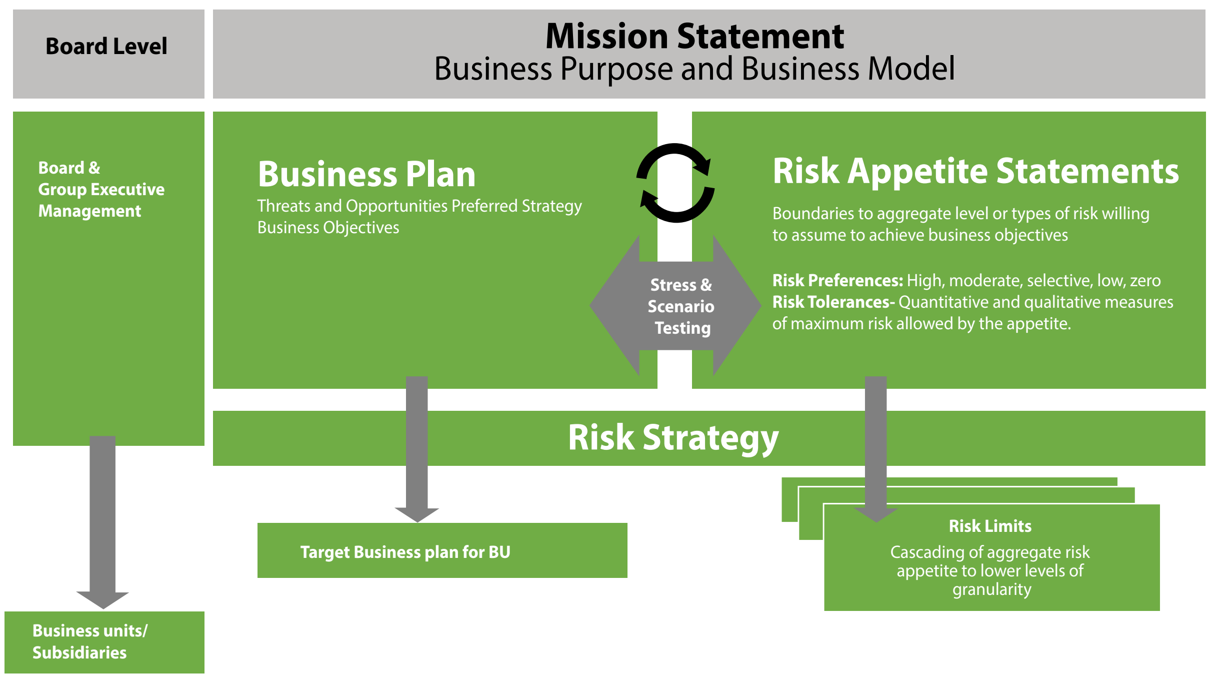
RISK APPETITE OBJECTIVES:
What is the impact of the initiative on the risk profile and financial resilience of the Group?





The Financial Management Framework and Risk Management System is underpinned by the
Group Governance Framework

The Group's financial resources and risk appetite ultimately dictate the level and nature of business growth and consequently the level of risk taking that is targeted. The diagram below sets out the process by which the Board and executive management establish boundaries around these risk elements, which can be accepted in order to meet growth targets and business goals to create value.



ENTERPRISE RISK MANAGEMENT (CONTINUED)

Key elements to note are:

- At the highest level, the Board and Executive management set the mission statement and provides vision and guidance into the business purpose and model.
- The ERM function working with Executive management and the Board develops a risk strategy. Risk management is not purely about loss-minimisation and a key commercial objective is to optimise risk-adjusted returns by taking an acceptable amount of risk that would not compromise OMZIL's financial strength.
- The risk strategy consists of OMZIL's guiding risk principles, its higher level risk appetite statements and more detailed risk preferences, tolerances and limits. The tolerances and limits are expressed in the form of normal target ranges, early warning thresholds or limits beyond which specific actions are triggered. These are subject to approval from the Executive and Board and are then used to guide risk taking within the business.

RISK CLASSIFICATION MODEL

The figure below shows the risk classification model, which also comprises of the causal categories and the financial and non-financial impacts, presented in a bowtie format for ease of reference. The causal model is part of the risk methodology, the intention being to ensure that the control environment sufficiently takes into account and addresses the root causes of a particular risk type to minimise the impact of the risk should it occur and/ or to prevent its recurrence. The non-financial impact types were further rationalised in 2018 to better reflect the key concerns should risks materialise, being: the damage to OMZIL's reputation, our licence to operate (the risk of losing the licence) and our resilience and sustainability (the effect on continuity of operations).

The risk classification model is the basis for risk identification, appetite statements and risk policies. During the year 2018, OMZIL adopted a new policy suite as part of the managed separation process.

ENTERPRISE RISK MANAGEMENT (CONTINUED)

OVERVIEW OF THE LEVEL 1 KEY RISKS

OMZIL's principal risks have been determined by assessing the possible effects on its reputation, its stakeholders, its earnings, capital and liquidity, license to operate and the future sustainability of its business. The risk landscape is changing rapidly, particularly in the context of the persistently volatile, uncertain, complex and ambiguous global and local macro-economic environment. OMZIL's business is also affected by a number of risks inherent in the products and services it offers and the industry it operates in, such as exposure to market levels, credit and insurance liability risk. The risks are closely monitored and overseen by the OMZIL Group management and reported to the Board on a regular basis. Further detail on each of the key risks is provided below:

Risk	Key developments in 2018	Long term plans to manage the Risk
External Risk: Socio-political, Macro-economic	▪ The Global Credit Ratings agency downgraded the national outlook rating from stable to negative. ▪ There were also issues around the currency presenting challenges for reporting. Some guidance on this was issued in the Monetary Policy Statement presented on 20 February 2019. ▪ Socio-political and economic instabilities threatening continuity of business operations.	▪ Robust business continuity management. ▪ Continuous engagement with authorities through industry bodies.
Liquidity Risk:	In 2018, the main challenges continued to be: ▪ Nostro funding challenges affecting business projects dependent on forex. There was also mismatch of risk between hard currency liabilities and assets. ▪ Non-payment of system licenses, dividends and pension benefits to non-resident pensioners and shareholders and pressure on repaying lines of credit.	▪ Enhancing foreign currency revenue generation. ▪ Replacing foreign ICT vendors with local suppliers, where possible. ▪ Enhancing risk management frameworks to cover hard currency risk exposures.
Operational Risk: Processes & systems, Cyber-crime, Fraud & people	▪ System implementation projects overrun/ failures. ▪ Internal and external fraud, including card cloning ▪ Loss of key skills due to economic challenges. ▪ Incidences of cyber-attacks reported around the globe showing increased exposure to the cyber security risk which is also becoming complex.	▪ Continuous process optimization/ improvement. ▪ Training to raise awareness on cyber & financial crime. ▪ Upgrade current systems and infrastructure. ▪ A proactive people strategy to retain and attract key skills.
Market Risk: Equity volatility, Inflation	▪ In 2018, the inflation rate continued to rise. Official statistics show that the country ended the year 2018 with an inflation rate of 42.1% compared to 3.5% in 2017. ▪ The ZSE closed the year 46.3% higher compared to 2017 although it is not certain if such levels will be maintained. ▪ Prices of basic commodities have continued to rise thereby affecting the demand for financial services products. ▪ Price increases erode the buying power of policyholder premiums and confidence in financial services thereby affecting savings.	▪ Pursuing value preservation options including alternative investments to diversify risk. ▪ Appointed actuary involvement in setting of investment mandates for policyholder funds. ▪ Regular monitoring of investments, performance against the market & peers. ▪ Client engagement to keep business and client expectations aligned.

OVERVIEW OF THE LEVEL 1 KEY RISKS (continued)

Risk	Key developments in 2018	Long term plans to manage the Risk
Credit and Counterparty Risk:	▪ Despite the non-performing loans ratio improving from 6.33% as at 31 December 2017 to 5.75% as at 31 December 2018, the outlook shows that the risk could deteriorate in 2019. This is due to the current economic challenges and impact of the El Nino phenomenon on agriculture. ▪ The levels of rental arrears remained largely static throughout the year 2018 although these could deteriorate in 2019.	▪ Continue with a cautious lending approach, underwriting high credit quality and improve loan portfolio monitoring. ▪ Enhanced arrears follow-ups for both loans and rentals. ▪ Loan restructuring for NPLs and loans below 90 days in arrears to take into account changes in customer circumstances.
Legal and Regulatory Risk:	▪ Money Laundering and Terrorist Financing (Financial Crime) is one key component of compliance risk that the Group is faced with. ▪ The OMZIL Group recognises its need to do business responsibly and be accountable to all stakeholders under the legal, regulatory and supervisory requirements applicable to its businesses. During the year, the business worked hard to comply with regulatory requirements including the laws of the land as regards taxation.	▪ Continuous engagement with all stakeholders including the regulators on key matters of compliance. ▪ Conduct compliance risk self-assessments & awareness workshops. ▪ Monitor Board approved Compliance Monitoring Plans to manage key compliance risks on a risk based approach. ▪ Regular monitoring of AML risks and pursuing initiatives to improve AML risk management.
Insurance Risk:	▪ The Group faces this risk mainly in its life and general insurance business.	▪ Experience monitoring and investigation. ▪ Product design and pricing reviews. ▪ Robust underwriting practices. ▪ Reinsurance in some instances.
Conduct Risk:	▪ We have zero appetite for systematic unfair customer outcomes arising from any element of the conduct risk life cycle, from product design to advice and after sales services. ▪ OMZIL continues to work hard to ensure the best possible interests of customers are met given the prevailing economic circumstances. The Business has no tolerance for poor decision making or a culture that undermines fair customer outcomes or market integrity.	The risk is mitigated through: ▪ Clear and effective advice processes as well as segregation of duties. ▪ Regular communication with customers.

ENTERPRISE RISK MANAGEMENT (CONTINUED)

OUTLOOK

EMERGING RISKS

Business risk
- Sales volumes may be lower than targeted due to the persisting economic challenges. In addition, demand for products may be subdued as confidence in the financial services sector dwindles.
- AML and country risk concerns may continue affecting correspondent banking relationships.
- Risk of voids if there is an increase in the RTGS dollar rentals as affordability may be an issue.
- Risk of policy lapses if there is an increase in the RTGS premiums.

External Risk
- Emerging laws and regulations increasing the cost of compliance for the business.

Market Risk
- Stock market volatility or down turn in the future can result in losses from equity investments.
- Upward pressure on interest rates resulting in a negative impact on interest margins.
- Rising inflation compounding loss of value of local currency assets and increasing operating costs.

Credit and Counterparty Risk
- Increased concentration risk as the business moves to safe assets and relies on fewer & fewer third parties.

Operational Risk
- Increased vulnerability to social media risk as the business becomes more digital.
- Increased reliance on external vendors for solutions and critical support.
- Customer data confidentiality and misinformation.
- Heightened internal fraud and external fraud risk due to economic challenges.

Conduct risk
- New TCF laws and possible censure for non-compliance.
- Digital age customers sharing experiences with the company on social media.

RESULTS FROM OPERATIONS

In line with the rest of the Old Mutual Limited Group, in addition to net profit after tax as per the group statement of profit or loss (page 31), the group also measures its performance based on results from operations.

A reconciliation between profit before tax and result from operations is shown below:

RECONCILIATION OF IFRS PROFIT BEFORE TAX TO RESULT FROM OPERATIONS BEFORE TAX

	2018 Group $	2017 Group $
Profit before tax	329 837 456	242 876 403
Adjusting items	(250 669 564)	(178 343 582)
Shareholder investment returns	(246 261 949)	(171 246 093)
Policyholder tax	(4 407 615)	(7 097 489)
Result From Operations	79 167 892	64 532 821

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Old Mutual Zimbabwe Limited

Adverse Opinion

We have audited the consolidated and separate financial statements of Old Mutual Zimbabwe Limited (the group and company), set out on pages 31 to 125, which comprise the group and company statements of financial position as at 31 December 2018, and the group statement of profit or loss, the group statement of comprehensive income, the company statement of profit and loss and comprehensive income, the group and company statements of changes in equity and the group and company statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, because of significance of the matter discussed in the Basis for Adverse Opinion section of our report, the consolidated and separate financial statements do not present fairly, in all material respects, the consolidated and separate financial position of Old Mutual Zimbabwe Limited as at 31 December 2018, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Zimbabwe (Chapter 24:03).

Basis for Adverse Opinion

As described in Note 2.3.1, during the year ended 31 December 2018, the Group and Company transacted using a combination of the United States Dollars (US$), bond notes and bond coins. Acute shortage of US$ cash and other foreign currencies in the country, resulted in an increase in the use of different modes of payment for goods and services such as settlement through the Real Time Gross Settlement (RTGS) system overseen by the Reserve Bank of Zimbabwe (RBZ), point of sale and mobile money platforms. The note further explains that during the year there was a significant divergence in market perception of the relative values between the US$, and the bond note, bond coin, mobile money platforms and RTGS, collectively referred to therein as "local currency". Although RTGS and mobile money platforms were not legally recognised as currency during the year ended 31 December 2018, the substance of the economic phenomenon suggested that it was currency. As a result of these factors the directors performed an assessment on the functional currency of the Group and Company in accordance with IAS 21, The Effects of Changes in Foreign Exchange Rates (IAS 21), and acknowledge that the functional currency of the Group and Company was no longer the US$.

In February 2019, an electronic currency called the RTGS dollar was introduced through Statutory Instrument 33 of 2019. (S.I 33) with an effective date of 22 February 2019 and the currency commenced trading at a rate of 2.5 to the US$. In addition S.I. 33 fixed the exchange rate between the RTGS dollar and the US$ at a rate of 1:1 for periods before the effective date. The rate of 1:1 is consistent with the rate mandated by the Reserve Bank of Zimbabwe (RBZ) at the time it issued the bond notes as currency.

Although the directors acknowledge that there was a functional currency change and that market exchange rate between the US$ and local currency was not 1:1, they have maintained their functional currency as the US$ and have presented the financial statements in US$ using an exchange rate of 1:1, in compliance with S.I 33. This constitutes a departure from the requirements of IAS 21.

The directors have performed a sensitivity analysis of how different exchange rates would impact the Group and Company statements of financial position in note 63 to the financial statements. However, the amounts presented may not reflect the opening balances in RTGS dollars going forward. This confirms that had the local currency been translated to US$ in accordance with IAS 21, elements in the statements of financial position would have been materially affected and therefore the departure from the requirements of IAS 21 is considered to be pervasive. The effects of this departure on the Group and Company's financial statements have not been determined.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Consolidated and Separate the Financial Statements section of our report. We are independent of the Group and Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Zimbabwe, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period and which are not materially impacted by the matter described in the Basis for Adverse Opinion section. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our adverse opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Adverse Opinion section, we determined the matters below to be key audit matters to be communicated in our report.

Valuation of investment property (applicable to the consolidated and separate financial statements)

Refer to the summary of significant accounting policies in Note 2.9, and Notes 18 and 45 for the group and company, respectively and Note 63 to the financial statements.

The key audit matter	How we addressed the matter in our audit
The group and company hold investment properties, carried at fair value through profit or loss. The properties are categorised as level 3 in the fair value hierarchy due to the use of unobservable inputs in determining the values. The fair values are determined annually by the group and company's internal professional valuers. The internal valuations are compared against values determined by independent external valuers for a sample of properties. The key unobservable inputs used in the valuations include, rental income per square meter, capitalisation rates, yield rates and prices for comparable properties. The valuation of the group's and company's investment properties was considered a key audit matter due to the significant estimation and judgement applied in determining the key unobservable inputs.	Our procedures included, among others: • evaluating the independence, professional competence and objectivity of the internal professional valuers ("internal valuers") and the external independent valuers ("external valuers") engaged by the directors to value the properties; • evaluating the appropriateness of the valuation methodologies used by the valuers based on our knowledge of the industry and the requirements of the applicable financial reporting standard; • comparing the key unobservable inputs used by the internal and external valuers to externally derived data; • For the portfolio of properties valued by external valuers, we compared these values to the values determined by the internal valuers and where material differences were identified we evaluated the directors rational in respect of the final value adopted; and • evaluating whether the disclosures for the valuation of investment properties in the financial statements, meets the requirements of the relevant financial reporting standards.

Other Information

The directors are responsible for the other information. The other information comprises all information included in the Annual Report, but does not include the consolidated and separate financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Adverse Opinion section above, the group and the company should have translated its local currency transactions and balances to US$ using a rate determined in accordance with IAS 21. We have therefore concluded that the other information is materially misstated for the same reason, with respect to the amounts contained in the rest of the Annual Report which are affected by the failure to translate the local currency transactions and balances using a rate which complies with the requirements of IAS 21.

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

KPMG Zimbabwe

Registered Accountants and Auditors
Chartered Accountants (Zimbabwe)

Per:
Brian Njikizana
Partner
Registered Auditor
PAAB Practising Certificate Number 0363

1 April 2019

for and on behalf of, **KPMG Chartered Accountants (Zimbabwe), Reporting Auditors**
100 The Chase (West)
Emerald Hill, Harare
Zimbabwe

GROUP STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 Group $	2017 Group $
Revenue			
Gross earned premiums	4	214 115 871	194 762 961
Outward reinsurance		(11 279 236)	(10 062 972)
Net earned premiums		202 836 635	184 699 989
Investment income (non banking)	5	1 001 872 846	640 946 266
Banking interest and similar income	6	108 872 719	91 364 015
Fee income, commissions and income from service contracts	7	84 241 267	71 685 808
Other income	8	1 551 983	2 453 447
Total revenue		**1 399 375 450**	**991 149 525**
Expenses			
Claims and benefits (including change in insurance contract provisions)	9	(818 871 893)	(562 200 849)
Reinsurance recoveries		4 238 437	3 664 575
Net claims incurred		(814 633 456)	(558 536 274)
Change in provision for investment contract liabilities	10	(89 387 393)	(51 809 502)
Fees, commissions and other acquisition costs		(33 499 228)	(21 163 318)
Banking interest expense and similar expenses	6	(24 184 856)	(20 239 362)
Impairment charges		(16 468 194)	(2 701 279)
Other operating and administration expenses	11	(91 364 867)	(93 823 387)
Profit before tax		**329 837 456**	**242 876 403**
Income tax expense	12	(29 155 087)	(23 614 160)
Profit for the year		**300 682 369**	**219 262 243**
Attributable to non-controlling interests		10 622 501	7 695 743
Attributable to owners of parent company		290 059 868	211 566 500
		300 682 369	**219 262 243**

GROUP STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 Group $	2017 Group $
Profit for the year		**300 682 369**	**219 262 243**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Property revaluation		1 495 680	1 045 173
Shadow accounting	10,1	(639 189)	(724 662)
Total comprehensive income for the year		**301 538 860**	**219 582 754**
Total comprehensive income attributable to:			
Owners of parent company		290 916 359	211 887 011
Non-controlling interests		10 622 501	7 695 743
		301 538 860	**219 582 754**
Earnings per share			
Basic and diluted (cents)	13,1	87.36	63.72

COMPANY STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 Company $	2017 Company $
Revenue			
Investment income	14	152 842 592	119 982 813
Other income	15	41 000	719 454
Total revenue		**152 883 592**	**120 702 267**
Expenses			
Other operating and administration expenses	16	(10 677 976)	(8 372 415)
Profit before tax		**142 205 616**	**112 329 852**
Income tax (expense)/credit	17	(7 266 436)	(8 796 540)
Profit/(loss) and total comprehensive income for the year		**134 939 180**	**103 533 312**

GROUP STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	Notes	2018 Group $	2017 Group $
Assets			
Investment property	18	411 475 907	405 171 878
Property and equipment	19	96 584 611	85 823 402
Intangible assets	20	8 038 516	10 498 646
Investment in finance lease	21	7 733 971	-
Deferred acquisition costs		640 073	741 681
Reinsurer contracts	22	4 778 163	3 278 568
Investments and securities	24	2 795 281 950	1 610 459 137
Deferred tax assets	33	1 415 031	932 245
Current tax assets		617 258	737 798
Loans and advances	26	780 494 830	669 180 202
Other assets	27	127 836 470	145 628 854
Cash and cash equivalents	28	160 991 988	190 251 626
Total assets		**4 395 888 768**	**3 122 704 037**
Liabilities			
Insurance contract liabilities	29	2 049 901 703	1 355 608 987
Investment contract liabilities	30	208 922 934	120 815 870
Provisions	32	16 223 240	14 303 061
Deferred tax liabilities	33	58 038 254	42 089 309
Current tax payables		383 030	557 924
Amounts due to group companies	25	85 347 795	68 647 703
Amounts owed to bank depositors	34	1 006 869 504	838 026 610
Credit lines	35	53 297 223	23 317 769
Other liabilities	36	91 523 852	79 148 600
Total liabilities		**3 570 507 535**	**2 542 515 833**
Net assets		**825 381 233**	**580 188 204**
Shareholders' equity			
Share capital and premium	56	1 065	1 065
Non-distributable reserve		51 346 598	52 457 048
Revaluation reserve		19 633 251	18 776 760
Share based payment reserve		33 662 107	32 480 501
Regulatory provisions reserve		5 186 397	17 957 094
Retained earnings		690 890 332	439 983 423
		800 719 750	**561 655 891**
Non-controlling interests		24 661 483	18 532 313
Total equity		**825 381 233**	**580 188 204**

DIRECTOR
29 March 2019

DIRECTOR
29 March 2019

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Notes	2018 Company $	2017 Company $
Assets			
Investment property	45	600 000	530 000
Investments in subsidiary companies	46	83 867 687	80 874 529
Property and equipment	47	137 243	133 336
Investments and securities	48	274 894 913	176 717 409
Amounts due by group companies	49	18 274 445	28 041 597
Current tax receivable		621 102	298 416
Other receivables	50	378 052	178 354
Cash and cash equivalents	51	21 166 416	3 316 468
Total assets		**399 939 858**	**290 090 109**
Liabilities			
Provisions	53	388 653	305 114
Deferred tax liability	54	2 966 861	2 037 569
Amounts due to group companies	49	67 585 981	51 864 010
Other liabilities	55	40 223 712	41 020 844
Total liabilities		**111 165 207**	**95 227 537**
Net assets		**288 774 651**	**194 862 572**
Shareholders' equity			
Share capital and premium	56	1 065	1 065
Non-distributable reserve		19 953 027	19 953 027
Share based payment reserve		59 340 238	64 244 338
Retained income		209 480 321	110 664 142
Total equity		**288 774 651**	**194 862 572**

....
DIRECTOR
29 March 2019

....
DIRECTOR
29 March 2019

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

2018	Notes	Share capital & premium $	Non-distributable reserve $	Revaluation reserve $	Share based payment reserve $	Regulatory provisions reserve $	Retained income $	Equity total $	Non-controlling interests $	Equity total $
Shareholders' equity at beginning of year		**1 065**	**52 457 048**	**18 776 760**	**32 480 501**	**17 957 094**	**439 983 423**	**561 655 891**	**18 532 313**	**580 188 204**
Impact of adopting IFRS 9 at 1 January 2018	23.3	-	-	-	-	-	(19 981 113)	(19 981 113)	(79 744)	(20 060 857)
Transfer of regulatory impairment allowance	23.3	-	-	-	-	(17 950 122)	17 950 122	-	-	-
Adjusted balance as at 1 January 2018		**1 065**	**52 457 048**	**18 776 760**	**32 480 501**	**6 972**	**437 952 432**	**541 674 778**	**18 452 569**	**560 127 347**
Profit for the financial year		-	-	-	-	-	290 059 868	290 059 868	10 622 501	300 682 369
Shadow accounting	10.1	-	-	(639 189)	-	-	-	(639 189)	-	(639 189)
Revaluation of property		-	-	1 495 680	-	-	-	1 495 680	-	1 495 680
Total Comprehensive income for the year		-	-	**856 491**	-	-	**290 059 868**	**290 916 359**	**10 622 501**	**301 538 860**
Transfer to reserve		-	(1 110 450)	-	-	5 179 425	(4 068 975)	-	-	-
Vested Shares		-	-	-	559 309	-	-	559 309	-	559 309
Movement in treasury shares		-	-	-	622 297	-	-	622 297	-	622 297
Dividends declared		-	-	-	-	-	(33 052 993)	(33 052 993)	(4 413 587)	(37 466 580)
Transactions with shareholders		-	(1 110 450)	-	**1 181 606**	-	**(37 121 968)**	**(31 871 387)**	**(4 413 587)**	**(36 284 974)**
Shareholders' equity at end of year		**1 065**	**51 346 598**	**19 633 251**	**33 662 107**	**5 186 397**	**690 890 332**	**800 719 750**	**24 661 483**	**825 381 233**
2017										
Shareholders' equity at beginning of year		**1 065**	**52 457 048**	**18 456 249**	**32 037 134**	**16 517 093**	**247 192 464**	**366 661 053**	**12 287 080**	**378 948 133**
Profit for the financial year		-	-	-	-	-	211 566 500	211 566 500	7 695 743	219 262 243
Other comprehensive income										
Shadow accounting	10.1	-	-	(724 662)	-	-	-	(724 662)	-	(724 662)
Revaluation of property		-	-	1 045 173	-	-	-	1 045 173	-	1 045 173
Total Comprehensive income for the year		-	-	**320 511**	-	-	**211 566 500**	**211 887 011**	**7 695 743**	**219 582 754**
Transfer to reserve		-	-	-	-	1 440 001	(1 440 001)	-	-	-
Vested shares		-	-	-	935 727	-	-	935 727	-	935 727
Movement in treasury shares		-	-	-	(492 360)	-	-	(492 360)	-	(492 360)
Dividends declared		-	-	-	-	-	(17 335 540)	(17 335 540)	(1 450 510)	(18 786 050)
Transactions with shareholders		-	-	-	443 367	1 440 001	(18 775 541)	(16 892 173)	(1 450 510)	(18 342 683)
Shareholders' equity at end of year		**1 065**	**52 457 048**	**18 776 760**	**32 480 501**	**17 957 094**	**439 983 423**	**561 655 891**	**18 532 313**	**580 188 204**

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital & premium $	Non-distributable reserve $	Share based payment reserve $	Retained income $	Equity total $
2018					
Shareholders' equity at beginning of year	**1 065**	**19 953 027**	**64 244 338**	**110 664 142**	**194 862 572**
IFRS 9 Adjustment	-	-	-	(31 966)	(31 966)
Adjusted balance as at 1 January 2018	**1 065**	**19 953 027**	**64 244 338**	**110 632 176**	**194 830 606**
Changes in equity arising in the year					
Profit for the financial year	-	-	-	134 939 180	134 939 180
Total comprehensive income	**-**	**-**	**-**	**134 939 180**	**134 939 180**
Movement in treasury shares	-	-	(5 463 409)	-	(5 463 409)
Movement in share based payment reserve	-	-	559 309	-	559 309
Dividends	-	-	-	(36 091 035)	(36 091 035)
Shareholders' equity at end of year	**1 065**	**19 953 027**	**59 340 238**	**209 480 321**	**288 774 651**
2017					
Shareholders' equity at beginning of year	**1 065**	**19 953 027**	**63 308 611**	**25 991 116**	**109 253 819**
Changes in equity arising in the year					
Profit for the financial year	-	-	-	103 533 312	103 533 312
Total comprehensive income	**-**	**-**	**-**	**103 533 312**	**103 533 312**
Movement in share based payment reserve	-	-	935 727	-	935 727
Dividends declared	-	-	-	(18 860 286)	(18 860 286)
Shareholders' equity at end of year	**1 065**	**19 953 027**	**64 244 338**	**110 664 142**	**194 862 572**

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 Group $	2017 Group $
Cash flows from operating activities			
Profit before tax		329 837 456	242 876 403
Non-cash movements and adjustments to profit before tax	60.1	(110 727 443)	(69 313 356)
Changes in working capital	60.2	132 977 462	149 555 341
Taxation paid	60.3	(25 633 098)	(12 356 883)
Net cash from operating activities		**326 454 377**	**310 761 505**
Cash flows from investing activities			
Acquisition of financial assets		(303 788 725)	(235 771 224)
Acquisition of investment properties		(10 626 159)	(6 932 337)
Acquisition of property and equipment		(17 796 971)	(13 664 672)
Net cash used in investing activities		**(332 211 855)**	**(256 368 233)**
Cash flows from financing activities			
Dividends paid	60.4	(23 752 629)	(18 786 050)
Net cash used in financing activities		**(23 752 629)**	**(18 786 050)**
Net (decrease)/increase in cash and cash equivalents		**(29 510 107)**	**35 607 222**
Net foreign exchange differences on cash and cash equivalents		**250 469**	**(180 901)**
Cash and cash equivalents at the beginning of the year		**190 251 626**	**154 825 305**
Cash and cash equivalents at the end of the year		**160 991 988**	**190 251 626**

COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 Company $	2017 Company $
Cash flows from operating activities			
Profit before tax		142 205 616	112 329 852
Non-cash movements and adjustments to profit before tax	61.1	(122 462 781)	(68 166 389)
Changes in working capital	61.2	24 492 293	11 235 570
Taxation paid	61.3	(6 659 829)	(8 212 928)
Net cash from operating activities		**37 575 299**	**47 186 105**
Cash flows from investing activities			
Disposal/(acquisition) of financial assets		1 129 476	(29 302 964)
Proceeds from disposal of property and equipment		-	-
Increase in investments in subsidiaries		(2 500 000)	(800 000)
Acquisition of property and equipment		(81 859)	(12 724)
Net cash used in Investing activities		(1 452 383)	(30 155 688)
Cashflows from financing activities			
Dividends paid	61.4	(18 272 968)	(18 860 286)
Net cash used in financing activities		**(18 272 968)**	**(18 860 286)**
Net increase/(decrease) in cash and cash equivalents		**17 849 948**	**(1 789 869)**
Cash and cash equivalents at the beginning of the year		**3 316 468**	**5 106 337**
Cash and cash equivalents at the end of the year		**21 166 416**	**3 316 468**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

1. General Information

Old Mutual Zimbabwe Limited (OMZIL) and its subsidiaries are incorporated in Zimbabwe. These consolidated financial statements comprise the Group and its Subsidiaries (collectively the 'Group' and individually 'Group companies'). The Group's Subsidiaries and main activities are as follows:

- Central Africa Building Society (CABS) – mortgage lending and banking;
- Old Mutual Life Assurance Company Zimbabwe Limited (OMLAC) - life assurance, pension and employee benefits services;
- Old Mutual Investment Group Zimbabwe (Private) Limited (OMIG) - asset management;
- Old Mutual Property Zimbabwe (Private) Limited (OMP) - property management company;
- CABS Custodial Services (Private) Limited (CABCUS) - back-office and custody services in respect of scrip and certain documents of title;
- Old Mutual Securities (Private) Limited (OMSEC) - licensed securities dealing firm;
- RM Insurance Holdings Company Limited (RMI), with an operating subsidiary, Old Mutual Insurance Company (Private) Limited (OMICO) - short term insurer;
- Old Mutual Finance (Private) Limited (OMFIN) - credit only micro-finance company;
- Old Mutual Shared Services (Private) Limited (OMSS) - professional services.

The holding company (OMZIL) is a 75% owned subsidiary of OM Zimbabwe Holdco Limited which is ultimately a wholly owned subsidiary of Old Mutual Limited, listed on the Johannesburg Stock Exchange.

2. Accounting Policies

2.1 Statement of compliance

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) and in accordance with the requirements of the Companies Act (Chapter 24:03. The Group is also regulated by the Insurance Act (Chapter 24:07), the Pension and Provident Funds Act (Chapter 24:09), the Building Societies Act (Chapter 24:02), the Asset Management Act (Chapter 24:26), the Securities Act (Chapter 24:25), the Collective Investment Schemes Act (Chapter 24:19). IFRSs comprise standards adopted by the International Accounting Standards Board (IASB) and interpretations developed by the International Financial Reporting Interpretations Committee (IFRIC) or by the former Standing Interpretations Committee (SIC).

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the Group). The Parent Company financial statements present information about the Company as a separate entity and not about the Group.

2.2 Basis of preparation

The financial statements provide information about the financial position, results of operations, and changes in the financial position of the Group. They are based on the statutory records that are maintained under the historical cost convention with the exception of investments and securities, investment properties and owner occupied properties which are included at valuation as described in note 2.9, 2.10 and 2.13 below; as well as insurance contract provisions and provisions for investment contracts with discretionary participating features which are calculated on a Financial Soundness Valuation Basis as per note 2.6 below. The accounting policies have been consistently applied to all periods presented.

The group has in previous financial periods adopted the United States Dollar as its presentation and functional currency. For the 2018 Financial Statements, in order to comply with local laws and regulations, particularly Statutory Instrument 33 of 2019 (SI33) and after taking into account the guidance of the Public Accountants and Auditors Board (PAAB) issued on 21 March 2019, the group has adopted the US Dollar as its presentation currency. SI33 has precluded the group from applying an independent assessment of functional currency as provided for under International Accounting Standard 21 “The Effects of Changes in Foreign Exchange Rates”. Please refer to the use of estimates and judgements note 2.3 below for further detail.

The Group financial statements have been prepared on the going concern basis which the directors believe to be appropriate having taken into consideration the points set out in the Director’s report.

2.3 Critical accounting estimates and judgements

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Critical accounting estimates are those which involve the most complex or subjective judgement or assessments. The areas of the Group’s business that typically require such estimates are life insurance contract provisions, determination of the fair value for financial assets and liabilities, investment properties and provisions. For the year ended 31 December 2018, the determination of functional currency has been a key judgement area. Insurance contract accounting and key assumptions made in determining insurance contract provisions are discussed in more detail in note 2.6.

2.3.1 Functional currency

As prescribed under Statutory Instrument 33 (SI 33) of 2019, the group has adopted United States Dollar (USD)as the functional currency notwithstanding requirements of IFRS.

2.3.1.1 Functional currency disclosure in the 2018 Financial statements

Since 2009, Zimbabwe has been under a multi-currency system, under which the USD had emerged as the currency of reference for business and government. New legislation was promulgated in the form of Statutory Instruments 133 of 2016 and 122a of 2017 which prescribed bond notes and coins issued by the Reserve Bank of Zimbabwe as legal tender with a 1:1 parity with the USD. With the acute shortage of USD cash and other foreign currencies in the country, increases in the utilisation of different modes of payment for goods and services such as settlement via the Real Time Gross Settlement (RTGS) system overseen by the Reserve Bank of Zimbabwe (RBZ), Point of Sale Machines (POS) and mobile money platforms, were observed. In addition:

- There were media reports dating back from 2017 of instances of some businesses pricing products and services differently, depending on the mode of payment, with the USD cash or payments from USD denominated Nostro accounts being the cheapest alternative and RTGS the most expensive. This practice, however, was discouraged by the monetary authorities;
- The significant unavailability of the USD in cash and in Nostro accounts made processing of payments to foreign suppliers and creditors difficult for businesses, with waiting periods being experienced.

As a result of these and other factors, management had to make an assessment of whether the use of the United States dollar as the Group's functional currency was still appropriate. In doing so, management considered the following parameters as set out in International Accounting Standard 21 "The Effects of Changes in Foreign Exchange Rates" (Paragraph 8) i.e. :

- The currency that mainly influences sales prices for goods and services (normally the currency in which the sales price for goods or services are denominated and settled);
- The currency of the competitive forces and regulations that mainly determine the sales prices of goods and services;
- The currency that mainly influences labour, material and other costs of providing goods or services; (normally the currency in which such costs are denominated and settled);
- The currency in which funds from financing activities are generated; and
- The currency in which receipts from operating activities are usually retained.

It was the view of the directors for 2017 Financial Reporting, that the USD remained the primary driver for most of the factors above. It should also be noted that in line with guidance set by the RBZ, banks and other financial intermediaries, including the Old Mutual Zimbabwe group, did not maintain separate customer accounts for USD; Bond notes and coins; and payments made electronically whose values were considered to be at par. Obligations to our clients were settled mostly via electronic platforms available through the national payments system, including RTGS.

The directors therefore, took the view for purposes of preparing the 2017 Financial Statements, that the USD was still the Group's functional currency. This was also in line with guidance provided by the Public Accountants and Auditors Board (PAAB) .

2.3.1.2 Key developments during 2018 and early 2019

In February 2018 the RBZ instructed the banks to ring-fence actual foreign currency deposits from RTGS transfer deposits in customer accounts.

Through the Monetary Policy Statement (MPS) delivered on 1 October 2018, the RBZ bank further instructed banks to separate USD balances from RTGS Balances and bond notes and required the opening of a RTGS Foreign Currency Customer Account (FCA) for local electronic money transfers and bond note transactions and the Nostro FCA for actual foreign currency deposits or export proceeds. The MPS referred to the need to "eliminate the commingling or dilution effect of RTGS balances on Nostro Customer foreign currency accounts". The RBZ set the rate of exchange between the two at 1:1. However, the same MPS also alluded to the existence of "escalating foreign currency premiums" and "a thriving parallel market". The RBZ has reported money supply in Zimbabwe at $9 billion as at 30 June 2018, of which the estimated foreign currency in circulation was less than US$500 million. The increase in money supply saw a corresponding increase in premiums obtained in the unofficial parallel market for hard currency. Although RTGS FCA and the Nostro FCA bank accounts were pegged at 1:1 during 2018, local banks have had difficulty meeting foreign payment requests, unless an entity has directly deposited actual USD cash in advance of the bank facilitating payment, received export proceeds or has been allocated foreign currency officially through the RBZ for imports on the priority list which includes fuel and medicines, among others.

In the budget speech delivered in November 2018, the Minister of Finance announced that import duty on certain goods would have to be paid in the underlying foreign currency used to procure the goods, instead of RTGS transfers or bond notes as had been the case previously. The Finance Act of November 2018 provides for Value Added Tax on supplies invoiced in foreign currency to be remitted in the same currency used for invoicing.

Observed markets developments and responses to the policy measured announced are summarized as follows:

- Significant increases in premiums on the unofficial currency market since the beginning of October 2018.
- A greater prevalence of multiple pricing regimes with higher prices being charged for non-USD and other foreign payments, while foreign currency or USD cash purchases were at heavily discounted prices. This has been justified by the need to secure foreign currency for vital imports on the part of the suppliers and retailers concerned. The difference in the USD and local prices seems indicative of a premium for hard currency outside the official parity rate prescribed.
- The Zimbabwe Stock Exchange rose over 30% between 1 October 2018 and 31 December 2018 (increase of 46% for the full year 2018), amid reports of a sharp decline in sell offers on the market.
- Monthly inflation during the month of October was 16% while October 2018 year on year inflation was recorded at 21% compared to 5% in September. In November, year on year inflation further increased to 31% and then to 42.1% in December 2018 (2017: 3.46%), which is far above the inflation levels that would be typical of a USD based economic environment. Inflation in the United States of America for December 2018 was 1.9% (2017: 2.1%).
- On 12 January 2019, the government increased fuel prices by 150% in response to worsening fuel shortages.

Monetary Policy Statement (MPS) of 20 February 2019

On 20 February 2019, the RBZ Governor announced a new MPS whose highlights were:

- Denomination of RTGS balances, bond notes and coins collectively as RTGS dollars. RTGS dollars became part of the multi-currency system.
- RTGS Dollars to be used by all entities (including government) and individuals in Zimbabwe for purposes of pricing of goods and services, recording debts, accounting and settlement of domestic transactions.
- Establishment of an inter-bank foreign exchange market where the exchange rate will be determined by market forces.

The MPS was followed by the publication of Statutory Instrument 33 of 2019 (SI33) on 22 February 2019. The Statutory Instrument gave effect to the introduction of the RTGS Dollar as legal tender and prescribed that "for accounting and other purposes" certain assets and liabilities on the effective date would be deemed to be RTGS dollars at a rate of 1:1 to the USD and would become opening RTGS Dollar values from the effective date.

2.3.1.3 Functional currency assessment for the 2018 financial statements.

Based on a critical evaluation of the same factors as for 2017 (outlined above), the directors were not able to arrive at the same conclusion that was arrived at in the preparation of the 2017 financial statements, which was that the USD is the group's functional currency. This outcome is based on the directors' interpretation of International Accounting Standard 21 "The Effects of Changes in Foreign Exchange Rates" (IAS21). In particular IAS 21 defines a functional currency as the "currency of the primary economic environment in which an entity operates". Rather, the directors have determined that the functional currency of the group is now the RTGS dollar. The date from which the stronger indicators of the functional currency changing emerged was 1 October 2018. In arriving at this conclusion, the directors considered the MPS of 20 February 2019, as well as the following additional factors:

- The significant deterioration in the ability to the business during 2018 to meet USD foreign payment obligations, with some obligations remaining unpaid for over 12 months, despite sufficient electronic cash resources held. The group does not resort to unofficial foreign currency markets or pay premiums to obtain foreign currency, and relies on the official market to meet foreign payment obligations;
- The regulatory requirement, announced on 1 October 2018 to separate hard currency or Nostro balances from bond notes and RTGS balances, which was not the case in 2017;
- The fact that a significant majority of the group's operating cashflows are retained in RTGS accounts, as opposed to Nostro FCA accounts;
- The assessment that hard currency or Nostro account based transactions, constitute a relatively small proportion of the overall transactions done by the group;
- The self-evident increase in the extent of purchasing power disparities between the USD on one hand; and local bond notes and RTGS balances on the other hand, which was experienced in 2018, particularly in the last quarter of that year, and which have continued into 2019;
- Upward asset price movements which seem de-linked from the circulation of actual USD within the economy.

The directors were not able to arrive at the same conclusion that was arrived at in the preparation of the 2017 financial statements, which was that the USD is the group's functional currency. This outcome is based on the directors' interpretation of IAS 21. In particular IAS 21 defines a functional currency as the "currency of the primary economic environment in which an entity operates". The directors also believe that while underlying regulatory and market conditions were more supportive of an exchange rate of 1:1 between Bond/RTGS and the USD in 2017, during 2018 a significant divergence in market perception of the relative values between the two currencies occurred. We believe that the fact that the interbank foreign currency market which was established towards the end of February 2019, opened trading at USD1: RTGS$2.5, is an indicator of the relative loss of value of bond notes and RTGS balances during 2018.

The directors, in the spirit of complying with the law, and having considered guidance on the matter provided by the PAAB, have taken the option of adopting the accounting treatment prescribed under SI33 and have used an exchange rate of 1:1 between RTGS balances, bond notes; and the USD. This is different from the approach taken by the group's South African parent company, Old Mutual Limited, which treated the RTGS dollar as a functional currency effective from 1 October 2018 at an exchange rate of USD1: RTGS$3.3.

Sensitivities on the exchange rate are disclosed under Note 63.2.

2.3.2 Other critical judgements

Financial assets and liabilities

The fair values of investment properties, financial assets and liabilities are classified and accounted for in accordance with the policies set out in section 2.9 and 2.13 below. They are valued on the basis of listed market prices in so far as this is possible. If prices are not readily determinable, fair value is based either on internal valuation models or management estimates of amounts that could be realized under current market conditions.

The translation of the foreign currency denominated assets and liabilities to local currency is based on the year-end exchange rate while transactions are translated at the average exchange rate for the reporting period.

Non-current assets are subject to annual impairment reviews or whenever there is an indication of impairment. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Recoverable amount is determined as the higher of fair value less costs to sell or value in use. Impairment losses are recorded in profit or loss in the period in which they occur.

The Group is required to make judgements on what constitutes an investment in associate. IAS 28 "Investments in Associates and Joint Ventures" defines an associate as an entity in which the investor has significant influence. The standard states that if an entity holds 20%, directly or indirectly of the voting power of the investee, it is presumed that the entity has significant influence unless it can clearly be demonstrated that it is not the case. The Standard provides an exemption for venture capital organizations, mutual funds, unit trusts and similar entities including investment linked insurance funds to measure investments in those entities at fair value through profit or loss in accordance with IFRS 9 "Financial Instruments: Recognition and measurement".

- The Group has investment linked insurance funds which include investments in which the Group has more than 20% disclosed on Note 24.5. These funds are backed by investment contracts with discretionary participating features and meet the following characteristics:

  - The policyholder has a clear understanding of the type of investments the Group invests in;
  - There is a link between the investments and what the policyholders are entitled to;
  - The valuation of the liability is based on the value of the assets; and
  - The assets backing these liabilities are ring-fenced.

- The Group has funds which operate like unit trusts and these also include investments in which the Group has more than 20%. These funds, back investment contracts accounted for in terms of IFRS 9, at fair value.

Valuation of housing projects

Inventory comprises housing units/housing projects which are valued at the lower of cost or net realisable value of the completed housing units. The significant judgement is the estimate of cost to completion used in determination of the net realisable value. Management makes use of external valuations performed by valuers for confirmation of the determined net realisable value.

Valuation of Treasury bills

Financial instruments comprises of treasury bills instruments. The valuation of treasury bills on initial recognition, and the subsequent measurement thereof, has been identified as a complex area due to the fact that there are varying views in the banking sector on the correct accounting treatment of these treasury bills, and due to the absence of an active market with sufficient trades to inform the fair value of the treasury bills. The treasury bills are disclosed in note 24.6, and are recorded at fair value.

2.4 Scope of consolidation

2.4.1 Subsidiary undertakings

Subsidiary undertakings are those entities controlled by the Group. The financial statements of subsidiaries are included in the Group financial statements from the date that control commences until the date that control ceases. Subsidiary undertakings include structured entities created and designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

Control exists when the Group is exposed or has rights to variable returns from its involvement with the investee, and has the ability to affect those returns through its power over the investee. The Group considers the existence and effect of potential voting rights currently exercisable or convertible when assessing whether it has control. Entities in which the Group holds half or less of the voting rights, but the Group retains the majority of risks and benefits are also included in the Group accounts. The Group considers evidence from its holding of debt or equity instruments as well as other forms of involvement such as provision of funding, liquidity support, credit enhancement and guarantees to the other entity. The Group financial statements include the assets, liabilities, and results of the Group together with subsidiary undertakings controlled by the Group.

The results of subsidiary undertakings acquired and disposed of during the year are included in profit or loss from the date of acquisition, up to the date of disposal or control ceasing. Intra-group balances and transactions, and all profits and losses arising from intra-group transactions, are eliminated in preparing the Group financial statements. Unrealised losses are not eliminated to the extent that they provide evidence of impairment.

Non-controlling interests (NCI) are measured at their proportionate share of the values of the assets and liabilities recognized at initial recognition in the business combination. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Loss of Control

When the Group loses control over a subsidiary, it derecognizes (eliminated from statement of financial position) the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured as a financial asset at fair value when control or significant influence is lost, or in terms of IAS 28 if it is an associate.

2.5 Revenue

Revenue comprises premium income from insurance contracts and investment contracts with a discretionary participating feature, fee income from investment management contracts, commission income, banking interest income, fees and commissions, non-banking interest income dividend income fees and investment income, and fees for administration and management of policyholder funds. Fees charged for management services provided are recognised as revenue in profit or loss as the services are provided. Revenue is accounted for in accordance with the particular accounting policies as set out in section 2.6 and 2.13 below.

2.6 Insurance and investment contracts

2.6.1 Classification of contracts

Contracts under which the Group accepts significant insurance risk from another party (the policyholder), by agreeing to compensate the policyholder or other beneficiary for a specified uncertain future event (the insured event) which adversely affects the policyholder, are classified as insurance contracts. Insurance risk is risk which is distinct from financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, a credit rating or credit index or other variable, provided that in the case of a non-financial variable that the variable is not specific to a party to the contract.

Insurance risk is significant if, and only if, an insured event could cause an insurer to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance. If significant additional benefits would be payable in scenarios that have commercial substance, then significant insurance risk exists even if the insured event is extremely unlikely or even if the expected present value of contingent cash flows is a small proportion of the expected present value of all remaining contractual cash flows.

A contract that is classified as an insurance contract remains an insurance contract, until all rights and obligations are extinguished or expire. Contracts under which the transfer of insurance risk to the Group from the policyholder is not significant are classified as investment contracts. Contracts with a discretionary participating feature are those under which the policyholder holds a contractual right to receive additional payments as a supplement to guaranteed minimum payments. These additional payments, the amount or timing of which is at the Group's discretion, represent a significant portion of the total contractual payments and are contractually based on:

(i) the performance of a specified pool of contracts or a specified type of contract, and
(ii) realised and/or unrealised investment returns on a specified pool of assets held by the Group.

Contracts with a discretionary participating feature may be classified either as insurance contracts or investment contracts. In the case of the Group all contracts with a discretionary participating feature are accounted for in the same manner as insurance contracts.

2.6.2 Premiums on contracts

Premiums and annuity considerations receivable under insurance contracts and investment contracts with a discretionary participating feature are recognised gross of commission, and exclude taxes and levies. Premiums in respect of other insurance contracts and investment contracts with a discretionary participation feature are recognised when due for payment. Outward reinsurance premiums are recognised when due for payment. Amounts received under investment contracts other than those with a discretionary participating feature are recorded as deposits in investment contract liabilities.

2.6.3 Revenue on investment management service contracts

Revenue from asset management consists of asset management fees, performance fees and administration fees. Fees are recognised as revenue over time as the Group provides the services. When the Group receives up-front payments for services to be rendered in the future, the payments are accounted for as contract liabilities (deferred revenue liabilities). If the amount of the fee can be reliably estimated, the Group recognises revenue over time as the services are rendered. If the fee cannot be reliably estimated, the recognition of fees based variables are delayed until significant uncertainty regarding the Group's entitlement to the fee and the measurement of the fee have been resolved.

2.6.4 Claims on contracts

Claims and benefits incurred under insurance contracts and investment contracts with a discretionary participating feature include maturities, annuities, surrenders, and death and disability payments and are recognised in profit or loss.

Maturity and annuity claims are recorded as they fall due for payment. Death and disability claims and surrenders are accounted for when notified. Reinsurance recoveries are accounted for in the same period as the related claim.

Amounts paid under investment contracts other than those with a discretionary participating feature are recorded as deductions from investment contract liabilities.

Claims incurred in respect of short-term insurance general business consist of claims, and claims handling expenses paid during the financial year, together with the movement in the provision for outstanding claims.

Claims outstanding comprise provision for the Group's estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date whether reported or not, and an appropriate prudential margin. Claims outstanding are assessed by reviewing individual claims and making allowance for claims incurred but not yet reported, the effect of both internal and external foreseeable events, such as change in claims handling procedure, inflation, judicial trends, legislative changes and past experience and trends. Claim provisions for claims outstanding are discounted where there is a particularly long period from incident to claims settlement and where there exists a suitable claims pattern from which to calculate the discount.

2.6.5 Insurance contract liabilities and investment constracts with DPF

Insurance contract provisions are measured using the Financial Soundness Valuation (FSV) method as set out in the guidelines issued by the Actuarial Society of South Africa (ASSA) in Standard of Actuarial Practice (SAP) 104 (version 8). Under this guideline, provisions are valued using realistic expectations of future experience, with prescribed margins for prudence and deferral of profit emergence.

Provisions for investment contracts with a discretionary participating feature are also computed using FSV method. Surplus allocated to policyholders but not yet distributed (i.e. bonus smoothing reserve) related to these contracts is included as a carrying value of liabilities.

Investment options and guaranteed payments are computed on the prospective deposit method, which produces reserves equal to the present value of future benefit payments.

Derivatives embedded in an insurance contract are not separated and measured at fair value if the embedded derivative itself qualifies for recognition as an insurance contract. The entire contract is measured as described above.

The Group performs liability adequacy testing on its insurance liabilities (including investment contract liabilities with discretionary participating features) to ensure that the carrying amount of its liabilities is sufficient in view of estimated future cash flows. When performing the liability adequacy test, the Group discounts all contractual cash flows and compares this amount to the carrying value of the liability. Where a shortfall is identified, an additional provision is made.

The provision estimation techniques and assumptions are periodically reviewed, with any changes in estimates being reflected in profit or loss as they occur.

Whilst the directors consider that the gross insurance contract provisions and the related reinsurance recovery are fairly recognised on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and events, and may result in significant adjustments to the amount provided. The Group applies shadow accounting in relation to certain insurance contract provisions, which are supported by owner-occupied properties, on which unrealized gains and losses are recognised within other comprehensive income.

2.6.6 Investment contract liabilities

Liabilities for investment contracts without a discretionary participating feature are classified as financial liabilities at fair value through profit or loss and are measured at fair value. For unit linked and market linked contracts, this is calculated as the account balance, which is the value of the units allocated to the policyholder, based on the bid price value of the assets in the underlying fund (adjusted for tax). For other linked contracts, the fair value of the liability is determined by reference to the fair value of the underlying assets, and is in accordance with the FSV method, except that negative dollar reserves arising from the capitalisation of future margins are not permitted. The fair value of the liability is subject to the “deposit floor” such that the liability established cannot be less than the amount repayable on demand.

2.6.7 Acquisition costs on long-term insurance

Acquisition costs, disclosed as sales remuneration, comprise all direct and indirect costs arising from the sale of insurance contracts. The FSV method, used to determine insurance contract provisions and provisions for investment contracts with a discretionary participating feature, makes implicit allowance for the deferral of acquisition costs; therefore, no explicit deferred acquisition cost asset is recognised in the statement of financial position for the contracts issued in these areas.

2.6.8 Deferred acquisition costs in respect of investment management service contracts

Costs that are directly attributable to securing an investment management service contract are deferred if they can be identified separately and measured reliably and it is probable that they will be recovered. The incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with the customer that it would not have incurred if the contract had not been obtained.

2.7 Intangible assets

Intangible assets are measured at cost on initial recognition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and impairment losses.

Intangible assets are amortised over their useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method is reviewed at least each financial year-end. Changes in expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. Intangible assets are armotised over a period of 5 years using the straight line method.

The carrying value of capitalized development costs is reviewed for impairment annually when the asset is not yet in use or more frequently when an indication of impairment arises during the reporting year.

Subsequent expenditure on capitalized intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. On derecognition of intangible assets, the remaining carrying amount of the asset, is written down in profit or loss in the period of derecognition.

2.8 Investment in subsidiary companies

Investments in subsidiary companies are initially recognised at cost. Subsequent measurement is at cost less any impairment.

2.9 Investment property

Investment property is real estate held to earn rentals and/or for capital appreciation. It does not include owner-occupied property.

Investment properties are initially measured at cost and subsequently at fair value through profit or loss. Recorded values are determined by internal professional valuers who perform valuations annually. The recorded values are tested by comparing with values determined by independent external valuers for a sample of properties accounting for at least 65% of the total value of the property portfolio, or for at least the top twenty five buildings by value as well as properties being valued for the first time.

An investment property shall be derecognized (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from disposal.

The valuation methodology adopted is dependent upon the nature of the property. The investment method was applied on all income producing properties. This method was applied on industrial, retail and commercial properties and offices. The direct comparison method was applied to land holdings and residential properties. Property developments are valued in a similar manner to income generating assets except where information about future net income cannot be determined with sufficient confidence, in which case fair value is estimated with reference to the value of the land, and the cost of construction to date.

Surpluses and deficits arising from changes in fair value are reflected in profit or loss.

For properties reclassified during the year from property and equipment to investment properties, up to the date of change any revaluation gain arising is initially recognised in profit or loss to the extent of previously charged impairment losses. Any residual excess is taken to the revaluation reserve.

Revaluation deficits are recognised in the revaluation reserve to the extent of previously recognised gains and any residual deficit is accounted for in profit or loss.

Investment properties that are reclassified to owner occupied property are revalued at date of transfer, with any difference recognised in profit or loss. Its fair value at date of reclassification becomes its fair value for subsequent accounting.

2.10 Property and equipment

Owned assets

Owner-occupied property is recognised at revalued amounts, being the fair value at the date of the revaluation less subsequent accumulated depreciation and accumulated impairment losses.

Equipment, principally computer equipment, motor vehicles, fixtures and furniture, are recognised at cost less accumulated depreciation and impairment losses. Property under development is valued at cost.

Subsequent expenditure

Subsequent expenditure is capitalised when it can be reliably measured and will result in probable future economic benefits. Expenditure incurred to replace a separate component of an item of owner-occupied property or equipment is capitalised to the cost of the item and the component replaced is derecognised. All other expenditure is recognised in profit or loss as an expense when incurred.

Revaluation of owner-occupied property

Owner-occupied property is recognised at fair value. Internal professional valuers perform valuations annually. The procedures followed are as per note 2.9 and 18.

When an individual owner-occupied property is re-valued, any increase or decrease in its carrying amount (as a result of the revaluation) is recognised in other comprehensive income in a revaluation reserve, except to the extent that it represents an increase that reverses a revaluation decrease previously recognised in profit or loss, or a decrease that exceeds the revaluation surplus in which case the increase or decrease is recognised in profit or loss.

Derecognition

The carrying amount of an item of property and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. On derecognition of equipment, any gain or loss on disposal, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognised in profit or loss in the period of derecognition. In the case of owner-occupied property, any surplus in the revaluation reserve in respect of the individual property is transferred directly to retained earnings.

Depreciation

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of items of owner-occupied property and equipment that are accounted for separately.

In the case of owner-occupied property, on revaluation any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the property concerned and the net amount restated to the revalued amount. Subsequent depreciation charges are adjusted based on the revalued amount for each property. Land is not depreciated.

Owner-occupied property is depreciated over a period of 50 years using the straight line method. Leasehold property is depreciated over a period of 20 years using the straight line method. Motor vehicles, computer equipment, fixtures and furniture are depreciated over 5 years using the straight line method.

Residual values, useful lives and depreciation methods are re-assessed at each reporting date.

2.11 Taxation

The tax charge for the current year comprises current and deferred tax. Included within the tax charge are charges relating to normal income tax, taxes payable on behalf of policyholders, and capital gains tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly to other comprehensive income or equity, in which case it is recognised in other comprehensive income or equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred taxation is recognised in respect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred taxation provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the reporting date. Deferred taxation is charged to profit or loss except to the extent that it relates to a transaction that is recognized directly in equity or other comprehensive income. The effect on deferred taxation of any changes in tax rates is recognised in profit or loss, except to the extent that it relates to items previously charged or credited directly to equity or other comprehensive income.

A deferred tax liability is not recognised on temporary differences that arise from:

- Initial recognition of goodwill;
- initial recognition of an asset or liability in a transaction that is not a business combination which, affects neither the accounting nor taxable profit or loss; and
- temporary differences associated with investment in subsidiaries where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable income will be available, against which the unutilised tax losses and deductible temporary differences can be used. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefits will be realized and such reductions are reversed when the probability of future taxable profits improves.

2.12 Reinsurance

Reinsurance assets comprise contracts with reinsurers under which the Group is compensated for losses on one or more contracts which are classified as insurance contracts. Reinsurance on contracts that do not meet this classification is classified as a financial asset. Anticipated reinsurance recoveries are disclosed separately as assets. Reinsurance and other recoveries are assessed in a manner similar to the assessment of claims outstanding.

A reinsurance asset principally includes the reinsurers' share of liabilities in respect of contracts with policyholders. Amounts recoverable under reinsurance contracts are recognised in a manner consistent with the reinsured risks and in accordance with the terms of the reinsurance contract. Reinsurance is presented in the statement of financial position on a gross basis.

Reinsurance assets are assessed for impairment at each reporting date. An asset is deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Group may not recover all amounts due, and that the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer.

2.13 Financial instruments

Recognition and derecognition

Classification and measurement of financial assets and financial liabilities

IFRS 9 replaces the provisions of 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 recognised in the financial statements. The new accounting policies effective from 1 January 2018 are set out below.

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 or Loss (FVTPL).

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

The classification of financial assets under IFRS 9 is based on whether the financial assets are equity instruments, debt instruments held or derivative assets. Equity instruments held for trading purposes and derivative assets are mandatorily categorized as financial assets at FVTPL. The classification and measurement of debt instruments is dependent on the business model in which the financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not accounted for separately. Instead, the hybrid financial instrument as a whole is assessed for classification.

A debt instrument is classified as a financial asset at amortised cost if it meets both of the following conditions (and is not designated as at FVTPL):

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI if it meets both of the following conditions (and is not designated as at FVTPL):

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity instrument that is not held for trading, the instrument may be irrevocably designated at FVOCI. In such an instance, changes in the equity instrument's fair value are recorded in other comprehensive income (OCI). This election is made on an investment-by-investment basis.

All debt instrument financial assets that were not classified as measured at amortised cost or FVOCI are measured at FVTPL. On initial recognition, the Group may irrevocably designate a debt instrument financial asset that otherwise meets the requirements to be measured at amortised cost to be at FVOCI or at FVTPL ,if doing so, eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Transaction costs that are directly attributable to the acquisition of financial assets are expensed in profit or loss for financial assets initially classified at FVTPL. For financial assets not classified at FVTPL, transaction costs are added to or deducted from the fair value at initial recognition.

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.

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.
Debt 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.

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 or loss. The balance of the fair value movement is recorded in profit or loss.

Business model assessment

The Group makes an assessment of the objective of a business model across its various business units in order to determine the appropriate classification basis of financial instruments. The Information considered includes:

Banking business

- The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the business's stated objective for managing the financial assets is achieved and how cash flows are realised.

Insurance business

The business holds a portfolio of long-term fixed rate public sector securities, debentures and short term fixed deposits in the money market. Assessment determined that the contractual terms of these interest bearing securities give rise to cashflows on specified dates that are solely payments of principal and interest on principal amount outstanding.

The business elected to irrevocably designate interest bearing securities to be measured at fair value through profit or loss in order to reduce the recognition inconsistency that would otherwise arise from measuring financial assets with policyholder liabilities or recognising the gains and losses on them on different bases.

The business did not elect to measure equity instruments in other comprehensive income because they are underlying assets that are held to back policyholder liabilities. The business did not hold financial assets at fair value through other comprehensive income at the reporting date.

Rest of Group

The other businesses hold their interest bearing securities (debentures, fixed deposits in money markets and public sector securities) to maturity for the purpose of collecting contractual cashflows. The cashflows of these investments meet the SPPI (solely payments of principal and interest on principal amount outstanding) test and are classified at amortised cost.

Equity investments (both listed and unlisted) and unit trusts investments are measured at fair value through profit or loss. These businesses did not hold financial assets at fair value through other comprehensive income at the reporting date.

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model and results in credit losses being recognised earlier than under IAS 39. The new impairment model applies to financial assets measured at amortised cost (for example mandatory reserve deposits with central banks, reinsurers' share of policyholder liabilities, loans and advances, trade and other receivables, cash and cash equivalents, and corporate debt securities held by the Group), but not to investments in equity instruments. As a consequence of the new standard, the Group has revised its impairment methodology under IFRS 9 for each of these classes of assets. The impact of the change in impairment methodology on the Group's total equity is disclosed in 23.2.

The ECL impairment loss allowance is an unbiased, probability - weighted amount determined by evaluating a range of possible outcomes that reflects reasonable and supportable information that is available without undue cost or effort of past events, current conditions and forecasts of forward-looking economic conditions. The ECL model is dependent on the availability of relevant and accurate data to determine whether a significant increase in credit risk occurred since initial recognition, the probability of default (PD), the loss given default (LGD) and the possible exposure at default (EAD). Of equal importance is sound correlation between these parameters and forward-looking economic conditions.

ECL reflects an entity's own expectations of credit losses. However, when considering all reasonable and supportable information that is available without undue cost or effort in estimating ECL, an entity should also consider observable market information about the credit risk of the particular financial instrument or similar financial instruments. In the absence of sufficient depth of data, management apply expert judgment within a governance framework to determine the required parameters. The expert judgement process is based on available internal and external information.

Loans and advances
In determining the ECL allowances for loans and advances, the following significant judgements and estimates were considered.

- In the absence of sufficient depth of data and the sophistication of credit risk management systems and protocols, management applies expert judgement within a governance framework to determine the required parameters. The expert judgement process is based on available internal and external information. Due to differences in availability of data and maturity of credit risk management across the Group, different approaches are used to determine the key parameters.

- Judgement was applied in identifying the qualitative and quantitative triggers and thresholds used to identify significant increases in credit risk since initial recognition of the financial assets. Depending on the availability of reasonable and supportable information without undue cost or effort, significant increases in credit risk are identified through, amongst others, increases in behaviour scores, arrears aging and portfolio assessments.

- In some instances the 12-month PDs are calculated by a behaviour scoring model that takes into account internal and external information, where available. The 'behaviour PDs' are linked to empirical default rates. A specific change in the behaviour score (and associated PD) indicates that the credit risk has increased significantly since initial recognition. Identifying the specific change in the PD that would trigger a significant increase in credit risk includes a degree of judgement. The behaviour scorecard is monitored and is recalibrated if necessary. Translating 12-months PDs into lifetime PDs requires management judgement and is based on the timing of defaults observed historically. In low default commercial and corporate portfolios PDs are calculated using a combination of internal ratings, default experience and PD floors based on sovereign credit ratings for the jurisdiction.

- Various arrear aging thresholds are also used to determine whether a significant increase in credit risk took place since initial recognition. Judgement is applied to determine the appropriate arrears threshold for different financial assets. The Group also makes use of the rebuttable presumption that a significant increase in credit risk has taken place when a financial asset is 30 days past due or one payment in arrears.

- The Group applies judgement in identifying default and credit-impaired financial assets. In making this judgement, the Group considers the arrears category where the balance has been allocated to, whether the balance is in legal review, debt review or under administration or expert judgement. Financial asset are credit impaired when one or more events with a detrimental impact on the expected cash flows have taken place.

- A key judgement in determining the LGDs is the time period that the cash flows must be estimated for. The time period is estimated based on historical data that can be volatile. When the cash flows are too volatile the time period is capped to limit volatility. LGDs are influenced by estimates of the amounts to be recovered from the realisation of collateral and the estimated costs to realise the collateral.

- The Group has applied judgement in forecasting the following macroeconomic factors: CPI inflation and unemployment rate. Management applied judgement in determining the number of scenarios to be used, the probability assigned to each scenario and the time period used to estimate the impact of forward-looking information of the ECL losses. By nature, the estimation of the values of macroeconomic factors in the near future is judgemental and subject to uncertainty.

- In the absence of a reliable correlation between macroeconomic factors and ECL losses, the Group applied expert judgement to decide whether a management overlay provision should be included in the measurement of ECL losses. After considering available information and qualitative risk factors within a governed process, the

  Group concluded that a management overlay provision will not be included in the measurement of ECL losses.

Estimates regarding credit risk parameters and the impact of forward-looking information used in the calculation of the ECL loss amount should be reviewed at each reporting date and updated if necessary.

The ECL loss amount depends on the specific stage where the financial instrument has been allocated to within the ECL model:

- Stage 1: At initial recognition a financial instrument is allocated into stage 1, except for purchased or originated credit impaired financial instruments.
- Stage 2: A financial instrument is allocated to stage 2 if there has been a significant increase in credit risk since initial recognition of the financial instrument.
- Stage 3: A financial instrument is allocated to stage 3 if the financial instrument is in default or is considered to be credit impaired.

  Under IFRS 9, impairment loss allowances are measured on either of the following bases:
- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date (stage 1); and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument (stage 2 and 3).

The Reserve Bank of Zimbabwe (RBZ) also requires the Group to provide for provisions for loan lossesthat may differ from impairment losses as determined in accordance with International Financial Reporting Standard (IFRS 9) "Financial Instruments: Recognition and Measurement". Where the provision as per RBZ guidelines is higher than the IFRS 9 impairment losses, the excess is treated as an appropriation of equity.

Group's assessment

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured as twelve-month ECLs:

- Financial assets that are determined to have low credit risk at the reporting date; and
- Financial assets where credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

The Group has elected to apply the IFRS 9 simplified approach in measuring expected credit losses for non-banking business. This uses a provision matrix when determining the lifetime expected loss allowance for all trade receivables, contract assets, lease receivables and cash and cash equivalents.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers quantitative and qualitative information, based on the Group's historical experience, credit assessment, and including forward-looking information. The Group's assessment of a significant increase in credit risk from initial recognition consists of a primary and secondary risk driver as follows:

- The primary risk driver aligns to the quantitative credit risk assessments performed, such as the credit score, credit rating, probability of default or arrears aging of a financial instrument.
- The secondary risk assessment considers a broad range of qualitative risk factors based on a forward looking view such as economic and sector outlooks. The secondary risk assessment can be performed on a portfolio basis as opposed to a quantitative assessment which is done at a financial instrument level.

These primary and secondary risk drivers are included by the Group as part of the ongoing credit risk management.

When making a quantitative assessment, the Group uses the change in the probability of default occurring over the expected life of the financial instrument. This requires a measurement of the probability of default at initial recognition and at the reporting date.

A rebuttable assumption is that the credit risk, since initial recognition, has increased significantly if a financial instrument is 30 days past due on any payments or is one payment in arrears. It is not anticipated that this assumption will be rebutted.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk. The ECL calculation of a financial instrument takes into account both the contractual and available behavioural repayment patterns over the relevant estimation period.

A financial asset is in default when the financial asset is credit-impaired or if the Basel definition of default is met. Where applicable, the rebuttable presumption that default does not occur later than when a financial asset is 90 days past due, is applied.

Measurement of expected credit losses (ECL)
ECLs are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

For presentation the ECL allowances are deducted from the gross carrying amount of the assets. ECLs are presented separately in the consolidated income statement.

Significant judgments and estimates
In determining the ECL allowances for loans and advances the following significant judgments and estimates were considered. The availability of information and the sophistication of credit risk management systems and protocols will influence the judgments made and estimates considered.

- The Group applies judgment in determining whether a significant increase in credit risk took place since initial recognition of financial assets at amortised cost. Judgment was applied in identifying the qualitative and quantitative triggers and thresholds used to identify significant increases in credit risk since initial recognition of the financial assets. Depending on the availability of reasonable and supportable information without undue cost or effort, significant increases in credit risk is identified through increases in behaviour risk, arrears aging and portfolio assessments. The Group makes use of the rebuttable presumption that a significant increase in credit risk has taken place when a financial asset is 30 days past due or one payment in arrears. The assessments are carried out on regular basis as part of the credit risk management activities of the Group.
- The Group applies judgment in identifying default and credit-impaired financial assets. The Group considers the arrears category where the balance has been allocated to or whether the balance is in legal review, debt review or under administration. Balances are considered to be in default when the balances have been past due for 90 days or more or have been identified to be in default after applying expert judgment. Financial assets are credit

impaired when one or more events with a detrimental impact on the expected cash flows have taken place.

- The calculation of the ECL balance is primarily influenced by the stage allocation of the balance and the risk parameters. The Group makes use of estimates of PDs, LGDs and EADs to calculate the ECL balance for financial assets at amortised cost. Depending on the relevant information available PDs are based on a behavioural scoring model and historic default rate curves or are determined through internally developed statistical models. LGDs are derived from a default recovery time series model that takes recency of payments into account or through internally developed statistical models. EADs are determined with reference to expected amortisation schedules and taking into account credit conversion factors as applicable for undrawn or revolving facilities.
- The ability to include forward-looking information in the measurement of ECL balances is dependent on the existence of reliable and quantifiable correlation between forward-looking factors and changes in the ECL balance. When such correlations do not exist and where applicable, management applies expert judgment to determine an overlay provision to incorporate best estimates of the impact of forward-looking information. Any overlay provision is based on available information and qualitative risk factors within a governed process.

2.14 Foreign currency translation

Foreign currency transactions are translated at the spot exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the relevant functional currency at rates of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are recognised at fair value are translated into the functional currency at foreign exchange rates ruling at the dates the fair values were determined.

Non-monetary assets and liabilities denominated in foreign currencies that are recognised at historical cost are translated into the functional currency at the rate of exchange ruling at the date of the initial recognition of the asset and liability and are not subsequently translated. Exchange gains and losses on the translation and settlement during the period of foreign monetary assets and liabilities are recognised in profit or loss. Exchange differences for non-monetary items are recognised in other comprehensive income when the changes in the fair value of the non-monetary item are recognised in other comprehensive income and in profit or loss if the changes in fair value of the non-monetary item are recognised in profit or loss.

Where the exchange rate is officially fixed by government , the Group will assess the extent to which immediate value can be obtained at the official exchange rate .Where the lack of exchangeability is not significant in extent , assets and liabilities will be translated at the official exchange rate. Where there is a significant lack of exchangeability which is temporary in nature, the group will use the first subsequent exchange rate at which exchangeability can be realized. In instances where there is lack of exchangeability , in the group 's which judgment is long term in nature ,the group will estimate a premium or discount on the official exchange rate which faithfully presents the prevailing economic circumstances taking into account observable market variables.

Sensitivities on the exchange rate are disclosed under Note 63.2.

2.15 Employee benefits

Employee benefits are all forms of consideration given by the Group in exchange for services rendered by employees.

(i) Post-employment benefits

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund is available or a reduction in future payments is probable.

(ii) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer for those benefits and when the Group recognises costs for restructuring. If the benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted. Termination benefits for voluntary redundancies are recognised as an expense at the earlier of when the employee accepts the offer; and when a restriction on the Group's ability to withdraw the offer takes effect.

(iii)Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(iv)Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods determined using the projected unit credit method. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

2.16 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will occur, and where a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under the Group's insurance arrangements, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement. Where the effect of discounting is material, provisions are discounted. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Future operating costs or losses are not provided for.

2.17 Share-based payments

Equity-settled share-based payment transactions

The services received from employees in terms of Share Based Payment transactions, are equity-settled and are measured at the fair value of the equity instruments granted. The fair value of those equity instruments are measured at grant date and are not subsequently re-measured. If the equity instruments granted vest immediately and the employee is not required to complete a specified period of service before becoming unconditionally entitled to those instruments, the services received are recognised in full on grant date in profit or loss, with a corresponding increase in share based payment reserve.

Where the equity instruments do not vest until the employee has completed a specified period of service, it is assumed that the services rendered by the employee, as consideration for those equity instruments, will be received in the future, during the vesting period. These services are accounted for in profit or loss as they are rendered during the vesting period, with a corresponding increase in share based payment reserve.

2.18 Leases

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

2.19 Impairment of non-financial assets

The carrying amounts of the Group's other assets, other than financial assets and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount is the greater of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and of the risks specific to the asset. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation if no impairment loss had been recognized.

2.20 Sale and repurchase agreements

The Group enters into purchases (sales) of the investments under agreements to resell (repurchase) identical investments at a certain date in the future at a fixed price. Investments sold under repurchase agreements continue to be recognised in the statement of financial position and are measured in accordance with the appropriate and applicable accounting policy. The proceeds from the sale of the investments are reported under deposits. The difference between the sale and repurchase agreement is treated as interest and accrued over the life of the agreement using the effective interest method. Securities lent to counterparties are also retained in the financial statements. Securities borrowed are not recognised in the financial statements, unless they are sold to third parties, in which case the purchase and sale are recorded with the gain or loss included in investment income. The obligation to return them is recorded at fair value as a trading liability.

2.21 Dividends

Dividends payable to holders of equity instruments are recognised in the period in which they are declared.

2.22 Inventory

Inventories are measured at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses. The cost of inventories is based on the first in first out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

2.23 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.24 Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operational decisions. The Group has related party relationships with its subsidiaries, fellow subsidiaries of Old Mutual Limited, company directors, other key shareholders and key management personnel.
Transactions and balances are reflected in Note 41.

2.25 Share capital

Ordinary and preference share capital is classified as equity if they are non-redeemable by the holder, and if dividends are discretionary. Coupon payments on preference share instruments are recognised as distributions within equity. Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the holder or if dividend payments are not discretionary. If the preference shares are non-redeemable by the holder and the entity has an obligation to deliver cash (or other financial assets) which the entity cannot defer until liquidation then the preference shares would be classified as a liability. Coupon payments thereon are recognised in profit or loss as an interest expense.

2.26 Segment reporting

The Group's results are analysed and reported consistently with the way that the chief operating decision maker (management and the executive directors) consider information when making operating decisions and also with the basis on which resources are allocated and performance assessed by management and Directors. The operating segments are Life Assurance, General Insurance, Banking and Lending, Asset Management, and other (being the Holding Company and other Group entities).

There are four principal business activities from which the Group generates revenues. These are premium income (Life assurance and General insurance), fee and commission income (Asset management) and banking interest and fee income (Banking). In addition to this, investment returns are also earned on funds invested. The revenues generated in each reported segment can be seen in the analysis of Profits or Losses in note 3.

2.27 Forthcoming requirements

Future amendments not early adopted in the 2018 annual financial statements

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2018 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out as follows:

IFRS 16 Leases (effective for accounting periods beginning on or after 1 January 2019)

The IASB issued IFRS 16 in January 2016. IFRS 16 replaces IAS 17 'Leases' and its related interpretations for reporting periods beginning on or after 1 January 2019.

The Group as lessee: IFRS 16 introduces a 'right-of-use' model whereby the lessee recognises a right of use asset and an associated financial obligation to make lease payments for all leases with a term of more than 12 months. The asset will be amortised over the lease term and the financial liability measured at amortised cost with interest recognised in profit or loss using the effective interest method.

The Group as lessor: IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify and account for its leases as operating leases or finance leases.

Discount rate determination

IFRS 16:26 requires that a lessee discounts lease payments using the interest rate implicit in the lease if this can readily be determined. Otherwise, the lessee uses the incremental borrowing rate.

Lessee's incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset (leased asset) in a similar economic environment. OMZIL group's management has decided to use an incremental borrowing rate as information for determination of the rate implicit in lease is not always readily available. For determination of the rate implicit in lease, information on the fair value of the underlying asset and the value of the guaranteed residual values should be available.

Impact on Balance sheet at 1 January 2019

Company	Increase of assets	Increase of liabilities
OMZIL Co	6 406	6 406
OMLAC (unconsolidated)	1 780 172	1 780 172
OMSS	1 345 169	1 345 169
CABS	4 615 156	4 615 156
OMIG	223 686	223 686
OMFIN	34 062	34 062
CABS CUS	38 213	38 213
OMSEC	6 866	6 866
OMP	393 521	393 521
OMICO	379 780	379 780
Total	**8 813 031**	**8 813 031**

- Most of the space leased by companies in the group is leased from Old Mutual Property Investments Company (Private) Limited, a subsidiary of OMLAC, the Life company.

OMZIL Consolidated after group eliminations	**21 096**	**21 096**

IFRS 17 Insurance Contracts (effective for accounting periods beginning on or after 1 January 2021)

IFRS 17 is effective for reporting periods beginning on or after 1 January 2021 (however the IASB has made a tentative decision to defer the effective date by one year, subject to due process). The IASB issued IFRS 17 'Insurance Contracts' in May 2017 as a replacement for IFRS 4 'Insurance Contracts'. The Group will apply the new standard from the effective date. The new rules will affect the financial statements and key performance indicators of the Group on insurance contracts (such as term and life insurance, life annuities and disability insurance) or investment contracts with discretionary participation features (such as with-profit annuities and investments).

During 2018, the Group commenced the initial impact assessments, including several pilot projects on selected products aimed at assessing the financial impacts of the standard. Significant progress has been made on the development of accounting and actuarial policies and methodologies. This also includes a comprehensive product classification model, which includes the Group product scope and IFRS 17 classification and measurement approach per product.

More work is now in the process of defining detailed requirements for the finance and actuarial system and process build. In parallel, a robust financial data model and Actuarial Results Repository prototype is being developed to demonstrate the capability that is required within the Group. No technology decisions have been made at this time, as the focus remains on finalisation of detailed compliance, data and business requirements.

2.28 New accounting standards adopted.

The group has adopted IFRS 9: Financial instruments for the first time in the annual reporting period commencing 1 January 2018 and the impact of the transition in terms of classification and measurement is disclosed on Note 23.

The group adopted IFRS 15: Revenue for the first time in the annual reporting period commencing 1 January 2018 and it did not result in material impact to the revenue recognition and measurement. The Group assessed for any gaps on the recognition of fee income as revenue from the old standard, IAS 18 and what is expected from IFRS 15 and concluded that revenue was being recognised upon measuring progress towards complete satisfaction of that performance obligation and therefore no change in accounting treatment was identified. The other income streams are accounted for under other accounting standards, namely, IFRS 4: Insurance Contracts and IFRS 9: Financial instruments.

2.29 Comparative figures

As much as possible, comparative figures are reclassified in line with current year presentation.

3, Segment information

		Life Assurance $	General Insurance $	Banking & Lending $	Asset Management $	Holding Co & Other $	Consolidation Adjustments $	Total $
A	**Statement of profit or loss - segment information for the year ended 2018**							
	Revenue							
	Gross earned premiums	176 914 692	41 444 323	-	-	-	(4 243 144)	214 115 871
	Outward reinsurance	(2 679 391)	(8 599 845)	-	-	-	-	(11 279 236)
	Net earned premiums	174 235 301	32 844 478	-	-	-	(4 243 144)	202 836 635
	Investment income (non banking)	927 643 824	22 065 249	-	332 405	261 668 291	(209 836 923)	1 001 872 846
	Banking interest and similar income	-	-	108 872 719	-	-		108 872 719
	Fee income, commissions and income from service contracts	5 967 248	-	66 860 355	26 060 989	15 634 149	(30 281 474)	84 241 267
	Other income	23 555	136 392	2 815 017	880 349	5 127 576	(7 430 906)	1 551 983
	Total revenue	**1 107 869 928**	**55 046 119**	**178 548 091**	**27 273 743**	**282 430 016**	**(251 792 447)**	**1 399 375 450**
	Expenses							
	Claims and benefits (including change in insurance contract provisions)	(795 465 764)	(24 317 788)	-	-	-	911 659	(818 871 893)
	Reinsurance recoveries	1 662 406	2 576 031	-	-	-	-	4 238 437
	Net claims incurred	(793 803 358)	(21 741 757)	-	-	-	911 659	(814 633 456)
	Change in provision for investment contract liabilities	(89 387 393)	-	-	-	-	-	(89 387 393)
	Fees, commissions and other acquisition costs	(14 222 526)	(4 625 265)	(26 187 959)	(435 114)	-	11 971 636	(33 499 228)
	Banking interest payable and similar expenses	-	-	(32 451 235)	-	-	8 266 379	(24 184 856)
	Impairment charges	-	-	(16 468 194)	-	-	-	(16 468 194)
	Other operating and administration expenses	(18 226 510)	(6 991 732)	(54 794 110)	(10 726 529)	(121 457 208)	120 831 222	(91 364 867)
	Profit before tax	**192 230 141**	**21 687 365**	**48 646 593**	**16 112 100**	**160 972 808**	**(109 811 551)**	**329 837 456**
	Income tax expense/(credit)	(16 553 739)	(153 813)	24 434	(4 825 003)	(8 433 988)	787 022	(29 155 087)
	Profit for the year	**175 676 402**	**21 533 552**	**48 671 027**	**11 287 097**	**152 538 820**	**(109 024 529)**	**300 682 369**
A	**Statement of profit or loss - segment information for the year ended 2017**							
	Revenue							
	Gross earned premiums	160 289 275	37 888 386	-	-	-	(3 414 700)	194 762 961
	Outward reinsurance	(1 906 702)	(8 156 270)	-	-	-	-	(10 062 972)
	Net earned premiums	158 382 573	29 732 116	-	-	-	(3 414 700)	184 699 989
	Investment income (non banking)	588 056 246	13 506 386	-	275 015	175 579 264	(136 470 645)	640 946 266
	Banking interest and similar income	-	-	91 314 069	-	49 946	-	91 364 015
	Fee income, commissions and income from service contracts	5 341 331	1 731 167	54 526 850	20 636 709	15 058 006	(25 608 255)	71 685 808
	Other income	24 033	34 404	2 914 477	29 142	2 072 162	(2 620 771)	2 453 447
	Total revenue	**751 804 183**	**45 004 073**	**148 755 396**	**20 940 866**	**192 759 378**	**(168 114 371)**	**991 149 525**
	Expenses							
	Claims and benefits (including change in insurance contract provisions)	(545 619 616)	(17 401 726)	-	-	-	820 493	(562 200 849)
	Reinsurance recoveries	1 088 544	2 576 031	-	-	-	-	3 664 575
	Net claims incurred	(544 531 072)	(14 825 695)	-	-	-	820 493	(558 536 274)
	Change in provision for investment contract liabilities	(51 809 502)	-	-	-	-	-	(51 809 502)
	Fees, commissions and other acquisition costs	(9 781 793)	(5 932 229)	(13 264 770)	(172 925)	-	7 988 399	(21 163 318)
	Banking interest payable and similar expenses	-	-	(32 740 007)	-	-	12 500 645	(20 239 362)
	Credit losses and impairment charges	-	-	(2 687 262)	-	(14 017)	-	(2 701 279)
	Other operating and administration expenses	(17 404 694)	(6 986 227)	(57 950 308)	(10 059 721)	(70 639 464)	69 217 027	(93 823 388)
	Profit before tax	**128 277 122**	**17 259 922**	**42 113 049**	**10 708 220**	**122 105 897**	**(77 587 807)**	**242 876 403**
	Income tax expense/(credit)	(8 303 295)	(1 659 390)		(3 844 950)	(9 387 940)	(418 585)	(23 614 160)
	Profit for the year	**119 973 827**	**15 600 532**	**42 113 049**	**6 863 270**	**112 717 957**	**(78 006 392)**	**219 262 243**

3. Segment information(continued)

	Life Assurance $	General Insurance $	Banking & Lending $	Asset Management $	Holding Co & Other $	Consolidation Adjustments $	Total $
B Statement of financial position - segment information at 31 December 2018							
Assets							
Investment property	386 934 707	449 000	23 492 200	-	600 000	-	411 475 907
Property and equipment	28 829 818	485 087	63 348 966	1 233 346	2 687 394	-	96 584 611
Intangible assets	-	-	7 862 077	91 558	84 881	-	8 038 516
Finance Lease receivable	7 733 971	-	-	-	-	-	7 733 971
Deferred acquisition costs	-	640 073	-	-	-	-	640 073
Reinsurer contracts	-	4 778 163	-	-	-	-	4 778 163
Investments and securities	2 278 603 745	48 034 044	381 128 999	6 481 031	554 005 404	(472 971 273)	2 795 281 950
Deferred tax assets	-	-	-	167 883	523 739	723 409	1 415 031
Loans and advances	-	-	780 494 830	-	-	-	780 494 830
Current tax receivable	150 685	-	81 726	-	384 847	-	617 258
Other assets	32 304 837	7 078 279	80 162 290	5 725 731	3 442 656	(877 323)	127 836 470
Cash and cash equivalents	21 656 655	8 848 514	130 215 750	2 915 792	25 880 611	(28 525 334)	160 991 988
Total assets	**2 756 214 418**	**70 313 160**	**1 466 786 838**	**16 615 341**	**587 609 532**	**(501 650 521)**	**4 395 888 768**
Liabilities							
Insurance contract liabilities	2 032 233 677	17 668 026	-	-	-	-	2 049 901 703
Investment contract liabilities	208 922 934	-	-	-	-	-	208 922 934
Provisions	910 429	83 923	5 101 780	1 602 966	8 524 142	-	16 223 240
Deferred tax liabilities	52 135 263	13 846	3 288 280	2 742	4 084 179	(1 486 056)	58 038 254
Current tax payables	85 149	-	-	297 881	-	-	383 030
Amounts due to group companies	4 762 997	328 726	14 397	43 307	81 722 311	(1 523 943)	85 347 795
Amounts owed to bank depositors	-	-	1 167 154 080	-	-	(160 284 576)	1006 869 504
Credit lines	-	-	53 297 223	-	-	-	53 297 223
Other liabilities	15 117 596	960 286	41 286 166	5 208 127	157 015 647	(128 063 970)	91 523 852
Total liabilities	**2 314 168 045**	**19 054 807**	**1 270 141 926**	**7 155 023**	**251 346 279**	**(291 358 545)**	**3 570 507 535**
Net assets	**442 046 373**	**51 258 353**	**196 644 912**	**9 460 318**	**336 263 253**	**(210 291 976)**	**825 381 233**
Shareholders' equity							
Share capital and premium	30 121 844	9 405	38 000 003	500 200	4 351 329	(72 981 716)	1 065
Non-distributable reserve	29 838 703	2 067 167	1 445 851	728 710	21 374 207	(4 108 040)	51 346 598
Revaluation reserve	-	-	18 995 151	-	-	638 100	19 633 251
Share option reserve	3 790 782	1 340 539	5 838 165	2 242 405	64 983 763	(44 533 547)	33 662 107
Regulatory provisions reserve	-	-	5 186 397	-	-	-	5 186 397
Retained earnings	378 295 044	23 179 759	127 179 345	5 989 003	245 553 954	(89 306 773)	690 890 332
	442 046 373	**26 596 870**	**196 644 912**	**9 460 318**	**336 263 253**	**(210 291 976)**	**800 719 750**
Non-controlling interests	-	24 661 483	-	-	-	-	24 661 483
Total equity	**442 046 373**	**51 258 353**	**196 644 912**	**9 460 318**	**336 263 253**	**(210 291 976)**	**825 381 233**

3. Segment information (continued)

	Life Assurance $	General Insurance $	Banking & Lending $	Asset Management $	Holding Co & Other $	Consolidation Adjustments $	Total $
B Statement of financial position - segment information at 31 December 2017							
Assets							
Investment property	380 770 678	449 000	23 422 200	-	530 000	-	405 171 878
Property and equipment	27 854 500	402 149	55 140 930	1 433 899	991 924	-	85 823 402
Intangible assets	-	-	9 410 000	63 957	1 024 689	-	10 498 646
Deferred acquisition costs	-	741 681	-	-	-	-	741 681
Reinsurer contracts	-	3 278 568	-	-	-	-	3 278 568
Investments and securities	1339 795 755	35 835 637	233 543 725	6 035 462	365 572 140	(370 323 582)	1610 459 137
Deferred tax assets	-	564 200	-	193 108	174 937	-	932 245
Current tax receivable	248 079	-	-	-	489 719	-	737 798
Loans and advances	-	-	668 823 481	-	356 721	-	669 180 202
Other assets	24 856 396	4 047 345	111 597 661	5 591 683	44 111 880	(44 576 111)	145 628 854
Cash and cash equivalents	15 502 254	8 354 919	164 812 227	1 231 823	7 251 952	(6 901 549)	190 251 626
Total assets	**1 789 027 662**	**53 673 499**	**1 266 750 224**	**14 549 932**	**420 503 962**	**(421 801 242)**	**3 122 704 037**
Liabilities							
Insurance contract liabilities	1341 376 432	14 232 555	-	-	-	-	1355 608 987
Investment contract liabilities	120 815 870	-	-	-	-	-	120 815 870
Provisions	871 953	88 150	5 272 607	767 142	7 303 209	-	14 303 061
Deferred tax liabilities	36 577 506	15 696	3 265 701	24 072	2 901 699	(695 365)	42 089 309
Current tax payables	164 419	93 353	-	300 152	-	-	557 924
Amounts due to group companies	4 541 318	92 481	-	2 423 021	106 166 996	(44 576 113)	68 647 703
Amounts owed to bank depositors	-	-	1019 215 894	-	-	(181 189 284)	838 026 610
Credit lines	-	-	23 317 769	-	-		23 317 769
Other liabilities	13 368 944	600 049	26 879 788	2 849 004	80 665 112	(45 214 297)	79 148 600
Total liabilities	**1 517 716 442**	**15 122 284**	**1 077 951 759**	**6 363 391**	**197 037 016**	**(271 675 059)**	**2 542 515 833**
Net assets	**271 311 220**	**38 551 215**	**188 798 465**	**8 186 541**	**223 466 946**	**(150 126 183)**	**580 188 204**
Shareholders' equity							
Share capital and premium	30 121 844	9 405	35 000 000	3 850 202	1 501 330	(70 481 716)	1 065
Non-distributable reserve	29 838 703	3 177 617	1 445 851	728 710	21 374 207	(4 108 040)	52 457 048
Revaluation reserve	-	-	18 769 422	-	7 338	-	18 776 760
Share option reserve	3 732 032	1 277 010	5 627 027	2 524 545	69 384 472	(50 064 585)	32 480 501
Regulatory provisions reserve	-	-	17 957 094	-	-		17 957 094
Retained earnings	207 618 641	15 554 870	109 999 071	1 083 084	131 199 599	(25 471 842)	439 983 423
	271 311 220	**20 018 902**	**188 798 465**	**8 186 541**	**223 466 946**	**(150 126 183)**	**561 655 891**
Non-controlling interests	-	18 532 313	-	-	-	-	18 532 313
Total equity	**271 311 220**	**38 551 215**	**188 798 465**	**8 186 541**	**223 466 946**	**(150 126 183)**	**580 188 204**

		Group 2018 $	Group 2017 $
4	**Gross earned premiums**		
	Gross premiums		
	Single	3 263 372	2 660 298
	Recurring	22 559 993	17 505 788
	Individual business	**25 823 365**	**20 166 086**
	Single	58 046 507	58 509 238
	Recurring	90 806 007	79 364 950
	Group business	**148 852 514**	**137 874 188**
	General insurance	39 439 992	36 722 687
	Total gross premiums	**214 115 871**	**194 762 961**
	Comprising:		
	Insurance contracts	51 624 667	39 286 937
	Investment contracts with discretionary participating features	123 051 212	118 753 337
	General insurance	39 439 992	36 722 687
	Total gross written premium	**214 115 871**	**194 762 961**
	Total gross earned premiums	**214 115 871**	**194 762 961**
5	**Investment income (non banking)**		
	Dividend income		
	Financial assets at fair value through profit or loss	49 507 434	22 790 893
	Interest income		
	Cash and cash equivalents	10 248 680	11 964 934
	Net rental income		
	Investment property	12 597 480	10 326 217
	Realised gains and losses		
	Financial assets at fair value through profit or loss	43 909 205	16 528 326
	Unrealised gains and losses		
	Investment property	4 575 960	6 348 026
	Financial assets at fair value through profit or loss	881 034 087	572 987 870
		885 610 047	579 335 896
	Total investment returns included in income statement	**1 001 872 846**	**640 946 266**

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

		Group 2018 $	Group 2017 $
6	**Banking interest and similar income**		
	Interest and similar income		
	Loans and advances		
	Investments	19 687 153	15 875 002
	Loans and advances	89 185 566	75 489 013
	Total interest and similar income	**108 872 719**	**91 364 015**
	Comprising:		
	Financial assets at armotised cost	108 872 719	91 364 015
	Interest expense:		
	Credit lines	(4 042 361)	(2 768 551)
	Money market deposits	(19 171 170)	(16 987 029)
	Term deposits	(12 717)	(10 076)
	Savings deposits	(958 608)	(473 706)
	Total interest expense	**(24 184 856)**	**(20 239 362)**
	Comprising:		
	Financial liabilities at armotised cost	(24 184 856)	(20 239 362)
	Net interest income	**84 687 863**	**71 124 653**
7	**Fee income, commissions and income from service contracts**		
	Banking operations:		
	Commissions	27 792 128	22 149 454
	Service fees	14 963 110	17 317 618
	Administration fees	24 105 117	16 790 944
	Total fee income and commission from banking operations	**66 860 355**	**56 258 016**
	Long term business	5 967 248	5 341 332
	Asset management business	11 413 664	10 086 460
		84 241 267	**71 685 808**
8	**Other income**		
	Exchange gains	250 469	(180 901)
	Profit on sale of assets	814 565	-
	Other	486 949	2 634 348
		1 551 983	**2 453 447**
9	**Claims and benefits**		
	Claims and benefits (including change in insurance contract provisions):		
	Increase in insurance contracts provision	693 699 989	445 822 666
	Gross claims expenses (refer to analysis in note 9.1 below)	125 759 958	117 037 625
	Shadow accounting to revaluation reserve (see note 10.1 below)	(588 054)	(659 442)
		818 871 893	**562 200 849**

		Group 2018 $	Group 2017 $
9.1	**Analysis of claims expenses**		
	Individual business	**6 882 729**	**6 148 897**
	Death and disability benefits	3 153 268	1 252 212
	Maturity benefits	588 686	3 337 497
	Surrenders	3 140 775	1 559 188
	Group business	**95 471 100**	**94 307 496**
	Death and disability benefits	14 036 936	12 352 676
	Pension commutations, maturities and withdrawal benefits	56 538 304	56 675 471
	Annuities	15 542 006	14 875 550
	Surrenders	9 353 854	10 403 799
	General insurance	23 406 129	16 581 232
	Total claims and benefits	**125 759 958**	**117 037 625**
	Comprising:		
	Insurance contracts	15 461 661	13 601 321
	Investment contracts with discretionary participating features	86 892 168	86 855 072
	General insurance	23 406 129	16 581 232
	Total claims and benefits payable	**125 759 958**	**117 037 625**
10.	**Changes in provision for investment contract liabilities**		
	Investment contracts		
	Increase in investment contract liabilities	89 438 528	51 874 722
	Shadow accounting to revaluation reserve (see note 10.1 below)	(51 135)	(65 220)
		89 387 393	**51 809 502**
10.1	**Shadow accounting**		
	Insurance contracts	588 054	659 442
	Investment contracts	51 135	65 220
	Total	**639 189**	**724 662**

Shadow accounting is an adjustment, permitted by IFRS 4 'Insurance contracts', to allow for the impact of recognising unrealised gains or losses on insurance assets and liabilities in a consistent manner to the recognition of the unrealised gain or loss on financial assets that have a direct effect on the measurement of the related insurance assets and liabilities.

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		Group 2018 $	Group 2017 $
11	**Other operating and administration expenses**		
	Administrative expenses	8 958 590	8 706 268
	Office space costs	7 764 632	7 270 754
	Fees and levies	2 903 796	3 475 823
	Donations	962 384	637 273
	Insurance	972 466	1 023 697
	Actuarial and consultancy fees	1 994 950	2 740 542
	Advertising and marketing	3 406 888	3 423 270
	Software licensing	4 189 152	6 772 750
	Depreciation of property and equipment	10 653 248	10 567 151
		41 806 106	**44 617 528**
	Auditors' remuneration		
	Statutory audit services - current year	773 818	593 257
	Staff costs		
	Wages and salaries	34 051 140	32 002 767
	Retirement obligations	3 629 316	2 625 599
	Social security costs	906 662	851 801
	Bonus and incentive remuneration	4 722 947	4 893 721
	Share based payments	559 309	935 727
	Other staff costs	3 927 359	5 864 940
		47 796 733	**47 174 555**
	Other	988 210	1 438 047
		91 364 867	**93 823 387**
12	**Income tax expense**		
	Normal income tax		
	Shareholders	11 790 509	10 324 041
	Policyholders	832 486	720 256
		12 622 995	**11 044 297**
	Deferred tax		
	Deferred tax expense/(income) relating to the origination and reversal of temporary difference	16 929 084	12 569 863
	Recognition of previously unrecognised deferred tax assets	(396 992)	-
	Total deferred tax	**16 532 092**	**12 569 863**
	Deferred tax		
	Shareholders	12 956 962	8 543 122
	Policyholders	3 575 130	4 026 741
		16 532 092	**12 569 863**
		29 155 087	**23 614 160**
	Reconciliation of the effective tax rate	%	%
	Standard rate of taxation	25.75	25.75
	Adjusted for:		
		(16.91)	(16.03)
	Exempt income	(67,62)	(63,69)
	Disallowable expenses	50.71	47.66
	Capital gains		
	Effective tax rate	8.84	9.72

13 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity holders of the parent divided by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares adjusted for the effects of all potentially dilutive ordinary shares. The Group had no potentially dilutive ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2018 $	2017 $
13.1 Basic and diluted (cents)	87.36	63.72
Earnings		
Basic and diluted earnings attributable to equity holders of the parent ($)	290 059 868	211 566 500
Number of shares used in calculations (weighted)		
Basic and diluted earnings per share	332 046 874	332 046 874

	Company 2018 $	Company 2017 $
14 Investment income		
Dividend income		
Financial assets at fair value through profit or loss	49 804 701	50 630 111
Interest income		
Cash and cash equivalents	1 324 426	883 516
Realised gains and losses		
Financial assets at fair value through profit or loss	14 548 022	929 687
Unrealised gains and losses		
Financial assets at fair value through profit or loss	87 095 443	67 489 499
Investment property	70 000	50 000
	87 165 443	**67 539 499**
Total investment income included in income statement	**152 842 592**	**119 982 813**
15 Other income		
Directors' fees received	41 000	35 900
Other	-	683 554
	41 000	**719 454**

		Company 2018 $	Company 2017 $
16	**Other operating and administration expenses**		
	Administrative expenses	7 780 088	5 616 092
	Asset management expenses	1 572 538	1 056 941
	Depreciation of property, and equipment	75 771	100 060
		9 428 397	**6 773 093**
	Auditors' remuneration		
	Statutory audit services - current year	75 828	58 065
	Staff costs		
	Wages and salaries	229 521	371 184
	Retirement obligations	14 554	29 510
	Bonus and incentive remuneration	268 242	424 641
	Social security costs	1 918	3 939
	Share based payments	66 930	112 367
	Other staff costs	592 586	599 616
		1 173 751	1 541 257
	Total other operating and administration expenses	**10 677 976**	**8 372 415**
17	**Income tax expense**		
	Normal income tax		
	Deferred tax	929 293	895 941
	Current taxation	6 337 143	7 900 599
	Total taxation charge	**7 266 436**	**8 796 540**
	Reconciliation of taxation rate on profit before tax	**%**	**%**
		25.75	25.75
	Standard rate of taxation		
	Adjusted for:		
		(20.63)	(17.92)
	Exempt income	(22.55)	(26.28)
	Disallowable expenses	1.92	8.36
	Effective tax rate	**5.12**	**7.83**

18 Investment property	Group 2018 $	Group 2017 $
Carrying amount at beginning of year	405 171 878	392 554 780
Additions	10 626 159	6 932 337
Disposal	(8 000 000)	(663 265)
Gain from fair value adjustments	3 677 870	6 348 026
Carrying amount at end of year	**411 475 907**	**405 171 878**
Comprising:		
Freehold property	411 475 907	405 171 878
The fair value of freehold property leased to third parties under operating leases	328 512 222	321 000 630
Rental income from investment property	33 578 185	30 310 100
Direct operating expenses arising from rented-out investment property	(20 980 705)	(19 983 883)
	12 597 480	**10 326 217**

Investment properties are mostly valued based on the income capitalisation method. Key valuation inputs include rental income per square metre and occupancy levels in a given property. During 2018, rental income was denominated in USD. However, rental payments due were largely settled through RTGS, with the exception of entities, forming an insignificant part of the overall tenant portfolio, such as foreign embassies and Non Governmental Organisations, which settled rentals in foreign currency.

The carrying amount of investment property is the fair value of property as determined annually by internal professional valuers, having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued. The recorded values are tested by comparing with values determined by independent external valuers for a sample of properties accounting for at least 65% of the total value of the property portfolio, or for at least the top twenty five buildings by value and properties being valued for the first time. The Group's current lease arrangements, which are entered into on an arm's length basis and which are comparable to those for similar properties in the same location, are taken into account. Investment properties were fair valued using yield rates of between 7% and 12% (2017:7% and 12%) and rental rates of between 50c and $20 (2017:50c and $20) per square metre. Additions to investment property include a piece of land in Victoria Falls amounting to $4 427 270 and capitalised expenditure to Eastgate Market. Corner House was disposed during the year through a financing arrangement as described in the note 21 for Finance lease receivables.

As security for a credit line from PTA Bank (note 35), CABS registered a bond of US$7 million over a property, and issued powers of attorney to register bonds (in the event of default) over other properties with a total value of US$45.1 million as at 31 December 2018 (both investment properties and owner occupied properties).

Investment property valuation

The fair value of the Group's properties are categorised into Level 3 of the fair value hierarchy through their use of unobservable units. The following table shows the valuation techniques used in the determination of the fair values for investment properties, as well as the unobservable inputs used in the valuation models.

Type of property	Valuation approach	Key unobservable inputs	Inter-relationship between unobservable inputs and key fair value measurement	Value
• Office, Retail and Industrial Properties	• Income capitalisation	• Rental income per square meter and capitalisation rates • Vacancies	The estimated fair value would increase if: > net rental income increased > capitalisation rates decreased > vacancies decreased • The estimated fair value would decrease if the unobservable inputs changed the other way.	**$350 501 229**
• Residential property	• Sales comparison approach	• Price for comparable properties	• The estimated fair value would increase if prices for comparable properties increased.	**$235 000**
• Land	• Sales comparison approach	• Price for comparable properties	• The estimated fair value would increase if prices for comparable properties increased.	**$60 739 678**

19 Property and equipment

	Land & buildings $	Motor vehicles $	Computer equipment $	Fixtures & fittings $	Group Total 2018 $
Carrying amount at beginning of year (1 January 2018)	67 820 078	3 910 832	10 349 727	3 742 765	85 823 402
Additions	1 630 141	1 469 158	14 433 783	263 889	17 796 971
Revaluation	75 106	-	-	-	75 106
Disposals	-	(33 038)	(19 040)	(4 060)	(56 138)
Depreciation	(1 016 766)	(292 624)	(5 491 086)	(254 254)	(7 054 730)
Carrying amount at end of year	68 508 559	5 054 328	19 273 384	3 748 340	96 584 611
Cost/Valuation	70 169 219	10 154 024	42 603 679	4 720 602	127 647 524
Accumulated depreciation	(1 660 660)	(5 099 696)	(23 330 295)	(972 262)	(31 062 913)
Carrying amount at end of year (31 December 2018)	**68 508 559**	**5 054 328**	**19 273 384**	**3 748 340**	**96 584 611**

	Land & buildings $	Motor vehicles $	Computer equipment $	Fixtures & fittings $	Group Total 2017 $
Carrying amount at beginning of year (1 January 2017)	65 285 098	3 199 228	8 464 558	3 886 713	80 835 597
Additions	2 449 914	2 182 192	5 359 349	881 352	10 872 807
Revaluation surplus	1 046 489	-	-	-	1 046 489
Disposals	-	(152 070)	(17 611)	(118 288)	(287 969)
Depreciation	(961 423)	(1 318 518)	(3 456 569)	(907 012)	(6 643 522)
Carrying amount at end of year	67 820 078	3 910 832	10 349 727	3 742 765	85 823 402
Cost/Valuation	69 272 106	8 520 153	24 962 226	6 435 079	109 189 564
Accumulated depreciation	(1 452 028)	(4 609 321)	(14 612 499)	(2 692 314)	(23 366 162)
Carrying amount at end of year (31 December 2017)	**67 820 078**	**3 910 832**	**10 349 727**	**3 742 765**	**85 823 402**

The carrying amount of owner-occupied property is the fair value of property as determined annually by internal professional valuers, having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued (see note 18).

The valuation techniques and significant unobservable inputs used in measuring the fair values of owner-occupied properties are consistent with those applied to investment properties at the reporting date.

20 Intangible assets

	Group 2018 $	Group 2017 $
Carrying amount at beginning of year	**10 498 646**	**11 630 410**
Additions	1 138 388	2 791 865
Amortisation	(3 598 518)	(3 923 629)
Carrying amount at end of year	**8 038 516**	**10 498 646**
Cost/Valuation	26 227 734	25 102 523
Accumulated amortisation	(18 189 218)	(14 603 877)
Carrying amount at end of year	**8 038 516**	**10 498 646**

21 Investment in finance lease

Old Mutual Property Investment Company (Pvt) Ltd entered into a finance lease with the Zimbabwe Open University (ZOU) which will result in disposal of the building to ZOU at the end of the lease arrangement. The fair value of the property was $11 000 000 on 1 July 2018 and the lease arrangement will run for a period of twenty years. A deposit of $1,985,000 was paid in the form of Treasury Bills and lease payments of $86,996.70 will be receivable monthly in advance at an interest rate of 6.5% plus CPI or CABS mortgage rate applicable to clients in the category of the purchaser, whichever is higher.

Reconciliation between the total gross investment in the lease and the present value of the minimum lease payments

	Up to 1 year $	2 to 5 years $	More than 5 years $	2018 Total $	2017 Total $
2018					
Gross Investment in lease	1 043 960	4 175 842	15 137 426	20 357 228	-
Unearned finance income	(943 401)	(3 622 923)	(8 056 933)	(12 623 257)	-
Present value	**100 559**	**552 919**	**7 080 493**	**7 733 971**	-

22 Reinsurer contracts

	Group 2018 $	Group 2017 $
Provision for unearned premiums	1 725 782	1 284 086
Outstanding claims	3 052 381	1 994 482
Balance at end of year	**4 778 163**	**3 278 568**

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

23.1

Group	Original classification under IAS 39 – Life Assurance	Original classification under IAS 39 – Rest of Group	New classification under IFRS 9 – Life Assurance	New classification under IFRS 9 – Rest of Group	Original carrying amount under IAS 39 $	New Carrying amount under IFRS 9 $
Assets						
Equities	Fair value through profit or loss	Fair value through profit or loss	Fair value through profit or loss	Fair value through profit or loss	1 209 044 541	1 209 044 541
Cash and cash equivalents	Amortised cost	Loans and receivables	Amortised cost	Amortised cost	190 251 626	190 251 626
Unit trusts investments	Fair value through profit or loss	Fair value through profit or loss	Fair value through profit or loss	Fair value through profit or loss	10 844 863	10 844 863
Treasury bills	Fair value through profit or loss (designated)	Fair value through profit or loss	Fair value through profit or loss (designated)	Amortised cost	195 359 411	194 689 345
Other interest bearing investments	Fair value through profit or loss (designated)	Amortised cost	Fair value through profit or loss (designated)	Amortised cost	195 210 322	195 009 111
Loans and advances	-	Loans and receivables	-	Amortised cost	669 180 202	649 991 308
Trade receivables	Loans and receivables	Loans and receivables	Amortised cost	Amortised cost	145 628 152	145 627 466
Total					**2 615 519 117**	**2 595 458 260**
Liabilities						
Investment contract liabilities	Fair value through profit or loss (designated)	-	Fair value through profit or loss (designated)	-	120 815 870	120 815 870
Amounts owed to bank depositors	-	Amortised cost	-	Amortised cost	838 026 610	838 026 610
Credit lines	-	Amortised cost	-	Amortised cost	23 317 769	23 317 769
Other liabilities	Amortised cost	Amortised cost	Amortised cost	Amortised cost	79 148 600	79 148 600
Total					**1 061 308 849**	**1 061 308 849**

Company	Original classification under IAS 39 Company	New classififcation under IFRS 9 Company	Original carrying amount under IAS 39 $	New carrying amount under IFRS 9 $
Assets				
Equities	Fair value through profit or loss	Fair value through profit or loss	150 135 930	150 135 930
Cash and cash equivalents	Loans and receivables	Amortised cost	3 316 468	3 312 626
Unit Trusts Investments	Fair value through profit or loss	Fair value through profit or loss	3 218 612	3 218 612
Treasury bills	Fair value through profit or loss	Amortised cost	937 122	936 037
Other interest bearing investments	Amortised cost	Amortised cost	22 425 745	22 399 769
Total			**180 033 877**	**180 002 974**
Liabilities				
Other liabilities	Amortised cost	Amortised cost	41,020,844	41,020,844
Total			**41 020 845**	**41 020 845**

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

	Original carrying amount under IAS 39 as at 31 December 2017	Reclassification	Remeasurement	New Carrying amount under IFRS 9 as at 1 January 2018
	$	$	$	$
Financial Assets				
Amortised cost				
Cash and cash equivalents	190 251 626	-	-	190 251 626
Closing balance	**190 251 626**	**-**	**-**	**190 251 626**
Treasury bills				
Opening balance	195 359 411	-	-	195 359 411
From at fair value through profit or loss	-	1 883 255	-	1 883 255
Remeasurement	-	-	(2 553 321)	(2 553 321)
Closing balance	**195 359 411**	**1 883 255**	**(2 553 321)**	**194 689 345**
Other interest bearing investments				
Opening balance	195 210 322	-	-	195 210 322
Remeasurement	-	-	(201 211)	(201 211)
Closing balance	**195 210 322**	**-**	**(201 211)**	**195 009 111**
Loans and advances				
Opening balance	669 180 202	-	-	669 180 202
Remeasurement	-	-	(19 188 894)	(19 188 894)
Closing balance	**669 180 202**	**-**	**(19 188 894)**	**649 991 308**
Trade receivables				
Opening balance	145 628 152	-	(686)	145 627 466
Remeasurement				
Closing balance	**145 628 152**	**-**	**(686)**	**145 627 466**
Total amortised cost	**1 395 629 713**	**1 883 255**	**(21 944 112)**	**1 375 568 856**
Financial liabilities				
Amortised cost				
Amounts owed to bank depositors	838 026 610	-	-	838 026 610
Credit lines	23 317 769	-	-	23 317 769
Other liabilities	79 148 600	-	-	79 148 600
Total amortised cost	**940 492 979**	**-**	**-**	**940 492 979**

23.3 Transitional adjustments on equity on the date of initial application of IFRS 9

	Group Impact of adopting IFRS 9 as at 1 January 2018 $	Company Impact of adopting IFRS 9 as at 1 January 2018 $
Regulatory reserve		
Closing balance as at 31 December 2017 under IAS 39	17 957 094	-
Recognition of expected credit losses	(17 950 122)	-
Reclassification and measurement of financial instruments	-	-
Restated closing balance under IFRS 9	6 972	-
Retained earnings		
Closing balance as at 31 December 2017 under IAS 39	439 983 423	110 664 142
Net impact of adopting IFRS 9 on 1 January 2018	(19 981 113)	(31 966)
Transfer from regulatory reserve	17 950 122	-
Total restated closing balance of impacted reserves	**437 952 432**	**110 632 176**

24 Investments and securities

24.1 Analysis of investments

	Group 2018 $	Group 2017 $
Equity securities - listed	2 162 321 406	1 165 222 538
- unlisted	97 686 014	43 822 003
Total Equities (see note 24.3 below)	2 260 007 420	1 209 044 541
Unit trust investments	13 948 827	10 844 863
Public sector securities	80 336 282	79 523 382
Treasury bills (see note 24.6 below)	248 193 114	195 359 411
Deposits and money market securities	192 796 307	115 686 940
Total interest bearing securities	521 325 703	390 569 733
	2 795 281 950	**1 610 459 137**

24.2 Impairment analysis

	12-month ECL $	Life time ECL not credit impaired $	Life time ECL credit impaired $	Total $
Loss allowance analysis				
Loss allowance on 1 January 2018	2 747 764	-	-	2 747 764
New investment securities -purchased	740 222	-	-	740 222
Investment securities that have matured	(41 723)	-	-	(41 723)
Other movement	(299 785)	-	-	(299 785)
Balance as at 31 December 2018	**3 146 478**	**-**	**-**	**3 146 478**
Gross carrying amount analysis				
Gross carrying amount on 1 January 2018	390 569 733	-	-	390 569 733
New investment securities- purchased	232 360 744	-	-	232 360 744
Investment securities that have matured	(98 522 366)	-	-	(98 522 366)
Other movement	64 070	-	-	64 070
Balance as at 31 December 2018	**524 472 181**	**-**	**-**	**524 472 181**

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	Group 2018 $	Group 2017 $
24.3 Spread of equity securities by sector		
Commodities	375 672 629	148 535 376
Consumer	835 152 969	786 293 908
Financial	317 293 577	87 258 885
Property	44 182 599	18 330 442
Manufacturing	634 036 776	135 665 622
Mining	53 668 870	32 960 308
	2 260 007 420	**1 209 044 541**
24.4 Movements of investment and securities		
Opening balance	1 610 459 137	801 700 043
Fair value movements through profit or loss	881 034 087	574 579 855
Interest earned	10 248 680	11 964 934
Additions	303 788 725	235 771 224
Disposals	(8 996 568)	(9 211 521)
Maturities	(1 252 111)	(4 345 398)
Closing balance	**2 795 281 950**	**1 610 459 137**

24.5 Investment in unlisted equities above 20% shareholding

Company	% holding	2018 Value $	% holding	2017 Value $
Takura Fund II (Limited Partner) "B Shares (held by Shareholders and OMLAC Main Fund)	40%	29 972 061	40%	16 472 429
Africa Takura Ventures-Fund 1 "M Shares" (held by Shareholders and OMLAC Main Fund)	26%	5 166	26%	4 829
Nedbank Zimbabwe (formerly MBCA Holdings) (held in Shareholder funds)	21%	12 535 383	21%	10 386 661
Lake Harvest Aquaculture (held by Shareholders and OMLAC Main Fund)	26%	301 625	26%	1 882 944
Lobels Holdings Limited (held by OMLAC Main Fund)	49%	38 289 982	49%	2 075 877
Manica Board and Doors (MBD) (held by OMLAC Main Fund)	55%	1 724 131	55%	1 359 859
Kupinga Renewable Energy (held by OMLAC Main Fund)	40%	478 905	40%	3 960 585
		83 307 253		**36 143 184**

The Group has accounted for unlisted investments of this nature on the basis of IFRS 9, as Financial Assets at Fair Value through Profit or Loss, notwithstanding of the percentage holding in each entity. The above investments which originate from the investments of policyholder funds are invested into investment linked insurance funds and funds which operate like unit trusts which are managed on a fair value basis. These funds back investment contracts with discretionary participating features and investment contracts accounted for in terms of IFRS 9.

The Group has not consolidated the investment in MBD. Management concurred that the investment in MBD is not material. Nedbank Zimbabwe (formerly MBCA holdings) shares held by OMZIL should ordinarily be equity accounted, but were fair valued as per IFRS 9, as there was immaterial difference between equity accounting and fair valuing the investment in Nedbank.

	Group 2018 $	Group 2017 $
24.6 Treasury bills maturity analysis		
On demand to 3 months	93 293 681	63 293 681
3 months to 12 months	48 424 413	28 424 413
1 year to five years	106 475 020	103 641 317
Total	**248 193 114**	**195 359 411**

In the absence of an active bond market and formal auction for government securities, treasury bills fair value computations have become difficult in the Zimbabwean market. Treasury bills which in other markets provide guidance to fixed income investors through a yield curve are currently being issued through private placements while in the secondary market the same paper is trading at heterogeneous yields.

Given the challenges mentioned above, a number of factors had to be considered in coming up with what would be considered fair discount rates for the treasury bills as disclosed in the table below:

Type of asset	Valuation technique	Key inputs	Range
Treasury bills	Discounted Cash Flow (DCF)	• Interest/coupon rates of recent bond issues	5% - 10%
		• Money market rates and direction	5.5% - 7%
		• Inflation expectations (especially for instruments above 5 years)	5.5% - 7%
		• Bonds of similar characteristics (coupon rate and maturity date) were treated as the same security and a single discount rate was applied	

25 Amounts due by or (to) group companies

	2018 $ Amounts due by	2018 $ Amounts due (to)	2018 $ Net balance	2017 $ Amounts due by	2017 $ Amounts due (to)	2017 $ Net Balance
Old Mutual Netherlands B.V.	-	(50 000 000)	(50 000 000)	-	(50 000 000)	(50 000 000)
Old Mutual Africa Holdings	1 106 026	-	1 106 026	-	(275 038)	(275 038)
Old Mutual Zimbabwe Holdco Limited	-	(31 393 974)	(31 393 974)	-	(14 437 500)	(14 437 500)
Old Mutual Life Assurance Company (South Africa)	-	(5 059 847)	(5 059 847)	-	(3 935 165)	(3 935 165)
	1 106 026	**(86 453 821)**	**(85 347 795)**	-	**(68 647 703)**	**(68 647 703)**

The amounts due by or to group companies above are unsecured and are payable on demand.

26 Loans and advances

	Notes	Group 2018 $	Group 2017 $
Concentration - gross loans and advances			
Housing		254 341 918	199 467 565
Unsecured personal loans		221 978 874	167 085 292
Commercial and industrial		341 000 068	318 217 365
Gross loans and advances		**817 320 860**	**684 770 222**
Less provision for impairment	26.2	(36 826 030)	(15 590 020)
Net loans and advances		**780 494 830**	**669 180 202**
Maturity analysis - gross and loans advances			
On demand to 3 months		127 987 983	100 406 266
3 months to 12 months		252 988 479	205 164 266
1 year to 5 years		287 590 214	316 761 569
Over 5 years		148 754 184	62 438 121
		817 320 860	**684 770 222**
Non performing loans		47 045 437	43 276 779
Analysis of past due but not impaired			
30 to 60 days past due		53 466 557	79 570 817
61 to 90 days past due		40 879 637	42 450 437
		94 346 194	**122 021 254**

26.1 Sectoral analysis of loans and advances

The business monitors concentrations of credit risk on loans and advances by sector. An analysis of concentrations of credit risk from loans and advances at the balance sheet date is shown below:

Sector	27 691 607	43,622,388
Trade and services	20 792 098	11 267 113
Energy and minerals	157 159 268	86 254 224
Agriculture	261 018 563	240 953 020
Construction and property	59 859 637	30 827 853
Light and heavy industry	195 116 235	158 952 071
Unsecured personal loans	66 540 688	97 343 553
Transport and distribution	29 142 764	15 550 000
State and state enterprises	**817 320 860**	**684 770 222**

26.2 Impairment analysis

	12-month ECL	Life time	Life time		
	ECL not credit	ECL not credit	ECL credit	2018	2017
		impaired	impaired	impaired	Total
Total	$	$	$	$	$
Loss allowance analysis					
Loss allowance on 1 January 2018	12 518 552	1 341 292	20 627 039	34 486 883	
Write offs	-	-	-	(2 639 003)	
Utilisation	-	-	-	(2 595 492)	
Transfer to 12-month ECL	1 100 512	(313 778)	(786 734)	-	
Transfer to life time ECL not credit impaired	(3 106 693)	3 208 669	(101 976)	-	
Transfer to life time ECL credit impaired	(7 597 573)	(612 992)	8 210 565	-	
Net increase in loans and advances	8 164 131	1 821 304	(2 411 793)	7 573 642	
Balance as at 31 December 2018	**11 078 929**	**5 444 495**	**25 537 101**	**36 826 030**	
Gross carrying amount analysis					
Gross carrying amount on 1 January 2018	587 453 733	45 777 619	51 538 870	684 770 222	602 699 530
Transfer to 12-month ECL	19 693 472	(15 963 021)	(3 730 451)	-	-
Transfer to life time ECL not credit impaired	(88 191 735)	88 692 853	(501 118)	-	-
Transfer to life time ECL credit impaired	(13 444 895)	(9 118 679)	22 563 574	-	-
Net increase in loans and advances	172 143 029	(22 035 245)	(17 557 146)	132 550 638	82 070 692
Balance as at 31 December 2018	**677 653 604**	**87 353 527**	**52 313 729**	**817 320 860**	**684 770 222**

During the current year the provision for ECL increased due to an increase in loans and advances and an increase in the portion of the balance allocated to stage 2 of the model. The ECL amount for balances allocated to stage 2 is based on lifetime expected credit losses. The increase in the provision was reduced by an improvement experienced in collections on balances outstanding. This improvement had a positive impact on the PD and LGD parameters used and reduced the provision of ECL.

Provision for impairments at 31 December 2017

The tables below reconcile the movement in provision for impairments of loans and advances for the year ended 31 December 2017. Specific impairments have been raised against those loans identified as impaired. Portfolio impairments are recognised against loans and advances classified as neither past due nor impaired or past due but not impaired.

	Specific impairment	Portfolio impairment	Total impairment
Balance at beginning of the year	**14 001 930**	**5 445 195**	**19 447 125**
Impairment charge	1 925 719	748 891	2 674 610
Credit impairment charge	2 169 015	843 506	3 012 521
Recoveries of amounts previously written off	(234 386)	(94 615)	(329 001)
Amounts written off against the provision	(4 709 250)	(1 831 375)	(6 540 625)
Balance at end of the year	**11 227 309**	**4 362 711**	**15 590 020**

		Group 2018 $	Group 2017 $
27	**Other assets**		
	Accrued interest and rent	17 634 927	19 046 399
	Agent debtors and prepayments	35 814 930	28 638 596
	Capitalised project costs	37 290 873	54 825 285
	Banking settlement and other clearing accounts.	12 704 766	32 664 140
	Trade debtors	10 564 079	296 463
	Other	13 826 895	10 157 971
		127 836 470	**145 628 854**
28	**Cash and cash equivalents**		
	Cash at bank and on hand	160 991 988	190 251 626
		160 991 988	**190 251 626**
29	**Insurance contract liabilities**		
	Outstanding claims	2 842 255	2 869 977
	Future policyholders' benefits (see analysis of movement in provision below)	2 047 059 448	1 352 739 010
		2 049 901 703	**1 355 608 987**
29.1	**Future policyholders' benefits**		
	Movement in provision for insurance contracts		
	Balance at beginning of year	1 352 739 010	897 652 811
	Inflows		
	Premium income	202 836 635	184 699 989
	Investment income	666 994 420	430 005 795
	Fee and other income	5 967 248	5 341 329
	Outflows		
	Claims and policy benefits	(125 759 958)	(117 858 118)
	Operating expenses	(31 200 379)	(26 981 552)
	Taxation		
	Current tax	(832 485)	(720 256)
	Deferred tax	(3 575 130)	(4 026 741)
	Transfer to operating profit	(20 109 913)	(15 374 247)
	Balance at end of year	**2 047 059 448**	**1 352 739 010**
30	**Investment contract liabilities**		
	Liabilities at fair value through profit or loss	**208 922 934**	**120 815 870**
	Movement in liabilities fair valued through profit or loss		
	Balance at beginning of year	120 815 870	76 330 845
	New contributions received	2 244 249	1 272 183
	Withdrawals	(3 575 713)	(8 661 880)
	Fair value movements	89 438 528	51 874 722
	Balance at end of year	**208 922 934**	**120 815 870**

31 Share-based payments

31.1 Indigenisation Transactions

In 2012 the Group entered into an Indigenisation transaction under the Indigenisation & Economic Empowerment Act of 2008 (Chapter 14:33). OMZIL donated $60 000 000 to qualifying indigenous groups through trusts to acquire OMZIL shares from the main shareholder Old Mutual Netherlands B.V. The shares were transferred to the various trusts on 1 June 2012. The grants represent a share-based payment transaction as defined in IFRS 2, Share-based payments transactions.

OMZIL may be called upon from time to time, to provide such funds as may be required by the Trustees of the various trusts in their capacities as such, to defray the costs and expenses arising out of and in connection with the administration of the trusts.

OMZIL Indigenisation Employee Share Scheme
This scheme operates for the benefit of all employees of the Group who met the qualification criteria set by management. On 1 June 2012, an allocation was made by means of a once-off share award to the participants. The award was not subject to any performance targets, but participants were required to be in the service of Old Mutual during the vesting period.

OMZIL Management Incentive Share Scheme
This scheme operates for the benefit of management and its primary purpose is to attract, reward and retain senior and middle management. Awards will be made annually on agreed terms and conditions with a vesting period of three years. Participants receive dividends from the date of the award. Staff joining the Group after the allocation date also participate in the scheme.

OMZIL Client Pension Ex-gratia Trust
This scheme operates for the benefit of client pensioners. Once off share awards were allocated to participants. These vested immediately and were not subject to any conditions.

Kurera/Ukondla Youth Fund Trust
This scheme operates for the benefit of the youth population of Zimbabwe. It is administered in collaboration with the Ministry of Women Affairs, Community, Small and Medium Enterprise Development through the Zimbabwe Youth Council. The shares act as collateral to loans accessed from CABS by young people as defined. These share awards vested immediately and were not subject to any conditions.

Strategic Partner
The Strategic partner is Stiefel Investments (Private) Limited (Stiefel), an investment holding company and provider of advisory services. The beneficiary persons behind Stiefel are Messrs L.E.M. Ngwerume, Todd Moyo and Mrs Tracey Mutaviri. Mr Ngwerume was a non-executive director of CABS, while Mrs Mutaviri was a non-executive director of Old Mutual Life Assurance Company Zimbabwe Limited and CABS over the same period during 2018.

The purchase consideration of the shares was US$13 016 238 for 11 621 641 issued and fully paid up 'B class"" shares at a price of US$ 1.12 per share. The amount funded (finance assisted) by the Group was US$12 755 913 after a 2% down payment of US$260 324 paid by Stiefel."

Costs associated with Indigenisation transactions	**Group 2018 $**	**Group 2017 $**
Employee Share Scheme	-	-
Management Incentive Scheme	559 309	935 727
	559 309	**935 727**
OMZIL Management Incentive Scheme		
Opening balance of shares	2 555 753	3 670 177
Issued during the year	-	-
Exercised during the year	(895 981)	(999 826)
Forfeited	(58 029)	(114 598)
Closing balance of shares	**1 601 743**	**2 555 753**

Shares exercised during the year were exercised at an average price of $1.09 (2017: $1.40). The expected vesting periods for shares outstanding as at end of year are as follows:

2018	-	915 134
2019	1 601 743	1 640 619

The shares are listed on the Finsec Automated Trading platform (ATP). The ATP price as at 31 December 2018 was $4.95 (2017: $2.05).

31.2 Share-based payments reserve

The equity share-based payment reserve is maintained in the Group from the date of issue of the share awards. On exercise of the share awards, settlement will be made through the structured entities controlled by Old Mutual Zimbabwe Limited which are listed on the previous page.

The movement of the reserve during the reporting period is included in the statement of changes in equity.

31.3 Cash-settled share-based employee compensation plans

Broad Based Employee Share Plan (BBESP)

During the year the Group granted share awards to all eligible employees as part of the primary listing of Old Mutual Limited on the Johannesburg Stock Exchange (JSE). All permanent employees of the Group on the date of listing of Old Mutual Limited were eligible to participate, provided that they were still permanently employed by the Group on the grant date of 18 September 2018.

All participants received a fixed Rand value offer of R10 000 converted into the local currency after reducing the award by the amount needed to cover the tax liability on the award for each employee in compliance with tax legislation which states that share awards are taxable on grant. The actual number of shares granted to each employee was calculated on the grant date using the price of the Old Mutual Limited share on the JSE.

The BBESP award will be restricted for a period of two years from the grant date. Participants are entitled to receive dividends in respect of the share awards during the restricted period. At the end of the restricted period, the value of the vested share awards will be paid in cash to the participants. The BBESP awards will not be subject to performance conditions, however, the Award is subject to the condition that participants remain employed by the Group during the restricted period.

The balance of the liability at the end of reporting period was as below:

	Group December 2018 $	Group December 2017 $
Broad Based Employee Share Plan	89 820	-
	89 820	**-**

The fair value of services received in return for the BBESP is measured by reference to the fair value of share entitlements granted over the service period. The fair value is measured using the closing price of the Old Mutual Limited share on the JSE at each reporting date. The cash-settled share based payment liability is maintained in the Group and remeasured at each balance sheet date during the period up to exercise of the share options, with changes in fair value recorded in profit or loss.

Movements relating to share entitlements and awards during the year are as follows:

Deferred delivery entitlements	2018 Number of shares	2017 Number of shares
Outstanding, at beginning of year	-	-
Issued during the year	346 333	-
Exercised during the year	-	-
Forfeited during the year	-	-
Outstanding, at end of year	**346 333**	**-**

32 Provisions

	Employee related provisions $	Other $	Total 2018 $
Balance at beginning of year	5 649 728	8 653 333	14 303 061
Amount utilised	(6 095 922)	(1 251 107)	(7 347 029)
Released	(734 929)	-	(734 929)
Charge	6 940 477	3 061 660	10 002 137
Balance at end of year	**5 759 354**	**10 463 886**	**16 223 240**

	Employee related provisions $	Other $	Total 2017 $
Balance at beginning of year	5 559 525	9 443 009	15 002 534
Amount utilised	(5 601 265)	(706 204)	(6 307 469)
Released	(472 681)	(306 827)	(779 508)
Charge	6 164 149	223 355	6 387 504
Balance at end of year	**5 649 728**	**8 653 333**	**14 303 061**

33 Deferred tax

	At beginning 2017	Charge to equity	Income statement charge	At end 2018
Deferred tax liability	**$**	**$**	**$**	**$**
Shareholders	15 614 894	(1 065 932)	13 439 747	27 988 709
Policyholders	26 474 415	-	3 575 130	30 049 545
	42 089 309	**(1 065 932)**	**17 014 877**	**58 038 254**
Deferred tax asset				
Shareholders	(932 246)	-	(482 785)	(1 415 031)
	(932 246)	**-**	**(482 785)**	**(1 415 031)**
Aggregate deferred tax	**41 157 063**	**(1 065 932)**	**16 532 092**	**56 623 223**
Analysis of deferred tax -				
Wear and tear				38 255 122
Capital gains				18 273 431
Assessed loss				94 670
				56 623 223

Deferred tax liability				**At end 2017**
	$	**$**	**$**	**$**
Shareholders	7 850 508	(680 047)	8 444 433	15 614 894
Policyholders	22 447 674	-	4 026 741	26 474 415
	30 298 182	**(680 047)**	**12 471 174**	**42 089 309**
Deferred tax asset				
Shareholders	(1 030 934)	-	98 689	(932 245)
	(1 030 934)	**-**	**98 689**	**(932 245)**
Aggregate deferred tax	**29 267 248**	**(680 047)**	**12 569 863**	**41 157 064**
Analysis of deferred tax -				
Wear and tear				25 639 083
Capital gains				15 473 311
Assessed loss				44 670
				41 157 064

34 Amounts owed to bank depositors

In the Group's banking business the Group receives cash from bank depositors. The depositors receive interest on the amounts owed depending on the value of the amount borrowed and the terms of the deposit.

	2018 $	2017 $
Money market deposits	461 486 226	357 003 412
Term deposits	709 173	479 436
Savings deposits	544 674 105	480 543 762
	1 006 869 504	**838 026 610**
Maturity analysis		
On demand to 3 months	826 557 772	611 585 863
3 months to a year	55 446 316	74 353 678
1 year to 5 years	54 675 045	84 492 816
Over 5 years	70 190 371	67 594 253
	1 006 869 504	**838 026 610**

Concentration	2018 $	%	2017 $	%
Financial institutions	427 919 540	42.50%	358 675 389	42.80%
Companies	482 290 492	47.90%	387 168 294	46.20%
Individuals	96 659 472	9.60%	92 182 927	11,00%
	1 006 869 504	**100.00%**	**838 026 610**	**100.00%**

35 Credit lines

	2018 $	2017 $
PTA Bank loan	19 613 664	10 000 948
Shelter Afrique	8 000 000	9 744 240
Proparco Loan	-	3 332 581
AFDB Loan	24 962 337	-
Accrued interest on credit lines	721 222	240 000
Balance at end of the year	**53 297 223**	**23 317 769**
Maturity analysis		
On demand to 3 months	4 576 454	683 477
3 months to 1 year	10 940 729	4 024 970
1 year to 5 years	37 780 040	14 008 459
	53 297 223	**23 317 769**

The PTA bank loan is repayable over 3 years, the AFDB loan over 4 years and the Shelter Afrique loan over 10 years. The PTA loan was obtained in October 2017, the Shelter Afrique loan in 2014 and the AFDB loan in September 2018 . As security for the PTA Bank loan, the Group registered bonds of US$7 million and issued powers of attorney to register bonds (in the event of default) over properties with a total value of US$41.9 million as at 31 December 2018 (both investment properties and owner occupied properties).

		2018	2017
36	**Other liabilities**	**$**	**$**
	Amounts owed to policyholders	-	2 500 089
	Accruals and deferred income	36 007 482	19 851 441
	Trade creditors	15 117 599	19 930 711
	VAT payable	358 744	211 813
	Dividend payable	24 813 689	25 396 125
	Kurera-Ukondla fund	7 747 759	7 747 759
	Other liabilities	7 478 579	3 510 662
		91 523 852	**79 148 600**

37 Contingent liabilities

Commission of Inquiry

A commission of inquiry established by the Zimbabwean Government concluded its inquiry into the loss in value for certain policyholders and beneficiaries upon the conversion of pension and insurance benefits after the dollarization of the economy in 2009. On 9 March 2018 the results of the Zimbabwean Government's inquiry were made public.

Although the Commission believes that policyholders may have been prejudiced, and that government, regulators and the insurance industry played a role in the loss of value, this finding is subject to review by the President and Cabinet. Furthermore, the Commission did not determine a methodology for quantifying or allocating responsibility for this prejudice, and recommended that this be the subject of a further independent process to determine a criteria for assessing prejudice as well as a basis for any possible compensation, which will also take into account the need to maintain stability and confidence in the industry. This process has not officially commenced as of March 2019. As such, we are not currently able to establish what impact the commission's findings will have on Old Mutual Zimbabwe.

38 Post employment benefits obligations

The Group provides pension benefits to permanent employees and post-retirement benefits to qualifying employees. Pension benefits have been designed and are administered in accordance with the Pension and Provident Funds Act (Chapter 24:09), and are defined contribution schemes.

The Old Mutual Staff Pension Fund

The Fund is a defined contribution plan registered to provide retirement benefits for the Group's full-time employees.

National Social Security Authority Scheme

This scheme was promulgated under the National Social Security Authority Act 1989. The Group's obligation under the scheme is limited to specific contributions as legislated from time to time and is presently $45 per month per employee. The Group agreed to keep the employee contributions at $6 per month and pay any contributions above $6 on behalf of the employees.

		Group 2018 $	Group 2017 $
38	**Post employment benefits obligations(continued)**		
	Old Mutual Post Retirement Medical Aid Subsidy Fund		
	The fund is a defined contribution plan for the Group's full-time employees.		
	Contributions recognised as an expense for the year		
	- Old Mutual Staff Pension Fund	3 629 316	2 625 599
	- National Social Security Authority Scheme	906 662	851 801
	- Post retirement medical aid	815 169	804 235
39	**Capital commitments**		
	Authorised	61 820 122	24 276 932
	The Group is committed to incur capital expenditure and the commitments are expected to be settled in the year 2019.		
	For advances		
	Aggregate commitments due under advances granted but not yet disbursed	12 123 222	29 201 522
40	**Leases**		
	The Group as lessor - operating lease arrangements		
	Total future minimum lease receivables under operating leases		
	Not later than one year	30 717 331	15 402 797
	Later than one year and not later than five years	153 586 656	71 965 372
	Later than five years	182 768 121	87 368 168
		367 072 108	**174 736 337**
	The Group as lessee - operating lease arrangements		
	Non-cancellable operating lease rentals are payable as follows:		
	Not later than one year	1 007 584	730 252
	Later than one year and not later than five years	3 053 716	3 392 352
		4 061 300	**4 122 604**

The operating lease agreements relate to property rental agreements between the Group and third parties both as lessee and lessor.

41 Related party disclosures

Holding company and fellow subsidiaries and associates.

The Group's immediate holding company is OM Zimbabwe Holdco Limited which holds 75% of the Group's ordinary shares. The ultimate holding company is Old Mutual Limited, incorporated in South Africa.

Other Group companies consist of fellow subsidiaries and associates.

Transactions and balances with holding company and fellow subsidiaries	**Group 2018 $**	**Group 2017 $**
Fellow related parties		
Old Mutual Life Assurance Company (South Africa) Limited		
Amounts due to as at 31 December	(5 059 847)	(3 935 165)
Old Mutual Africa Holdings		
Amounts due by/(to) as at 31 December	1 106 026	(275 038)
Old Mutual Zimbabwe Holdco Limited		
Amounts due to as at 31 December	(31 393 974)	(14 437 500)
Old Mutual Netherlands B.V		
Amounts due to as at 31 December	(50 000 000)	(50 000 000)

Loans due by or to subsidiaries and other group companies

Loans due by or to subsidiaries accrue interest at market related interest rates.

All the Group's principal subsidiaries together with loans due by or to them are listed in note 46 and 49.

Capital advances and amounts due by or to group companies are disclosed in note 49.

Key management personnel

Key management personnel and their close family members and entities which they control, jointly control or over which they exercise significant influence are considered related parties to the Group.

Key management personnel remuneration and other compensation		
Short-term employee benefits	4 514 422	2 652 522
Share based payments	692 372	922 370
Post-employment benefits	257 518	51 739
	5 464 312	**3 626 631**

42 Group financial instruments

42.1 Categories of financial instruments

The analysis of assets and liabilities into their categories as defined in IFRS 9 'Financial Instruments: Recognition and Measurement' (IFRS 9) is set out in the following table. For completeness, assets and liabilities of a non-financial nature, or financial assets and liabilities that are specifically excluded from the scope of IFRS 9, are reflected in the non-financial assets and liabilities category.

At 31 December 2018	Mandatorily At fair value through profit or loss $	Designated At fair value through profit or loss $	At amortised cost $	Non-financial assets/ liabilities $	Total $
Assets					
Investment property	-	-	-	411 475 907	411 475 907
Property and equipment	-	-	-	96 584 611	96 584 611
Intangible assets	-	-	-	8 038 516	8 038 516
Investment in finance lease	-	-	7 733 971	-	7 733 971
Deferred acquisition costs	-	-	-	640 073	640 073
Reinsurers' share of insurance contract provisions	-	-	-	4 778 163	4 778 163
Investments and securities	2 336 325 189	233 665 439	225 291 322	-	2 795 281 950
Deferred tax assets	-	-	-	1 415 031	1 415 031
Current tax assets	-	-	-	617 258	617 258
Loans and advances	-	-	780 494 830	-	780 494 830
Other assets	-	-	66 154 623	61 681 847	127 836 470
Cash and cash equivalents	-	-	160 991 988	-	160 991 988
	2 336 325 189	**233 665 439**	**1 240 666 734**	**585 231 406**	**4 395 888 768**
Liabilities					
Insurance contract liabilities	-	-	-	2 049 901 703	2 049 901 703
Investment contract	-	-	-	-	-
liabilities	208 922 934	-	-		208 922 934
Provisions	-	-	-	16 223 240	16 223 240
Deferred tax liabilities	-	-	-	58 038 254	58 038 254
Current tax payable	-	-	-	383 030	383 030
Amounts due to group companies	-	-	85 347 795	-	85 347 795
Amounts owed to bank depositors	-	-	1 006 869 504	-	1 006 869 504
Borrowed funds	-	-	53 297 223	-	53 297 223
Other liabilities	-	-	91 523 852	-	91 523 852
	208 922 934	**-**	**1 237 038 374**	**2 124 546 227**	**3 570 507 535**

At 31 December 2017	At fair value through profit or loss $	Designated At fair value through profit or loss $	At amortised cost $	Non-financial assets/ liabilities $	Total $
Assets					
Investment property	-	-	-	405 171 878	405 171 878
Property and equipment	-	-	-	85 823 402	85 823 402
Intangible assets	-	-	-	10 498 646	10 498 646
Deferred acquisition costs	-	-	-	741 681	741 681
Reinsurers' share of insurance	-	-	-	-	-
contract provisions	-	-	-	3 278 568	3 278 568
Investments and securities	1 204 908 372	218 659 513	186 891 252	-	1 610 459 137
Deferred tax assets	-	-	-	932 245	932 245
Current tax assets	-	-	-	737 798	737 798
Loans and advances	-	-	669 180 202	-	669 180 202
Other assets	-	-	80 889 889	64 738 965	145 628 854
Cash and cash equivalents	-	-	190 251 626	-	190 251 626
	1 204 908 372	**218 659 513**	**1 127 212 969**	**571 923 183**	**3 122 704 037**
Liabilities					
Insurance contract liabilities	-	-	-	1 355 608 987	1 355 608 987
Investment contract liabilities	120 815 870	-	-	-	120 815 870
Provisions	-	-	-	14 303 061	14 303 061
Deferred tax liabilities	-	-	-	42 089 309	42 089 309
Current tax payable	-	-	-	557 924	557 924
Borrowed funds	-	-	23 317 769	-	23 317 769
Amounts due to group companies	-	-	68 647 703	-	68 647 703
Amounts owed to bank depositors	-	-	838 026 610	-	838 026 610
Other liabilities	-	-	79 148 600	-	79 148 600
	120 815 870	**-**	**1 009 140 682**	**1 412 559 281**	**2 542 515 833**

42.2 Fair values of financial assets and liabilities

Determination of fair value

The best evidence of fair value is a quoted price in an active market. In the event that the market for a financial asset or liability is not active, or quoted prices cannot be obtained without undue effort, another valuation technique is used. This is after:

- Assessing whether instruments are trading with sufficient frequency and volume, that they can be considered liquid.
- The inclusion of a measure of the counterparties' non-performance risk in the fair value measurement of loans and advances, which involves the modelling of dynamic credit spreads.
- The inclusion of own credit risk in the calculation of the fair value of financial liabilities.

There have been no significant changes in the valuation techniques applied when valuing financial instruments. The general principles applied to those instruments measured at fair value are outlined below:

Loans and advances

Loans and advances include mortgage loans, other asset-based loans, including collateralised debt obligations, and other secured and unsecured loans.

In the absence of an observable market for these instruments, the fair value is determined by using internally developed models that are specific to the instrument and that incorporate all available observable inputs. These models involve discounting the contractual cash flows by using a credit-adjusted zero-coupon rate.

In the absence of an observable market for these instruments, the fair value is determined by using internally developed models that are specific to the instrument and that incorporate all available observable units. These models involve discounting the contractual cashflows by using a credit-adjusted rate.

Investments and securities
Investments and securities include listed and unlisted equity securities, pooled investment, short term funds. Pooled investments represent the Group's holdings of shares/units in open-ended investment companies, unit trusts, mutual funds and similar investment vehicles. Pooled investments are recognised at fair value. The fair values of pooled investments are based on widely published prices that are regularly updated or models based on the market prices of investments held in the underlying pooled investment funds.

Other investment and securities that are measured at fair value are measured at observable market prices where available. In the absence of observable market prices, these investments and securities are fair valued utilising one or more of the following techniques: discounted cash flows, the applicable of an EBITDA multiple or any other relevant technique.

Investment contract liabilities
The fair value of investment contract liabilities is determined with reference to the underlying funds that are held by the Group.

Other financial assets and liabilities
The fair values of other financial assets and liabilities are reasonably approximated by the carrying amounts reflected in the statement of financial position as they are short-term in nature or re-price to current market rates frequently.

Fair value hierarchy
Level 1 – quoted market prices: financial assets and liabilities with quoted prices for identical instruments in active markets.
Level 2 – valuation techniques using observable inputs: financial assets and liabilities with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial assets and liabilities valued using models where all significant inputs are observable.
Level 3 – valuation techniques using significant unobservable inputs: financial assets and liabilities valued using valuation techniques where one or more significant inputs are unobservable.

The judgment as to whether a market is active may include, for example, consideration of factors such as the magnitude and frequency of trading activity, the availability of prices and the size of bid/ offer spreads. In inactive markets, obtaining assurance that the transaction price provides evidence of fair value or determining the adjustments to transaction prices that are necessary to measure the fair value of the asset or liability requires additional work during the valuation process.

The majority of valuation techniques employ only observable market data, and so the reliability of the fair value measurement is high. However, certain financial assets and liabilities are valued on the basis of valuation techniques that feature one or more significant market inputs that are unobservable and, for them, the derivation of fair value is more judgemental. A financial asset or liability in its entirety is classified as valued using significant unobservable inputs if a significant proportion of that asset or liability's carrying amount is driven by unobservable inputs. In this context, 'unobservable' means that there is little or no current market data available for which to determine the price at which an arm's length transaction would likely to occur. It generally does not mean that there is no market data available at all upon which to base a determination of fair value (for example, consensus pricing data may be used). Furthermore, in some cases the majority of the fair value derived from a valuation technique with significant unobservable inputs may be attributable to observable inputs.

Analysis of instruments at fair value

At 31 December 2018	**Level 1 $**	**Level 2 $**	**Level 3 $**	**Total $**
Financial assets measured at fair value				
Investment and securities	2 162 321 406	535 274 530	97 686 014	2 795 281 950
Total financial assets measured at fair value	**2 162 321 406**	**535 274 530**	**97 686 014**	**2 795 281 950**
Financial liabilities				
Investment Contract liabilities	-	208 820 664	-	208 820 664
Other liabilities	-	-	-	-
Total financial liabilities measured at fair value	**-**	**208 820 664**	**-**	**208 820 664**

At 31 December 2017	**Level 1 $**	**Level 2 $**	**Level 3 $**	**Total $**
Financial assets measured at fair value				
Investment and securities	1 280 909 478	285 727 656	43 822 003	1 610 459 137
Total financial assets measured at fair value	**1 280 909 478**	**285 727 656**	**43 822 003**	**1 610 459 137**
Financial liabilities				
Investment Contract liabilities		120 815 870		120 815 870
Other liabilities	-	-	-	-
Total financial liabilities measured at fair value	**-**	**120 815 870**	**-**	**120 815 870**

Analysis of level 3 financial assets

2018	Opening balance $	Gains/losses recognised in profit or loss $	Purchases and issues $	Sales and settlements $	Transfers into level 3 from other categories $	Transfers out of level 3 to other categories $	Closing balance $
Financial assets measured at fair value							
Designated (fair value through profit or loss)	43 822 003	38 086 088	25 734 228	(9 956 305)	-	-	97 686 014
Total financial assets measured at fair value	**43 822 003**	**38 086 088**	**25 734 228**	**(9 956 305)**	**-**	**-**	**97 686 014**
2017							
Designated (fair value through profit or loss)	32 197 797	8 504 708	14 744 874	(11 625 377)	-	-	43 822 003
Total financial assets measured at fair value	**32 197 797**	**8 504 708**	**14 744 874**	**(11 625 377)**	**-**	**-**	**43 822 003**

Key inputs and assumptions used in the valuation models include discount rates and price earnings ratio. The table below sets out information about significant unobservable inputs used at year end in measuring financial instruments categorised as level 3.

Valuation Technique	Significant unobservable input	Average range of unobservable inputs
Discounted Cash Flow (DCF)	Risk adjusted discount rate: -Equity risk premium -Industry premium -Company specific premium -Nominal free risk rate -Terminal growth rate	23.5% - 29.3% 12,9% - 17.24% 6% - 7% 2% - 5% 7% 2% - 4%
Price Earnings (PE)	PE ratio/multiple: Discount applied - Country risk discount - Lack of marketability adjustment	 25% 25%

43 Financial risk management

The Group is exposed to financial risk through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. In particular the key financial risk is that the proceeds from its financial assets may not be sufficient to fund the obligations arising from its insurance and investment contracts. The most important components of financial risk are interest rate risk, liquidity risk, equity price risk, currency risk and credit risk.

These risks arise from open positions in interest rate (both fair value and cash flow interest rate risk) and equity products, all of which are exposed to general and specific market movements.

Financial risk management strategy and policy

The principal technique of the Group is to match assets to the liabilities arising from insurance and investment contracts by reference to the type of benefits payable to contract holders, as well as seeking to maximise the return on shareholders' funds, all within an acceptable risk framework.

The insurance contracts retain substantial exposures to the extent that the benefits payable to policyholders are not linked to the performance of the underlying assets. These exposures include duration risk, credit risk and market risk. The notes below explain how financial risks are mitigated by the maintenance of sufficient capital.

Capital Adequacy	2018 $	2017 $
Old Mutual Life Assurance Company Zimbabwe Limited (OMLAC)		
Excess assets	442 046 373	271 311 220
Regulatory capital adequacy requirement	5 000 000	5 000 000
Central Africa Building Society (CABS)		
Regulatory Capital	186 351 896	165 436 691
Total risk weighted assets	1 040 082 354	947 481 966
Capital adequacy ratio	18%	17%
Regulatory capital adequacy ratio	12%	12%
Old Mutual Investment Group Zimbabwe (Private) Limited (OMIG)		
Shareholders equity	3 743 975	3 159 291
Regulatory capital adequacy requirement	500 000	500 000
Old Mutual Securities (Private) Limited (OMSEC)		
Shareholders equity	1 176 473	407 968
Regulatory capital adequacy requirement	150 000	150 000
RM Insurance Holdings Limited (RMI)		
Shareholders equity	51 258 353	38 551 215
Regulatory capital adequacy requirement	1 500 000	1 500 000
Old Mutual Finance(Private) Limited (OMFIN)		
Shareholders equity	2 213 140	270 170
Regulatory capital adequacy requirement	20 000	20 000
CABS Custodial Services (Private) Limited		
Shareholders equity	2 365 820	1 630 005
Regulatory capital adequacy requirement	119 055	119 055

OMLAC

OMLAC is regulated by the Insurance and Pensions Commission (IPEC). The internal capital adequacy requirement (CAR) has been calculated based on the Prudential Authority of South Africa's Financial Soundness Standards for Insurers (Solvency Assessment and Management - SAM) framework. This provides a buffer against future experience being worse than assumed, of which adverse investment experience is the most significant. CAR is the amount of capital the business needs in excess of its liabilities to run smoothly and be able to withstand adverse experience and market shocks. The risks taken into account include underwriting, investment, credit, expense and operational. The formula isolates each major risks category and determines how much capital needs to be held in respect of that risk. The diversification between the risks is allowed for. The calculation also allows for the effect of a fall in the fair value of the assets backing the CAR as well as any risk associated with these assets. Investment resilience risk, credit risk and operational risk make up the majority of the CAR. The Group had sufficient excess assets to cover its CAR requirements throughout the year.

CABS

The Society's lead regulator (Reserve Bank of Zimbabwe) sets and monitors capital requirements for the Society on a quarterly basis through quarterly BSD1 Returns. Currently, RBZ requires the Society to maintain minimum capital of US$25 million and a capital adequacy ratio of 12% as measured by the ratio of total capital to risk weighed assets.

OMIG

Securities and Exchange Commission (SEC) sets and monitors capital requirements for the company. The company met the regulatory requirements regarding capitalisation. The amount of the surplus available to be distributed to the shareholder, Old Mutual Zimbabwe Limited, is subject to available distributable reserves within the shareholders' equity and maintaining the minimum internal capital adequacy requirement.

OMSEC

The Securities Exchange Commission sets and monitors capital requirements for the company. The company met the regulatory requirements regarding capitalisation.

RMI

RMI is regulated by the Insurance and Pensions Commission (IPEC) which sets and monitors capital requirements for the company. The company met the regulatory requirements regarding capitalisation.

OMFIN

The Reserve Bank of Zimbabwe (RBZ) sets and monitors capital requirements for the company. The company met the regulatory requirements regarding capitalisation.

CABSCUS

The Securities Exchange Commission sets and monitors capital requirements for the company. The company met the regulatory requirements regarding capitalisation.

Capital management policies

Capital is actively managed to ensure that the Group is properly capitalised and funded at all times, having regard to its regulatory needs, risk adjusted margins, prudent management, and the needs of all stakeholders. The Group has a business planning process that runs on an annual cycle with regular updates to projections. It is through this process, which includes risk and sensitivity analyses of forecasts that the Group's capital is managed.

Specifically, the Group has adopted the following capital management policies:

- Maintenance, as a minimum, of capital sufficient to meet the statutory requirements and such additional capital as management believes is necessary to ensure that obligations to policyholders can be met on a timely basis, in the case of the Life company, or alternatively in the case of the Group as a whole to ensure sufficient capital in a stress scenario.
- Maintenance of an appropriate level of liquidity at all times. The Group further ensures that it can meet its expected capital and financing needs at all times, having regard to the business plans, forecasts and any strategic initiatives.

Insurance risks

The Group controls its exposures through underwriting and re-pricing procedures and authorities to determine whether cover can be provided and the pricing of such risk. Underwriting practice relies on regular review procedures to analyse actual mortality and expense experience.

Equity price risk

Equity price risk is the potential loss arising from changes in the value of equity securities. The group's investment portfolio consists of equity securities, fixed income assets and property. A substantial part of the equity portfolio consists of listed counters. Non-listed investments are subjected to regular financial analysis and review, while exposure levels to listed counters are regularly reviewed.

Exposure to credit risk	**2018**	**2017**
	$	**$**
Short term funds and securities	535 274 530	401 414 596
Rental debtors	10 446 368	9 103 833
Investment in finance lease	7 733 971	-
Cash and cash equivalents	160 991 988	190 251 626
	714 446 857	**600 770 055**

Loans and advances	**2018**	**2017**
Collectively impaired	**$**	**$**
Gross amount	817 320 860	684 770 222
Allowance for impairment	(36 826 030)	(15 590 020)
Carrying amount	**780 494 830**	**669 180 202**

Impaired loans and securities

Impaired loans and securities are loans and securities for which the Group determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan/securities agreement(s).

Past due but not impaired loans

Loans and securities where contractual interest or principal payments are past due but the Group believes that impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed to the Group.

Exposure to counterparties

The Group is also exposed to counterparties arising from money market trading.

Allowances for impairment

The Group establishes an allowance for impairment based on the class of each loan and in line with IFRS 9 and the Reserve Bank of Zimbabwe guideline on provisions.

Write off policy
The Group writes off a loan when the Credit or Investment Committee determines that the loans/securities are uncollectible. The determination is reached after considering information such as the occurrence of significant changes in the borrower/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

Collateral
The Group holds collateral against loans and advances to customers in the form of mortgage interest over property. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired.

Settlement risk
The Group's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of a counterparty to honour its obligations to deliver cash, securities or other assets as contractually agreed. The Group charges the maximum lending rate for all parties who fail to honour their obligations on time. Settlement risk is also monitored through risk assessment of counterparties and capping of trading limits in line with the risk profile of each institution.

Currency risk
The Group has exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. To the extent possible, exchange rate risk on foreign payables is mitigated by generating business which earns foreign currency.

The table below shows the Group's exposure to foreign currency exchange risk at 31 December 2018.

At 31 December 2018	USD	ZAR	GBP	EURO	BWP
Cash and cash equivalents	17 017 246	14 070 459	1 346 400	1 195 100	101 300

The table below shows the Group's closing exchange rates which were used in the financial statements.

	USD	ZAR	GBP	EURO	BWP
At 31 December 2018	1.0000	14.4117	1.2690	1.1438	0.0933
At 31 December 2017	1.0000	12.3340	1.3506	1.1968	0.0980

Foreign currency risk
The Group has settlement exposure to foreign suppliers and creditors, as well as related parties who require payments to be made in foreign currency. Ability to settle is constrained by exchange control restrictions as well as the unavailability of nostro funding.

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Foreign liabilities	**2018 US$**	**2017 US$**
Life Assurance	70 795 377	2 335 102
General Insurance	300 001	189 640
Banking	53 297 223	23 409 119
Holding Company and other	17 318 064	92 136 547
	141 869 665	**118 070 408**
Of the amount disclosed above, the exposure to fellow group companies was:	**5 059 847**	**118 070 408**

Interest rate risk

Interest rate risk is the risk that fluctuating interest rates will unfavourably affect the Group's earnings and the value of its assets, liabilities and capital.

The individual life and employee benefits businesses have due regard to the nature of the liabilities. The interest rate risk of such liabilities is managed by investing in available assets to ensure matching of current liabilities. Derivative instruments are not used to manage the interest rate risk of these long term assets and liabilities.

Interest rate risk represents the price sensitivity of a fixed income security or interest-carrying asset to changes in interest rates. This risk is controlled by careful monitoring of the level of interest-bearing investments.

The tables below set out the carrying amounts, by maturity, of the Group's financial instruments that are exposed to interest rate risk.

Repricing profile of financial assets and liabilities (including insurance) exposed to interest rate risk:

2018	**0 to 3 months $**	**3 to 12 months $**	**Over a year $**	**Total $**
Money market investments	103 293 681	138 424 414	279 607 608	521 325 703
Loans and advances	121 288 442	241 486 065	454 546 353	817 320 860
Total	**224 582 123**	**379 910 479**	**734 153 961**	**1 338 646 563**

Loans and advances-Concentration-Gross	**Low and high density housing**	**Individuals**	**Commercial and industrial**	
	254 341 918	221 978 874	341 000 068	817 320 860

2017	**0 to 3 months $**	**3 to 12 months $**	**Over a year $**	**Total $**
Money market investments	35 622 122	337 736 090	17 211 521	390 569 733
Loans and advances	100 406 266	205 164 266	379 199 690	684 770 222
Total	**136 028 388**	**543 900 356**	**396 411 211**	**1 076 339 955**

Loans and advances-Concentration-Gross	**Low and high density housing**	**Individuals**	**Commercial and industrial**	
	199 467 565	167 085 292	318 217 365	684 770 222

Liquidity risk
Liquidity risk is the risk that cash may not be available at a reasonable cost to pay obligations when due.

The tables below set out the carrying amounts, by maturity, of the Group's financial instruments that are exposed to liquidity risk.

Maturity profile of financial assets exposed to liquidity risk:

	0 to 3 months $	3 to 12 months $	Over a year $	2018 Total $
Cash & cash equivalents	160 991 988	-	-	160 991 988
Short term investments	51 706 604	443 629 704	25 989 395	521 325 703
Loans and advances	121 288 442	241 486 065	454 546 353	817 320 860
	333 987 034	**685 115 769**	**480 535 748**	**1 499 638 551**

	0 to 3 months $	3 to 12 months $	Over a year $	2017 Total $
Cash & cash equivalents	190 251 626	-	-	190 251 626
Short term investments	35 622 122	337 736 090	17 211 521	390 569 733
Loans and advances	100 406 266	205 164 266	379 199 690	684 770 222
	326 280 014	**542 900 356**	**396 411 211**	**1 265 591 581**

The table below analyses assets and liabilities into current and non-current categories based on the remaining period at balance sheet date to settlement date.

	Current $	Non Current $	2018 Total $
Cash & cash equivalents	160 991 988	-	160 991 988
Loans and advances	416 517 961	363 976 869	780 494 830
Investment in finance lease	100 559	7 633 412	7 733 971
Money market and short term investments	241 718 094	279 607 609	521 325 703
Insurance and other receivables	90 545 597	37 290 873	127 836 470
Credit lines	(15 517 183)	(37 780 040)	(53 297 223)
Amounts owed to bank depositors	(882 004 089)	(124 865 415)	(1 006 869 504)
Insurance and other payables	(91 523 852)	-	(91 523 852)
	(79 170 925)	**525 863 308**	**446 692 383**

Management of liquidity risk
The Group's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking damage to the Group's reputation. The daily liquidity position of the Group is managed by the treasury department in liaison with the relevant management. All liquidity policies and procedures are subject to review and approval by the Assets and Liabilities Committee.

Liquidity gap
The Liquidity gap is the difference between assets and liabilities in a given maturity period.

The banking business manages its contractual liquidity gap through treasury operations to acquire deposits of suitable tenor and price from the market. As a contingency the Group has also entered into liquidity support arrangements with suitable counter parties, to which it has ready access, in need.

Exposure to liquidity risk
The key measure used by the Group for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose, net liquid assets are considered as including cash and cash equivalents and short term dealing and investment securities for which there is an active and liquid market less any deposits from banks, other borrowing and liabilities maturing within the same short term period. Details of this ratio as at 31 December 2018 is given below.

	Total $
Total liquid assets	910,326,559
Total liabilities to the public	(989,045,124)
Liquidity ratio	92%

The banking business monitors liquidity risk by compliance with liquidity regulations of the Building Societies Act (Chapter 24:02) as well as submission of monthly liquidity returns to the Reserve Bank of Zimbabwe (RBZ). In addition the Group matches long term lending to inflows into long term investments and this is monitored through the Risk Management Committee.

	2018	2017
Liquidity ratio (CABS)	41%	38%
Regulatory Minimum (CABS)	30%	30%

Sensitivity analysis
A 5 percent weakening of the US$ against the ZAR as at 31 December 2018 would have increased equity and profit by $163 287. The movement would not impact on profit and equity significantly. This analysis assumes that all other variables remain constant.

A 15 percent weakening of the listed equities as at 31 December 2018 would have reduced equity and profit by $56.6 million. The movement would represent a 32% impact on profit and 12% impact on equity. This analysis assumes that all other variables remain constant.

A 5 percent weakening of interest rates as at 31 December 2018 would have reduced equity and profit by $40.7 million. The movement would represent a 14% impact on profit and 5% impact on equity. This analysis assumes that all other variables remain constant.

A 5 percent decrease in investment property values as at 31 December 2018 would have reduced equity and profit by $735 329. The movement would represent a 1% impact on profit and 1% impact on equity. This analysis assumes that all other variables remain constant.

44 Insurance risk management
The Group assumes insurance risk by issuing insurance contracts, under which the Group agrees to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affecting the policyholder occurs. Insurance risk includes mortality risk.

44 Insurance risk management (continued)

For accounting purposes insurance risk is defined as risk other than financial risk. Contracts issued by the Group may include both insurance and financial risk; contracts with significant insurance risk are classified as insurance contracts, while contracts with no or insignificant insurance risk are classified as investment contracts. The Group's approach to financial risk management has been described in note 43.

Risk management objectives and policies for mitigating insurance risk

The Group effectively manages its insurance risks through the following mechanisms:

- Actuarial models, which use the above information to calculate premiums and monitor claims patterns. Past experience and statistical methods are used.
- Guidelines for concluding insurance contracts and assuming insurance risks. These include underwriting principles and product pricing procedures.
- The mix of assets, which is driven by the economic environment. The management of assets and liabilities is closely monitored to ensure that there are sufficient interest bearing assets to settle liabilities.

Terms and conditions of insurance contracts

The terms and conditions attached to insurance contracts determine the level of insurance risk accepted by the Group. The following table outline the general form of terms and conditions that apply to contracts sold in each category of business, and the nature of the risk incurred.

Category	Essential terms	Main risks	Policyholders guarantees	Policyholder participation - investment returns
Employee Benefits Group life assurance	Rates are annually renewable	Mortality	No significant guarantees	None
With-profit annuity	Regular benefit payments participating in profits in return for consideration	Longevity Investment	Underlying pricing interest rate is guaranteed Declared bonuses cannot be reduced	Yes, see below
Retail Life Plan	Premium rates are guaranteed but reviewable for new business	Mortality	Sum assured is guaranteed	None
Funeral Plan	Premium rates are guaranteed but reviewable for new business	Mortality	Sum assured is guaranteed	None

The extent of the Group's discretion as to the allocation of investment return to policyholders varies based on the type of contract. Where the contracts are pure risk type, there is no sharing of investment returns. For other contracts, investment return is attributed to the policyholder. Declared bonuses may be either vesting and/or non-vesting (in which case they can be reversed).

Smoothed bonus products constitute a significant proportion of the business. Particular attention is paid by ensuring that the declaration of bonuses is done in a responsible manner, such that sufficient reserves are retained for bonus smoothing purposes. Investment returns not distributed after deducting charges are credited to bonus stabilisation reserves, which are used to support subsequent bonus declarations.

In addition to the specified risks identified above, the Group is subject to the risk that policyholders discontinue the insurance policy through lapse or surrender.

44 Insurance risk management (continued)

Management of insurance risks

The table below summarises the variety of risks to which the Group is exposed to, and the methods by which it seeks to mitigate these risks.

Risks	Definition	Risk management
Underwriting	Misalignment of policyholders to the appropriate pricing basis or impact of anti-selection, resulting in a loss.	Experience is closely monitored. Underwriting limits, health requirements, spread of risks and training of underwriters all mitigate the risk.
Catastrophe	Natural and non-natural disasters could result in increased mortality risk and payouts on policies.	Catastrophe excess of loss re-insurance treaty covers all claims from one incident occurring within a specified period.

44 Insurance risk management (continued)

Summary of key valuation assumptions (statutory basis)

Below are the key actuarial valuation assumptions per product

Product		2018	2017
Old Mutual Funeral Plan			
Valuation interest rate		6.50%	6.50%
Expense inflation		4.00%	4.00%
Effective interest rate for assurance		6.50%	6.50%
Mortality basis		Zim92	Zim92
Renewal costs per annum		$11,81	$11,35
Lapse rates			
	Year 1	40.00%	40.00%
	Year 2	20.00%	20.00%
	Year 3	15.00%	15.00%
	Year 4+	4.00%	4.00%
Old Mutual Life Plan			
Valuation interest rate		6.50%	6.50%
Expense inflation		4.00%	4.00%
Effective interest rate for assurance		6.50%	6.50%
Mortality basis		Zim92	Zim92
Renewal costs per month		$142,37	$136,89
Lapse rates			
Late rate:	Year 1	40.00%	40.00%
	Year 2	20.00%	20.00%
	Year 3	10.00%	10.00%
	Year 4+	2.00%	2.00%
Savings Plan			
Valuation interest rate		5.90%	5.90%
Expense inflation		4.00%	4.00%
Mortality basis		Zim92	Zim92
Renewal Costs per month-premium paying		$122,99	$118,26
Renewal Costs per month-premium paid up		$122,99	$118,26
Late rate:			
	Year 1	20.00%	20.00%
Surrender rate:			
	Year 2	10.00%	10.00%
	Year 3	10.00%	10.00%
	Year 4+	10,00%	10,00%

44 Insurance risk management (continued)

		2018	2017
Old Mutual Term Plan			
Valuation interest rate		6.50%	6.50%
Expense inflation		4.00%	4.00%
Effective interest rate for assurance		6.50%	6.50%
Mortality basis		Zim92	Zim92
Renewal costs per month		$63,00	$61,00
Lapse rates			
	Year 1	40.00%	40.00%
	Year 2	20.00%	20.00%
	Year 3	10.00%	10.00%
	Year 4+	2.00%	2.00%
Pension Plus			
Pension Plus interest rate			
Valuing annuities		5.9%	5.9%
Valuing expenses		0%	0%
Mortality		a(90)	a(90)
Valuation interest rate per annum		3.50%	3.50%
After-retirement interest rate		2.50%	2.50%
Administration fee-per policy per annum		$48	$48

GLA IBNR reserves

2018 85% of premiums earned in the last 2.8 months
2017 85% of premiums earned in the last 2.8 months

45 Investment property

	Company 2018 $	Company 2017 $
Carrying amount at beginning of year	530 000	480 000
Net gain from fair value adjustments	70 000	50 000
Carrying amount at end of year	**600 000**	**530 000**
Comprising:		
Freehold property	**600 000**	**530 000**

The fair value of freehold property leased to third parties under operating leases is $600 000.

The carrying amount of investment property is the fair value of property as determined annually by internal professional valuers, having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued. Fair values are determined by having regard to recent market transactions for similar properties in the same location as the investment property. The Company's current lease arrangements, which are entered into on an arm's length basis and which are comparable to those for similar properties in the same location, are taken into account. Investment properties were fair valued using yield rates of between 7% and 12% (2017:7% and 12%) and rental rates of between 50c and $20 (2017:50c and $20) per square metre. The fair value of the Group's properties are categorised into Level 3 of the fair value hierarchy due to the use of unobservable units.

46 Investment in subsidiary companies

Total	Number of issued ordinary & preference shares	Company % interest	2018 Carrying value of shares $
Unlisted - subsidiaries			
Old Mutual Life Assurance Company Zimbabwe Limited	13 184 355	100%	40 617 897
Central Africa Building Society	15 000 000	100%	20 849 227
Old Mutual Investment Group Zimbabwe (Private) Limited	100	100%	1 001 802
Three Anchor Investments (Private) Limited T/A Old Mutual Custodial Services	1 200	100%	3 181 937
Old Mutual (Zimbabwe) Foundation Trust	100	100%	-
Capital Growth Investment Trust	10 000	100%	-
Old Mutual Property Zimbabwe (Private) Limited	100	100%	6 447 156
Old Mutual Securities (Private) Limited	167	70%	2 229 545
Old Mutual Shared Services (Private) Limited	602	100%	5 066 936
MCZ (Private) Limited T/A Old Mutual International Services Organisation	10 000 783	70%	1
RM Insurance Holdings Limited	940 520	50,67%	1 467 070
Old Mutual Finance (Private) Limited	10 000	100%	3 006 116
			83 867 687

All the above companies have a year end of 31 December and their financial results have been incorporated and are included in the Group financial statements from the effective date that the Group controls the entity.

The Group has 55% shareholding in Manica Boards and Doors and decided not to consolidate the investment. Management concluded that the investment in MBD is not material.

Total	Number of issued ordinary & preference shares	% interest	2017 Carrying value of shares
Unlisted - subsidiaries			
Old Mutual Life Assurance Company Zimbabwe Limited	13 184 355	100%	40 559 147
Central Africa Building Society	15 000 000	100%	20 685 680
Old Mutual Investment Group Zimbabwe (Private) Limited	100	100%	967 517
Three Anchor Investments (Private) Limited T/A Old Mutual Custodial Services	1 200	100%	3 178 862
Old Mutual (Zimbabwe) Foundation Trust	100	100%	-
Capital Growth Investment Trust	10 000	100%	-
Old Mutual Property Zimbabwe (Pvt) Ltd	100	100%	6 435 191
Old Mutual Securities (Private) Limited	167	70%	2 225 266
Old Mutual Shared Services (Private) Limited	602	100%	4 899 284
MCZ (Private) Limited T/A Old Mutual International Services Organisation	10 000 783	70%	1
RM Insurance Holdings Limited	940 520	50,67%	1 423 581
Old Mutual Finance (Private) Limited	10 000	100%	500 000
			80 874 529

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47 Property and equipment

2018	Motor vehicles $	Computer equipment $	Fixtures & fittings $	Company Total $
Carrying amount at beginning of year	114 699	13 544	5 093	133 336
Additions	69 385	12 474	-	81 859
Disposals	-	(1 587)	-	(1 587)
Disposals accumulated depreciation	-	(595)	-	(595)
Depreciation charge for the year	(67 280)	(5 926)	(2 564)	(75 770)
Carrying amount at end of year	116 804	17 910	2 529	137 243
Cost/Valuation	388 454	37 139	243 494	669 087
Accumulated depreciation	(271 650)	(19 229)	(240 965)	(531 844)
Carrying amount at end of year	**116 804**	**17 910**	**2 529**	**137 243**
2017				
Carrying amount at beginning of year	178 513	5 633	33 171	217 317
Additions	-	12 724	-	12 724
Disposals	-	-	-	-
Disposals accumulated depreciation	65	29	3 261	3 355
Depreciation charge for the year	(63 879)	(4 842)	(31 339)	(100 060)
Carrying amount at end of year	114 699	13 544	5 093	133 336
Cost/Valuation	319 069	27 179	243 494	589 742
Accumulated depreciation	(204 370)	(13 635)	(238 401)	(456 406)
Carrying amount at end of year	**114 699**	**13 544**	**5 093**	**133 336**

48 Investments and securities

48.1 Analysis of investments	2018 $	2017 $
At fair value through profit or loss		
Equity securities (see analysis in note 48.2 below)	249 918 959	150 135 930
Unit trusts	3 387 691	3 218 612
Debentures	21 589 901	525 127
Deposits and money market securities	(1 638)	22 837 740
	274 894 913	**176 717 409**
48.2 Spread of equity securities by sector		
At fair value through profit or loss		
Commodities	31 889 213	12 289 773
Consumer	145 522 227	96 918 166
Financial	13 063 685	3 063 685
Properties	9 992 944	4 992 944
Manufacturing	35 703 985	22 401 602
Mining	1 211 522	83 099
Unquoted	12 535 383	10 386 661
	249 918 959	**150 135 930**

Unquoted equities included in investments were valued at fair value.

48.3 Movements of investment and securities	2018 $	2017 $
Opening balance	176 717 409	78 995 256
Fair value movements through profit or loss	102 165 444	68 469 186
Interest earned	961 738	883 516
Additions	8 369 451	28 369 451
Disposals	(23 295 083)	-
	249 918 959	**176 717 409**

49 Amounts due by or (to) group companies

	2018 $ Due by	Company 2018 $ Due to	2017 $ Due by	Company 2017 $ Due to
Old Mutual Life Assurance Company Zimbabwe Limited	-	(140)	-	(103 360)
Old Mutual Zimbabwe Holdco Limited	-	(26 906 250)	-	(9093 750)
Old Mutual Investment Group Zimbabwe (Private) Limited	-	1 710 711	1 898 661	-
Old Mutual (Zimbabwe) Foundation Trust	-	-	3 375 170	-
Old Mutual Securities (Private) Limited	-	-	431 542	-
Old Mutual Shared Services (Private) Limited	-	(140 026)	21 958	-
Old Mutual Properties (Private) Limited	149 948	-	-	(12 358)
Old Mutual Insurance Company (Private) Limited	-	-	-	(43 984)
CABS Custodial Services (Private) Limited	(69 681)	-	-	(34 201)
Central Africa Building Society	(1 410)	-	-	(186 906)
Old Mutual Netherlands B.V.	-	(10 730 134)	-	(10 730 134)
The OMZIL Client Pension Exgratia Trust	11 038 559	(8 162 095)	12 201 277	(8 162 095)
The OMZIL Indigenisation Employee Share Trust	3 487 445	(13 483 167)	7 916 282	(13 483 167)
The OMZIL Management Incentive Share Trust	2 029 199	(9 876 845)	2 196 707	(9 876 845)
Old Mutual Finance (Private) Limited	-	-	-	(4 518)
Old Mutual Life Assurance Company SA Limited	-	1 964	-	(132 692)
Frittwell	41 543	-	-	-
Old Mutual Africa	1 106 027	-	-	-
RMIH	492 815	-	-	-
	18 274 445	**(67 585 981)**	**28 041 597**	**(51 864 010)**

50 Other receivables	Company 2018 $	Company 2017 $
Dividend receivable	-	-
Other	378 052	178 354
	378 052	**178 354**

51 Cash and cash equivalents		
Cash at bank and on hand	21 166 416	3 316 468
	21 166 416	**3 316 468**

52 Share-based payments

52.1 Indigenisation Transactions

Costs associated with Indigenisation transaction	Company 2018 $	Company 2017 $
Management Incentive Scheme	115 750	112 367
	115 750	**112 367**
Movements relating to the share awards during the year are as follows:		
OMZIL Management Incentive Scheme		
Opening balance of shares	308 310	457 134
Issued during the year	.	.
Transfer in	-	-
Exercised during the year	(119 072)	(148 824)
Closing balance of shares	189 238	308 310
The expected vesting periods for shares outstanding as at end of year are as follows:		
2018	-	119 072
2019	159 486	189 238

52.2 Share based payments reserve

The equity share-based payment reserve is maintained in the Company from the date of issue of the share awards. On exercise of the share awards, settlement will be made through the structured entities controlled by Old Mutual Zimbabwe Limited.

The movement of the reserve during the reporting period is included in the statement of changes in equity.

52.3 Cash-settled share-based employee compensation plans

Broad Based Employee Share Plan (BBESP)

During the year the Group granted share awards to all eligible employees as part of the primary listing of Old Mutual Limited on the Johannesburg Stock Exchange (JSE). All permanent employees of the Group on the date of listing of Old Mutual Limited were eligible to participate, provided that they were still permanently employed by the Group on the grant date of 18 September 2018.

All participants received a fixed Rand value offer of R10 000 converted into the local currency after reducing the award by the amount needed to cover the tax liability on the award for each employee in compliance with tax legislation which states that share awards are taxable on grant. The actual number of shares granted to each employee was calculated on the grant date using the price of the Old Mutual Limited share on the JSE.

The BBESP award will be restricted for a period of two years from the grant date. Participants are entitled to receive dividends in respect of the share awards during the restricted period. At the end of the restricted period, the value of the vested share awards will be paid in cash to the participants. The BBESP awards will not be subject to performance conditions, however, the Award is subject to the condition that participants remain employed by the Group during the restricted period.

The balance of the liability at the end of reporting period was as below:

	Company December 2018 $	Company December 2017 $
Broad Based Employee Share Plan	205	-
	205	-

The fair value of services received in return for the BBESP is measured by reference to the fair value of share entitlements granted over the service period. The fair value is measured using the closing price of the Old Mutual Limited share on the JSE at each reporting date. The cash-settled share based payment liability is maintained in the Group and remeasured at each balance sheet date during the period up to exercise of the share options, with changes in fair value recorded in profit or loss.

Movements relating to share entitlements and awards during the year are as follows:

Deferred delivery entitlements	2018 Number of shares	2017 Number of shares
Outstanding, at beginning of year	-	-
Issued during the year	395	-
Exercised during the year	-	-
Forfeited during the year	-	-
Outstanding, at end of year	**395**	-

53 Provisions

	Employee related provisions $	Other $	Company Total 2018 $
Balance at beginning of year	343 553	(38 439)	305 114
Amount utilised	(620 759)	(330 725)	(951 484)
Charge	625 535	409 487	1 035 022
Released	-	-	-
Balance at end of year	**348 329**	**40 324**	**388 653**

	Employee related provisions $	Other $	Company Total 2017 $
Balance at beginning of year	240 841	20 548	261 389
Amount utilised	(2 056 266)	(266 997)	(2 323 263)
Charge	2 158 978	208 010	2 366 988
Released	-	-	-
Balance at end of year	**343 553**	**(38 439)**	**305 114**

54 Deferred tax liabilities

	At beginning 2018 $	Income statement charge $	Company At end 2018 $
Deferred tax liability			
Capital gains	2 037 569	929 292	2 966 861
	2 037 569	**929 292**	**2 966 861**

	At beginning 2017 $	Income statement charge $	At end 2017 $
Deferred tax liability			
Capital gains	1 141 628	895 941	2 037 569
	1 141 628	**895 941**	**2 037 569**

55 Other liabilities

	2018 $	2017 $
Dividend payable	25 396 125	25 396 125
Kurera-Ukondla Fund	7 747 759	7 747 759
Other liabilities	7 079 828	7 876 960
	40 223 712	**41 020 844**

	2018 $	2017 $
56 Share capital and premium		
Authorised share capital		
292 953 125 ordinary shares of $0.0000032 each	937	937
249 035 156 'A' class ordinary shares of $0.0000032 each	797	797
83 011 718 'B' class ordinary shares of $0.0000032 each	267	267
1 preference share of $1 each	1	1
Issued share capital		
249 035 156 'A' class ordinary shares of $0.0000032 each	797	797
83 011 718 'B' class ordinary shares of $0.0000032 each	267	267
1 preference share of $1 each	1	1
	1 065	**1 065**

Subject to the limitations imposed by the Companies Act, the Articles of Association permit the directors to allot the unissued share capital at their discretion without restriction.

These class 'A' and 'B' shares carry the same rights as the ordinary shares.

57 Post employment benefits obligation

The Company provides pension benefits to permanent employees and post-retirement benefits to qualifying employees. Pension benefits have been designed and are administered in accordance with the Pension and Provident Funds Act (Chapter 24:09), and are defined contribution schemes.

The Old Mutual Staff Pension Fund

The Fund is a defined contribution plan registered to provide retirement benefits for the Company's full-time employees.

National Social Security Authority Scheme

This scheme was promulgated under the National Social Security Authority Act 1989. The Company's obligation under the scheme is limited to specific contributions as legislated from time to time and is presently $45 per month per employee. The Group agreed to keep the employee contributions at $6 per month and pay any contributions above $6 on behalf of the employees.

Old Mutual Post Retirement Medical Aid Subsidy Fund

The fund is a defined contribution plan for the Company's full-time employees.

	2018 $	2017 $
Contributions recognised as an expense for the year		
- Old Mutual Staff Pension Fund	14 554	29 510
- National Social Security Authority Scheme	1 917	3 939
58 Capital commitments		
Authorised	490 000	76 200

59 Related party disclosures

Holding company and fellow subsidiaries.

The Company's immediate holding company is Old Mutual (Netherlands) B.V. which holds 75% of the Group's ordinary shares. The ultimate holding company is Old Mutual Limited, incorporated in South Africa.

Other Group companies consist of subsidiaries and associates.

Transactions and balances with holding company and other group companies

	2018 $	2017 $
Old Mutual Zimbabwe Holdco Limited		
Nature of transactions		
Amounts due to at end of year	(26 906 250)	(9 093 750)
Old Mutual Investment Group Zimbabwe (Pvt) Ltd		
Nature of transactions: Asset Management Fees	1 257 474	680 480
Dividend income	7 500 000	5 200 000
Amounts due to at end of year	1 710 711	1 898 661
Central Africa Building Society		
Nature of transactions; Bank charges	3 122	2 511
Interest earned in investments	812 522	721 512
Dividend income	25 000 000	30 000 000
Amounts due at end of year	(1 410)	(186 906)
Old Mutual (Zimbabwe) Foundation Trust		
Nature of transactions		
Amounts due at end of year	-	3 375 170
Old Mutual Netherlands B.V.		
Amounts due at end of year	(10 730 134)	(10 730 134)
CABS Custodial Services (Private) Limited		
Nature of transactions: Custody Fees	312 139	240 288
Dividend income	1 000 000	300 000
Amounts due at end of year	(69 681)	(34 201)
Old Mutual Securities (Pvt) Ltd		
Amounts due at end of year	-	431 542
Old Mutual Shared Services (Pvt) Ltd		
Nature of transactions: Administration and internal Audit Fees	1 073 059	1 073 059
Amounts due at end of year	(140 026)	21 958

Loans due by or to subsidiaries and other group companies
Loans due by or to subsidiaries or other group companies accrue interest at market related interest rates.

All the Company's principal subsidiaries together with loans due by or to them are listed in note 46 and 49.

Capital advances and amounts due by or to group companies are disclosed in note 49.

Key management personnel
Key management personnel and their close family members and entities which they control, jointly control or over which they exercise significant influence are considered related parties to the Group. Details of transactions are disclosed in note 41.

		Group 2018 $	Group 2017 $
60	**Notes to the group statement of cash flows**		
60.1	**Non-cash movements and adjustments to profit before tax**		
	Depreciation and amortisation	10 653 248	10 567 151
	Revaluation surplus shadow accounting	(639 189)	(724 662)
	Net fair value gains for the year included in profit before tax	(914 190 996)	(584 357 365)
	Charges to provisions and post employment benefits obligation	10 002 137	6 387 504
	Share-based payments charge	559 309	935 727
	Movement in policyholder liabilities	783 138 517	497 697 388
	Unrealised exchange (gains)/losses	(250 469)	180 901
		(110 727 443)	**(69 313 356)**
60.2	**Changes in working capital**		
	Insurance, other receivables and amounts due by group companies	(93 522 245)	(102,717,598)
	Insurance, other payables and amounts due to group companies	227 897 694	253 450 126
	Reinsurer's share of insurance contract liabilities	(1 499 595)	(1 328 911)
	Deferred acquisition costs	101 608	151 724
		132 977 462	**149 555 341**
60.3	**Taxation paid**		
	Taxation payable at beginning of year	(12 356 883)	(29 719 913)
	Income tax charge for the year	(29 155 087)	(23 614 160)
	Taxation payable at end of year	15 878 872	40 977 190
		(25 633 098)	**(12 356 883)**
60.4	**Dividends paid**		
	Dividends payable at beginning of year	(43 076 149)	(43 076 149)
	Dividends declared during the year	(37 466 579)	(18 786 050)
	Dividends payable at end of year	56 790 099	43 076 149
		(23 752 629)	**(18 786 050)**

		Company 2018 $	Company 2017 $
61	**Notes to the company statement of cash flows**		
61.1	**Non-cash movements and adjustments to profit before tax**		
	Depreciation and amortisation	76 365	96 704
	Net fair value gains for the year included in profit before tax	(122 689 615)	(68 419 185)
	Charges to provisions and post employment benefits obligation	83 539	43 725
	Share-based payments charge	66 930	112 367
		(122 462 781)	**(68 166 389)**
61.2	**Changes in working capital**		
	Insurance, other receivables and amounts due by group companies	9 567 454	(738 055)
	Insurance, other payables and amounts due to group companies	14 924 839	11 973 625
		24 492 293	**11 235 570**
61.3	**Taxation paid**		
	Taxation payable at beginning of year	(1 739 152)	(1 155 540)
	Income tax charge for the year	(7 266 436)	(8 796 540)
	Taxation payable at end of year	2 345 759	1 739 152
		(6 659 829)	**(8 212 928)**
61.4	**Dividends paid**		
	Dividends payable at beginning of year	(33 339 398)	(33 339 398)
	Dividends declared during the year	(36 091 035)	(18 860 286)
	Dividends payable at end of year	51 157 465	33 339 398
		(18 272 968)	**(18 860 286)**

62 Going concern

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

63 Subsequent events

63.1 Movement of fair value of listed shares

During 2018, the value of the Zimbabwe Stock Exchange (ZSE) All share index increased by 46.2%. This had a significant impact on the Group's profits given the level of investment in listed equities. Subsequent to year end the value of the ZSE All share Index has fallen by 16.81% as at 29 March 2019. This has resulted in the value of the group's listed equity investments falling by $474 712 998 while profits have been negatively impacted by approximately $104 365 753. A sensitivity analysis has been done and shown under note 43. The Group's subsidiaries remain well capitalised.

63.2 Change of functional currency

On 20 February 2019, the RBZ Governor announced a new MPS whose highlights were:

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

The monetary policy announcement was followed by the publication of Statutory Instrument 33 of 2019 (SI33) on 22 February 2019. The Statutory Instrument gave effect to the introduction of the RTGS Dollar as legal tender and prescribed that "for accounting and other purposes" certain assets and liabilities on the effective date would be deemed to be RTGS dollars at a rate of 1:1 to the USD and would become opening RTGS Dollar values from the effective date.

The directors, based on their interpretation of IFRS had considered the MPS of 20 February 2019, and the subsequent emergence of an interbank exchange rate to be adjusting event in terms of International Accounting Standard 10 (IAS 10) "Events after the reporting period" as it is was considered as reflective of underlying conditions as at the reporting date of 31 December 2018. In particular the promulgation of RTGS Dollar as currency, in the opinion of the directors, was legal confirmation of market practice which had come to regard RTGS balances and transactions as representing an underlying de-facto currency. However given the accounting restrictions imposed by SI33, these post balance sheet events have not been adjusted for.

The impact on the 2018 balance sheet (which is based on the assumption of parity and interchangeability between the USD and RTGS balances) of applying different exchange rates is shown on the table below.

Management perfomed a a sensitivity analysis of the effect of using different exchange rates following the change in functional currency from US$ to RTGS$. Table below illustrates the different scenarios based on RTGS$ exchange rates to the USD of 1:1, 1:2.5, 1:4 & 1:5, and are presented in RTGS$ for the 1:2.5, 1:4 and 1:5 scenarios.

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

63 Subsequent events (continued)

	2018 Group $ Assets/ Liabilities RTGS Dollar	2018 Group $ Monetary Assets/ Liabilities Nostro FCA USD	2018 Group $ Non-monetary/ Assets/ Liabilities USD	2018 Group $ Total 1:1	2018 Group RTGS$ Total 1:2.5	2018 Group RTGS$ Total 1:4	2018 Group RTGS$ Total 1:5
Assets							
Investment property	-	-	411 475 907	411 475 907	1 028 689 767	1 645 903 627	2 057 379 533
Property and equipment	54 389 611	-	42 195 000	96 584 611	159 877 111	223 169 611	265 364 611
Intangible assets	8 038 516	-	-	8 038 516	8 038 516	8 038 516	8 038 516
Investment in finance lease	7 733 971	-	-	7 733 971	7 733 971	7 733 971	7 733 971
Deferred acquisition costs	640 073	-	-	640 073	640 073	640 073	640 073
Reinsurer contracts	4 778 163	-	-	4 778 163	4 778 163	4 778 163	4 778 163
Investments and securities	2 716 000 534	79 281 416	-	2 795 281 950	2 914 204 074	3 033 126 198	3 112 407 614
Deferred tax assets	1 415 031	-	-	1 415 031	2 974 269	4 758 830	7 614 128
Current tax assets	617 258	-	-	617 258	617 258	617 258	617 258
Loans and advances	749 496 315	30 998 515	-	780 494 830	826 992 603	873 490 376	904 488 892
Other assets	127 836 470	-	-	127 836 470	127 836 470	127 836 470	127 836 470
Cash and cash equivalents	143 009 012	17 982 976	-	160 991 988	187 966 452	214 940 916	232 923 892
Total assets	**3 813 954 954**	**128 262 907**	**453 670 907**	**4 395 888 768**	**5 270 348 727**	**6 145 034 009**	**6 729 823 121**
Liabilities							
Insurance contract liabilities	1 602 306 462	67 243 601	380 351 640	2 049 901 703	2 721 294 564	3 392 687 425	3 840 282 666
Investment contract liabilities	187 340 782	2 279 674	19 302 478	208 922 934	241 296 161	273 669 389	295 251 541
Provisions	16 223 240	-	-	16 223 240	16 578 048	16 223 240	16 223 240
Deferred tax liabilities	58 038 254	-	-	58 038 254	58 038 254	58 038 254	58 038 254
Current tax payables	383 030	-	-	383 030	383 030	383 030	383 030
Amounts due to group companies	85 347 795	-	-	85 347 795	89 606 039	85 347 795	85 347 795
Amounts owed to bank depositors	997 261 234	9 608 270	-	1 006 869 504	1 021 281 910	1 035 694 316	1 045 302 587
Credit lines	-	53 297 223	-	53 297 223	133 243 058	213 188 892	266 486 115
Other liabilities	82 082 955	9 440 897	-	91 523 852	105 685 199	119 846 543	129 287 440
Total liabilities	**3 028 983 752**	**141 869 665**	**399 654 118**	**3 570 507 535**	**4 387 406 263**	**5 195 078 884**	**5 736 602 668**
Net assets	**785 971 202**	**(13 606 758)**	**54 016 789**	**825 381 233**	**882 942 464**	**949 955 125**	**993 220 453**
Shareholders' equity							
Share capital and premium	1 065	-	-	1 065	1 065	1 065	1 065
Non-distributable reserve	51 346 598	-	-	51 346 598	51 346 598	51 346 598	51 346 598
Revaluation reserve	19 633 251	-	-	19 633 251	19 633 251	19 633 251	19 633 251
Share option reserve	33 662 107	-	-	33 662 107	33 662 107	33 662 107	33 662 107
Regulatory provisions reserve	5 186 397	-	-	5 186 397	5 186 397	5 186 397	5 186 397
Retained earnings	690 890 332	-	-	690 890 332	690 890 332	690 890 332	690 890 332
Foreign currency translation reserve	-	-	-	-	57 561 231	124 573 892	167 839 220
	800 719 750	**-**	**-**	**800 719 750**	**858 280 981**	**925 293 642**	**968 558 970**
Non-controlling interests	24 661 483	-	-	24 661 483	24 661 483	24 661 483	24 661 483
Total equity	**825 381 233**	**-**	**-**	**825 381 233**	**882 942 464**	**949 955 125**	**993 220 453**

The group and its subsidiaries remain solvent and sufficiently capitalised at the different exchange rate sensitivities.
* The numbers indicated above do not necessarily reflect expected opening balances in RTGS$ for the 2019 financial statements.

63 Subsequent events (continued)

	2018 Company $ Assets/ Liabilities RTGS Dollar	2018 Company $ Monetary Assets/ Liabilities Nostro FCA USD	2018 Company $ Non-monetary/ Assets/ Liabilities USD	2018 Company $ Total 1:1	2018 Company RTGS$ Total 1:2.5	2018 Company RTGS$ Total 1:4	2018 Company RTGS$ Total 1.5
Assets							
Investment property	-	-	600 000	600 000	1 500 000	2 400 000	3 000 000
Investments in subsidiary companies	83 867 687	-	-	83 867 687	83 867 687	83 867 687	83 867 687
Property and equipment	137 243	-	-	137 243	137 243	137 243	137 243
Investments and securities	274 894 913	-	-	274 894 913	274 894 913	274 894 913	274 894 913
Amounts due by group companies	17 168 418	1 106 027	-	18 274 445	19 933 485	21 592 525	22 698 551
Current tax receivable	621 102	-	-	621 102	621 102	621 102	621 102
Other receivables	378 052	-	-	378 052	378 052	378 052	378 052
Cash and cash equivalents	21 166 416	-	-	21 166 416	21 166 416	21 166 416	21 166 416
Total assets	**398 233 831**	**1 106 027**	**600 000**	**399 939 858**	**402 498 898**	**405 057 938**	**406 763 964**
Liabilities							
Provisions	388 653	-	-	388 653	388 653	388 653	388 653
Deferred tax liability	2 966 861	-	-	2 966 861	2 966 861	2 966 861	2 966 861
Current tax payable	-			-	-	-	-
Amounts due to group companies	67 585 981	-	-	67 585 981	67 585 981	67 585 981	67 585 981
Other liabilities	40 223 712	-	-	40 223 712	40 223 712	40 223 712	40 223 712
Total liabilities	**111 165 207**	**-**	**-**	**111 165 207**	**111 165 207**	**111 165 207**	**111 165 207**
Net assets	**287 068 624**	**1 106 027**	**600 000**	**288 774 651**	**291 333 691**	**293 892 731**	**295 598 757**
Shareholders' equity							
Share capital and premium	1 065	-	-	1 065	1 065	1 065	1 065
Non-distributable reserve	19 953 027	-	-	19 953 027	19 953 027	19 953 027	19 953 027
Share option reserve	59 340 238	-	-	59 340 238	59 340 238	59 340 238	59 340 238
Retained income	209 480 321	-	-	209 480 321	209 480 321	209 480 321	209 480 321
Foreign currency translation reserve					2 559 040	5 118 080	6 824 106
Total equity	**288 774 651**	**-**	**-**	**288 774 651**	**291 333 691**	**293 892 731**	**295 598 757**

The group and its subsidiaries remain solvent and sufficiently capitalised at the different exchange rate sensitivities.
* The numbers indicated above do not necessarily reflect expected opening balances in RTGS$ for the 2019 financial statements.

64 Assets held under fiduciary capacity

	2018 $	2017 $
Managed third party funds	860 718 529	552 585 776

Managed funds

The Group holds a custodianship responsibility in respect of assets owned by certain pension funds and private clients. Funds under management represent assets being managed on behalf of investors and these are kept off balance sheet. Total funds management (including Group funds) as at 31 December 2018 were US$4.1 billion (2017: US$2.7 billion).

OLDMUTUAL

NOTICE TO MEMBERS

Notice is hereby given that the 21st Annual General Meeting of members of Old Mutual Zimbabwe Limited (the Company) will be held at **Meikles Hotel, Mirabelle Room, Corner Jason Moyo and Third Street, Harare, Zimbabwe on Thursday, 9 May, 2019 at 1500 hours** for the purposes of transacting the following business:

AS ORDINARY BUSINESS

Minutes of last Annual General Meeting

1. To approve minutes of the Annual General Meeting held on 26 April 2018.

2. To approve minutes of the Extraordinary General Meeting held on 26 June 2018.

Financial Statements and Statutory Reports

3. To receive, consider and adopt the Financial Statements and Directors' and Auditors' Reports for the financial year ended 31 December, 2018.

Dividends

4. To confirm the payment of an interim dividend of 3.76 ZWL cents per share and a final dividend of 9.54 ZWL cents per share giving a total dividend of 13.30 ZWL cents per share for the year ended 31 December 2018.

5. To approve the payment of a dividend in respect of B class shares.

Directorate

6. In terms of Article 106 of the Articles of Association, one third of the Directors shall retire from office and are eligible for re-election. Messrs J !Gawaxab, NTT Mudekunye, and TM Johnson retire by rotation and, being eligible, offer themselves for re-election.

7. To confirm the remuneration of Directors amounting to ZWL$198,794 for the year ended 31 December 2018.

External Auditors

8. To approve the External Auditors' remuneration amounting to ZWL$131,277 for the year ended 31 December 2018.

9. To appoint KPMG as the Company's auditors for the ensuing year.

SPECIAL BUSINESS

Purchase of Shares in RM Insurance Holdings Company Zimbabwe Limited & Mutual & Federal (Private) Limited

1. That the Company be and is hereby authorized to acquire all the issued shares in Mutual and Federal (Private) Limited and to purchase all the issued minority shares in RM Insurance Holdings Company Zimbabwe Limited as part of the Group Restructuring exercise.

2. That the Directors be and are hereby authorised to negotiate on behalf of the Company the purchase price of all the issued shares referred to in Resolution 1 above.

3. That the Directors be and are hereby authorized to pay for the shares referred to above in cash or using the Company's treasury shares which are under the control of the Directors.

Sale of Shares in Old Mutual Finance (Private) Limited

4. That the Directors be and are hereby authorized to sell the Company's entire shareholding in Old Mutual Finance (Private) Limited to Central Africa Building Society (CABS).

Merger of Old Mutual Property Zimbabwe (Private) Limited and Old Mutual Real Estate Zimbabwe (Private) Limited with Old Mutual Investment Group Zimbabwe (Private) Limited

5. That the Directors be and are hereby authorized to take all steps necessary to merge Old Mutual Property Zimbabwe (Private) Limited and Old Mutual Real Estate Zimbabwe (Private) Limited into Old Mutual Investment Group Zimbabwe (Private) Limited, subject to compliance with the **Estate Agents' Act (Chapter 27:17)** and relevant Regulations in relation to conducting the business of an Estate Agent.

Merger of CABS Custodial Services (Private) Limited with CABS

6. That the Directors be and are hereby authorized to take all steps necessary to enable a merger between CABS and CABS Custodial Services (Private) Limited, with the latter becoming a division thereof, subject to CABS obtaining a Custodial Services licence and a Trustee Services licence as provided for in the **Securities and Exchange Act (Chapter 24:25),** and relevant Regulations.

Merger of Old Mutual Property Investment Corporation (Private) Limited with Old Mutual Life Assurance Company Zimbabwe Limited

7. That the Directors be and are hereby authorized to take all steps necessary to enable the merger of Old Mutual Property Investment Corporation (Private) Limited and Old Mutual Life Assurance Company Zimbabwe Limited, with the former becoming a division thereof.

Old Mutual Shared Services (Private) Limited

8. That the Directors be and are hereby authorised to take all steps necessary to cause Old Mutual Shared Services (Private) Limited to cease operating as a business and to transfer all its assets and employees to other subsidiaries of the Company not later than the next annual general meeting of the Company.

Any Other Business

9. To transact all such other business as may be transacted at the Annual General Meeting.

Appointment of Proxy

In terms of section 129 of the **Companies Act (Chapter 24:03)** and Article 78 of the Articles of Association of the Company, a member entitled to attend and vote at a meeting is entitled to appoint a proxy and speak and, on a poll, vote in his stead. A proxy need not be a member of the Company. Article 80 of the Articles of Association of the Company requires that Forms of Proxy reach the Company's registered office or the office of the Transfer Secretaries (Corpserve Registrars (Private) Limited, 2nd Floor, ZB Centre, Kwame Nkrumah Ave, P O Box 2208, Harare, Zimbabwe not less than forty eight (48) hours before the date set for the Meeting. Article 81 of the Articles of Association of the Company provides that an instrument appointing a proxy shall be executed in any usual or common form.

Electronic Distribution

The electronic copies of the Company's 2018 Annual Report, the minutes of the April 2018 Annual General Meeting, the minutes of the June 2018 Extraordinary General Meeting, the Information Memorandum, and the Financial Statements and Directors' and Auditors' Reports for the financial year ended 31 December 2018, have been emailed to those shareholders whose e-mail addresses are on record. These documents are also available on the Company's website http://www.oldmutual.co.zw/.

By Order of the Board

Nqobile Munzara (Mrs)
GROUP COMPANY SECRETARY
Registered Office
Mutual Gardens
100 The Chase (West)
Emerald Hill
Harare
Zimbabwe

17 April 2019

DO GREAT THINGS EVERY DAY

PROXY FORM

We ....

of ....

being a member of the above Company and entitled to vote,

hereby appoint ....

of ....

or failing him ....

of ....

or failing him the Chairman of the Meeting, as our Proxy to vote for us, on our behalf at the ANNUAL GENERAL MEETING of the Company to be held on Thursday, 9 May 2019 at 15h00 and at any adjournment thereof :-

Signed this .... Day of .... 2019.

Signature of Member ....

NOTES

1. Unless otherwise instructed, the proxy will vote as he thinks fit.
2. This proxy form must be signed, dated and returned so as to reach the Company no later than forty-eight hours before the Meeting.

Your attention is drawn to Section 129(3) of the Companies Act (Chapter 24:03), which reads as follows:-
“A member entitled to attend and vote is entitled to appoint one or more proxies to act in the alternative and vote and speak instead of him, and that a proxy need not also be a member”.

DESIGN AND LAYOUT BY VPCG

OLDMUTUAL