



Old Mutual Investment Group Zimbabwe (Private) Limited
Financial statements
for the year ended 31 December 2018



Old Mutual Investment Group Zimbabwe (Private) Limited

(Registration number 39156/2008)

Financial Statements for the year ended 31 December 2018

General Information

Country of incorporation and domicile	Zimbabwe
Directors	Dr K. Mandevani (Independent Non-Executive Chairman) M. Mayida (Managing Director) A.C. Mills (Independent Non-Executive Director) M.J-R. Dube (Independent Non-Executive Director)
Registered office	Mutual Gardens 100 The Chase (West) Emerald Hill Harare
Postal address	Private Bag A6101 Avondale, Harare Zimbabwe
Auditor	KPMG Chartered Accountants (Zimbabwe), Reporting Auditors 100 The Chase (West) Emerald Hill Harare, Zimbabwe
Group Company Secretary	N Munzara



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Directors' Responsibilities and Approval

The directors are required in terms of the Companies Act and Asset Management Act to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards (IFRSs). The external auditor is engaged to express an independent opinion on the financial statements.

The financial statements are prepared with the aim of complying fully with International Financial Reporting Standards (IFRSs) and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates. 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, 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. 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 company had been able to independently apply the judgements and estimates provided for under 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.

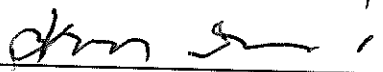
The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

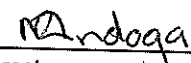
The directors have reviewed the company's cash flow forecast for the year to 31 December 2019 and, in light of this review and the current financial position, they are satisfied that the company has or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditor is responsible for independently auditing and reporting on the company's financial statements. The financial statements have been examined by the company's external auditor and their report is presented on pages 6 to 9.

The financial statements set out on page 10 to 41, which have been prepared on the going concern basis, were approved by the board of directors and were signed on their behalf by:



Director



Director



Old Mutual Investment Group Zimbabwe (Private) Limited

(Registration number 39156/2008)

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Directors' Report

The directors have pleasure in submitting their report on the financial statements of Old Mutual Investment Group Zimbabwe (Private) Limited for the year ended 31 December 2018.

1. Nature of business

Old Mutual Investment Group Zimbabwe (Private) Limited is a registered asset management company whose main business is the management of wholesale investment funds, mostly retirement funds as well as administration and management of unit trusts.

There have been no material changes to the nature of the company's business from the prior year.

2. Review of financial results and activities

The financial statements are prepared with the aim of complying fully with International Financial Reporting Standards and the requirements of the Companies Act and Asset Management Act. While full compliance with IFRSs has been possible in previous reporting periods, only partial compliance has been achieved for 2018 due to the failure to apply IAS 21. The accounting policies of the current year have been updated appropriately to incorporate the new standards IFRS 9 and 15.

Full details of the financial position, results of operations and cash flows of the company are set out in these financial statements.

Net profit for the company was \$8.036m, (2017: \$5.033m)

3. Holding company

The Company is a wholly owned subsidiary of Old Mutual Zimbabwe Limited. The ultimate holding company is Old Mutual Limited (OML) which is incorporated in South Africa and listed on the Johannesburg, Malawi, Namibia and Zimbabwe stock exchanges.

4. Share capital

The Company's authorised share capital is made up of 20 000 ordinary shares of nominal value of \$1 each, of which 100 have been issued and fully paid.

5. Borrowings

No borrowings were issued or received from third parties.

6. Dividends

A total of \$7.5 million (2017: \$5.2 million) was declared and \$5.5 million paid during the period under review.

7. Going concern

The directors have assessed the ability of the Company to continue operating as a going concern and believe that the preparation of financial statements using the going concern assumption is still appropriate.

8. Directorate

The directors in office at the date of this report are as follows:

Directors	Office	Designation
Dr K. Mandevani	Chairperson	Independent Non-executive
M. Mayida	Managing Director	Executive
A.C. Mills	Director	Independent Non-executive
M.J-R. Dube	Director	Independent Non-executive

Mr A.C. Mills will retire by rotation and being eligible offer himself for re-election.



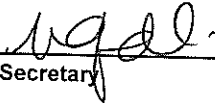
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Directors' Report

Signed on behalf of the Board of Directors by:


Secretary

29 April 2019


Director

29 April 2019



KPMG
Mutual Gardens
100 The Chase (West)
Emerald Hill
P O Box 6 Harare
Zimbabwe
Tel: +263 (4) 303700, 302600
Fax: +263 (4) 303699

Independent Auditors' Report

To the Shareholder of Old Mutual Investment Group Zimbabwe (Private) Limited

Adverse Opinion

We have audited the financial statements of Old Mutual Investment Group Zimbabwe (Private) Limited (the Company) set out on pages 10 to 41, which comprise the statement of financial position as at 31 December 2018, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, accounting policies and the notes to the financial statements.

In our opinion, because of significance of the matter discussed in the *Basis for Adverse Opinion* section of our report, the financial statements do not present fairly, in all material respects, the financial position of Old Mutual Investment Group Zimbabwe (Private) Limited as at 31 December 2018, and its financial performance and 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) and Asset Management Act (Chapter 24:26).

Basis for Adverse Opinion

As discussed in note 1.15, during the year ended 31 December 2018, the 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 the market 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 Company in accordance with IAS 21, *The Effects of Changes in Foreign Exchange Rates* (IAS 21), and acknowledged that the functional currency of the 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 Company's statement of financial position in note 31 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 financial statements 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 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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the 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 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 financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our adverse opinion thereon, and we do not provide a separate opinion on these matters. Except for the matter described in the *Basis for Adverse Opinion* section, we have determined there are no other key audit matters to be communicated in our report.

Other Information

The directors are responsible for the other information. The other information comprises the General Information, Directors' Responsibilities and Approval and Directors' Report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information 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 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 Directors' report which is 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 Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Zimbabwe (Chapter 24:03) and the Asset Management Act (Chapter 24:26) of Zimbabwe, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the 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 Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



We communicated 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.

A handwritten signature in black ink, appearing to read 'KPMG'.

KPMG Zimbabwe
Registered Accountants and Auditors
Chartered Accountants (Zimbabwe)

Per: Brian Njikizana
Partner
Registered Public Auditor
PAAB Practicing Certificate Number 0363

29 April 2019

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



Old Mutual Investment Group Zimbabwe (Private) Limited

(Registration number 39156/2008)

Financial Statements for the year ended 31 December 2018

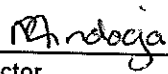
Statement of Financial Position as at 31 December 2018

Figures in \$	Note	2018	2017
Assets			
Property and equipment	4	277,766	307,882
Investments and securities	5	4,864,810	4,402,511
Amounts due from group companies	6	1,164,633	1,344,405
Loans and advances		89,204	94,962
Intangible assets	7	681,133	941,933
Trade and other receivables	8	1,460,226	720,494
Deferred tax	9	109,017	25,132
Cash and cash equivalents	10	766,114	210,923
Total Assets		9,412,903	8,048,242
Liabilities			
Provisions	11	968,841	378,473
Amounts due to group companies	6	1,847,711	1,979,525
Trade and other payables	12	2,659,515	2,431,269
Current tax payable		211,670	94,718
Total Liabilities		5,687,737	4,883,985
Net assets		3,725,166	3,164,257
Shareholders' equity			
Share capital and premium	13	100	100
Non distributable reserves		363,251	363,251
Share based payment reserve	14	1,249,755	1,215,470
Retained income		2,112,060	1,585,436
		3,725,166	3,164,257

The financial statements and notes were approved by the board of directors and were signed on its behalf by:


Director

29 April 2019


Director

29 April 2019

The financial statements, accounting policies and the notes set out on pages 10 to 41 form an integral part of the financial statements.



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Statement of Profit or Loss and Other Comprehensive Income

Figures in \$	Note	2018	2017
Investment income (non banking)	15	276,450	202,703
Unrealised Profit (loss) on exchange differences		246,766	(194,685)
Fee income, commissions and income from service contracts	16	15,673,785	11,665,736
Other income	17	10,988	22,241
Total revenue		16,207,989	11,695,995
Expenses			
Other operating and administration expenses	18	(5,193,053)	(4,475,781)
Total expenses		(5,193,053)	(4,475,781)
Operating profit		11,014,936	7,220,214
Profit before taxation		11,014,936	7,220,214
Taxation	19	(2,978,492)	(2,186,306)
Profit for the year		8,036,444	5,033,908
Other comprehensive income		-	-
Total comprehensive income for the year		8,036,444	5,033,908

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Statement of Changes in Equity

Figures in \$	Note	Share capital	Share based payment reserve	Other NDR	Retained income	Total equity
Balance at 01 January 2017		100	1,166,927	363,251	1,751,528	3,281,806
Profit for the year		-	-	-	5,033,908	5,033,908
Other comprehensive income		-	-	-	-	-
Total comprehensive income for the year		-	-	-	5,033,908	5,033,908
IFRS 2 charge		-	48,543	-	-	48,543
Dividends		-	-	-	(5,200,000)	(5,200,000)
Total contributions by and distributions to owners of company recognised directly in equity		-	48,543	-	(5,200,000)	(5,151,457)
Opening balance as previously reported		100	1,215,470	363,251	1,585,436	3,164,257
Adjustments		-	-	-	(9,818)	(9,818)
IFRS 9 adjustment	5.2	-	-	-	-	-
Balance at 01 January 2018 as restated		100	1,215,470	363,251	1,575,618	3,154,439
Profit for the year		-	-	-	8,036,442	8,036,442
Other comprehensive income		-	-	-	-	-
Total comprehensive income for the year		-	-	-	8,036,442	8,036,442
IFRS 2 charge		-	34,285	-	-	34,285
Dividends		-	-	-	(7,500,000)	(7,500,000)
Total contributions by and distributions to owners of company recognised directly in equity		-	34,285	-	(7,500,000)	(7,465,715)
Balance at 31 December 2018		100	1,249,755	363,251	2,112,060	3,725,166
Note(s)		13	14			



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Statement of Cash Flows

Figures in \$	Note	2018	2017
Cash flows from operating activities			
Profit before taxation		11,014,936	7,220,214
Adjustments for:			
Depreciation and amortisation		372,776	367,142
Gains on disposals, scrappings and settlements of assets and liabilities		(8,403)	(20,241)
Unrealised (gains)/losses on foreign exchange		(246,766)	194,685
Interest received		(276,450)	(202,703)
Movements in provisions		590,368	(2,789)
Share-based payment		44,890	48,543
Movement in trade and other receivables		(739,732)	(232,796)
Movement in trade and other payables		669,692	523,950
Cash generated from operations		11,421,311	7,896,005
Interest income		276,450	202,703
Tax paid	23	(2,945,424)	(2,034,631)
Net cash from operating activities		8,752,337	6,064,077
Cash flows from investing activities			
Purchase of property and equipment	4	(82,939)	(175,684)
Sale of property and equipment		9,482	21,728
Proceeds from group companies		47,958	954,441
Purchase of investment and securities		(2,671,647)	(2,346,073)
Net cash from investing activities		(2,697,146)	(1,545,588)
Cash flows from financing activities			
Dividends paid	24	(5,500,000)	(5,200,000)
Total cash movement for the year		555,191	(681,511)
Cash at the beginning of the year		210,923	892,434
Total cash at end of the year	10	766,114	210,923



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Accounting Policies

General information

Reporting entity

Old Mutual Investment Group Zimbabwe (Private) Limited (OMIG) is a Company domiciled in Zimbabwe. The Company is a wholly owned subsidiary of Old Mutual Zimbabwe Limited (OMZIL). In turn, OMZIL is ultimately a wholly owned subsidiary of Old Mutual Limited (OML). The Company is primarily involved in asset management and unit trusts management services, under the license of the Securities and Exchange Commission of Zimbabwe (SECZ). The Registered address of the Company is Mutual Gardens, 100 The Chase West, Emerald Hill, Harare.

1. Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

1.1 Statement of compliance

The financial statements are prepared in accordance to International Financial Reporting Standards (IFRSs), with the exception of IAS21 and the requirements of the Zimbabwe Companies Act (Chapter 24:03). The company is also regulated by the Asset Management Act (Chapter 24:26) and the Securities Act (Chapter 24:25) of Zimbabwe. 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).

1.2 Basis of preparation

The financial statements have been prepared on the historic cost convention, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below.

The Company's functional and presentation currency is the United States Dollar (USD).

The company has in previous financial periods adopted the United States Dollar as its presentation currency and the company's functional currency. For the 2018 Financial Statements, in order to comply with local laws and regulations, particularly Statutory Instrument 33 of 2019 (SI33), the company has adopted the US Dollar as its presentation currency. SI33 has precluded the company 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 critical accounting estimates and judgements note 1.12 below for further detail.

The 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 Directors' report.

1.3 New and amended standards adopted by the Company

The company has adopted the following standards and amendments for the first time in their annual reporting period commencing 1 January 2018:

- IFRS 15, revenue from contracts with customers. The core principle of IFRS 15 is that an entity will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration (payment) to which the entity expects to be entitled in exchange for those goods or services.

- IFRS 9, Financial instruments, it brings about the following key changes:

1. Classification and measurement – The new classification requirements are based on both the entity's business model for managing the financial assets and the contractual cash flow characteristics of a financial asset. The more principles-based approach of IFRS 9 requires the careful use of judgment in its application.

2. Impairment – The IASB has sought to address a key concern that arose as a result of the financial crisis that the incurred loss model in IAS 39 contributed to the delayed recognition of credit losses. As such, it has introduced a forward-looking expected credit loss model.

The adoption of these amendments did not have any material impact on the current period and is not likely to affect future periods.



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Accounting Policies

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 company. These are 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 company as a 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 and loss using the effective interest rate method.

The company carried out an assessment of the impact of IFRS 16 and determined it will result in \$223 686 increase of both assets and liabilities as at 31 December 2018.

1.4 Revenue

The company has adopted IFRS 15. The core principle of the standard is that revenue recognised reflects the consideration to which the company expects entitled in exchange for the transfer of promised services to the customer. It incorporates a five-step model to determine the amount and timing of revenue recognition. The standard came into effect on 1 January 2018. Revenue comprises fee income for investment management contracts, related performance fees, commission income and interest income. Revenue is accounted for in accordance with the particular accounting policies as set out below.

Revenue on investment management service contracts

Fees charged for investment management services provided in conjunction with an investment contract are recognised as revenue as the services are provided. Initial fees, which exceed the level of recurring fees and relate to the future provision of services are deferred and amortised over the anticipated period in which the service will be provided.

Deferred acquisition costs in respect of 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 costs represent the contractual right to benefit from providing investment management services and is amortised as the related revenue is recognised.

Interest income

Interest income is recognised in the income statement using the effective interest rate method taking into account the expected timing and amount of cash flows. Interest income include the amortisation of any discount or premium or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

1.5 Property and equipment

Owned assets

Equipment, principally computer equipment, motor vehicles, fixtures and furniture, are stated at cost less accumulated depreciation and impairment losses.

Subsequent expenditure

Subsequent expenditure is capitalised when it is measurable and will result in probable future economic benefits. Expenditure incurred to replace a separate component of an item of 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.

Derecognition

On derecognition of an item 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 included in profit or loss in the period of derecognition.



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Accounting Policies

1.5 Property and equipment (continued)

Depreciation and Amortisation

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

Motor vehicles, computer equipment, fixtures and furniture are depreciated over 5 years using the straight line method (note 4).

Intangible assets for the company consist of computer software which is amortised over a period of 4 years using the straight line method (Note 7).

Residual values, useful lives and depreciation/amortisation methods are re-assessed annually.

1.6 Taxation

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

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 provided using the balance sheet liability method, based on temporary differences. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base. 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 recognised directly in 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 other comprehensive income.

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

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

A deferred tax asset is recognised 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 reduced to the extent that it is no longer probable that the related tax benefits will be realised.

1.7 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



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Accounting Policies

1.7 Financial instruments (continued)

- Fair Value through Profit and Loss (FVTPL).

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

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.

Derecognition of financial liabilities

A financial liability should be removed from the balance sheet when, and only when, it is extinguished, that is, when the obligation specified in the contract is either discharged or cancelled or expires. Where there has been an exchange between an existing borrower and lender of debt instruments with substantially different terms, or there has been a substantial modification of the terms of an existing financial liability, this transaction is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. A gain or loss from extinguishment of the original financial liability is recognised in profit or loss.

Fair value measurement considerations

The fair values of quoted financial assets are based on [quoted] bid prices. If the market for a financial asset is not active, the Company establishes fair value using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models.

To the extent that the fair values of unlisted equity instruments cannot be measured reliably, such instruments are carried at cost less impairments. These impairments are not subsequently reversed.

Classification of financial instruments

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 and derivative assets are mandatorily categorised 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. An analysis of the Company's balance sheet, showing the categorisation of financial instruments is set out in note 3.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise financial assets classified as held for trading and those that the Company has elected to designate as at fair value through profit or loss.

Financial assets at fair value through profit or loss are initially recognised at fair value excluding transaction costs directly attributable to their acquisition which are recognised immediately in the income statement. After initial recognition financial assets at fair value through profit or loss are measured at fair value with resulting fair value gains or losses adjustment being recognised directly in the statement of profit or loss.

Financial assets that the Company has elected to designate at fair value through profit or loss are those where this designation either eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise when using a different measurement basis or those that are managed, evaluated and reported on using a fair value basis in accordance with a documented risk management and/or investment strategy.

All related fair value gains and losses are included in investment income. Interest earned whilst holding financial assets at fair value through profit or loss is included in interest income. Dividends received are included in dividend income.



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1.7 Financial instruments (continued)

Financial assets held at amortised cost

Loans and advances from customers are held to collect only contractual cashflows that are solely payments of principal amount and interest. If there is objective evidence that an impairment loss on loans and advances carried at amortised cost has been incurred, the amount of the loss is measured as the difference between asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced either directly or through use of an allowance account. The impairment loss is recognised in profit or loss.

Trade and other receivables are classified as loans and advances.

Cash and cash equivalents

Cash and cash equivalents comprises balances with banks and are carried at fair value through profit or loss. For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than 90 days maturity from the date of acquisition including cash and balances with banks but excluding cash and cash equivalent instruments held for investing purposes.

Financial liabilities

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are measured at amortised cost using the effective interest method.

Gains and losses are recognised profit or loss when the liabilities are derecognised as well as through the amortisation process, i.e. finance cost.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to set off and there is intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Income and expense items are offset only to the extent that their related instruments have been offset in the statement of financial position.

Initial measurement

The company's financial instruments are measured initially at fair value and amortised cost. For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument. Transaction costs on financial instruments at fair value through profit or loss are recognised in profit or loss.

Subsequent measurement

Financial instruments at fair value through profit or loss are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in profit or loss for the period.

All financial liabilities are measured at amortised cost, except for financial liabilities at fair value through profit or loss.

Loans and advances are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Other financial assets at amortised cost are subsequently measured at amortised cost, using the effective interest method.



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Accounting Policies

1.7 Financial instruments (continued)

Impairment of financial assets

The company has elected to apply the IFRS 9 simplified approach in measuring expected credit losses. 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 trade and other receivables, cash and cash equivalents held by the Company). As a consequence of the new standard, the company 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 company's total equity is disclosed in Note 5.2.

At each reporting date the company assesses all financial assets, other than those at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired. For amounts due to the company, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment. 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.

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; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Impairment losses are recognised in profit or loss.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in profit or loss.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in profit or loss within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand. These are financial assets initially and subsequently recorded at fair value through profit or loss.

1.8 Impairment of non-financial assets

The carrying amounts of the Company's 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, the asset's recoverable amount is estimated.



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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 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 recognised whenever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognised in profit or loss for the period. An impairment loss is reversed to profit or loss for the period if there has been a change in the estimates used to determine the recoverable amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss will not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

An impairment of goodwill is not reversed.

1.9 Employee benefits

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

Short-term employee benefits

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

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 when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Termination benefits

Termination benefits are recognised as an expense when the Company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Company has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

1.10 Provisions

Provisions are recognised when the Company 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 Company expects some or all of a provision to be reimbursed, for example under the Company'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 the income statement net of any reimbursement. If 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.

1.11 Share-based payments

Equity-settled share-based payment transactions

The services received in an equity-settled transaction with employees are measured at the fair value of the equity instruments granted. The fair value of those equity instruments is measured at grant date.

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 for the period, with a corresponding increase in equity.



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Where the equity instruments do not vest until the employee has completed a specified period of service, or where not unconditionally entitled to these instruments, 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 equity.

1.12 Critical accounting estimates and judgements

The preparation of financial statements requires management to make judgements, 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 judgements or assessments. The areas of the Company's business that typically require such estimates are provisions, determination of the fair value for financial assets and liabilities and impairment charges.

Assets are subject to regular impairment reviews as required. Impairments are measured as the difference between the cost (or amortised cost) of a particular asset and the current fair value or recoverable amount. Impairments are recorded in the income statement in the period in which they occur.

The areas of the company's business that typically require such estimates are determination of the fair value for financial assets and liabilities. For the year ended 31 December 2018, the determination of functional currency has been an area of assessment, refer to note 1.15.

1.13 Share capital

Ordinary and preference share capital is classified as equity if they are non-redeemable by the holder, and if dividends are discretionary.

1.14 Comparative figures

Where necessary comparative figures are reclassified in line with current year presentation.

1.15 Functional currency

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

1.15.1 Functional currency disclosure in the 2017 Financial statements

Since 2009, Zimbabwe has been under a multi-currency system, under which the United States Dollar (USD) has 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, has been 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 Company's functional currency was still appropriate. In doing so management considered the following parameters as set out in IAS 21(Paragraph 8):



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- 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, that the United States Dollar remained the primary driver for most of the factors above. It should be also be noted that in line with guidance set by the RBZ, banks and other financial intermediaries, including ourselves, did not maintain separate customer accounts for USD; Bond notes and coins; and payment made electronically whose values are considered to be at par. Obligations to our clients were settled via cash, in the case of small banking withdrawals, as well as through various 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 company's functional currency for accounting and financial reporting purposes.

1.15.2 Key developments during 2018 and early 2019

In February 2018 the RBZ instructed the banks to ring fence actual foreign currency deposits.

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 Account (FCA) for local electronic money transfers and bond note transactions and the Nostro FCA for actual foreign currency export proceeds. The MPS referred to the need to "eliminate the commingling or dilution effect of RTGS balances on Nostro 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 is less than US\$500 million. The increase in money supply has seen a corresponding increase in premiums obtaining 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, instead of RTGS transfers or bond notes as had been the case previously. The Finance Bill 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 market developments and responses are summarized as follows:

- Significant increases in premiums on the unofficial currency market since the between 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 has risen over 30% since 1 October 2018 (increase of 46% for the full year 2018), amid reports of a sharp decline in sell offers on the market, especially in the months of October and November.
- 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:



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- 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 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.

1.15.3 Functional currency assessment for the 2018 financial statements

In making a functional currency assessment for 2018, the directors have made a critical evaluation of the same factors as for 2017 as outlined above. The directors also considered the following additional factors:

- The significant deterioration in the ability by the business during 2018 to meet foreign payment obligations, with some obligations remaining unpaid for over 12 months, despite sufficient electronic cash resources held. The company 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 company'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 company;
- 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 company'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". 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. 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, have however taken the option of adopting the accounting treatment prescribed under SI33 and have used an exchange rate of 1:1 between RTGS balances and bond notes on one hand; and the USD. This is different from the approach taken by the company's ultimate parent company, Old Mutual Limited.



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Notes to the Financial Statements

2. Financial risk management

The Company is exposed to financial risk through its financial assets and financial liabilities. The key focus of financial risk management for the Company is ensuring that the proceeds from its financial assets are sufficient to fund the obligations arising from its liabilities. The most important components of financial risk are credit risk, market risk (arising from changes in equity, and bond prices, interest and foreign exchange rates), and liquidity risk (please refer to note 27 for more detail on financial risk management). Market risk arises from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and/or conditions.

3. Financial assets and liabilities

The analysis of assets and liabilities into their categories is set out in the following table. For completeness, assets and liabilities of a non-financial nature, or financial assets and liabilities are reflected in the non-financial assets and liabilities category.

	Note	Financial assets classified at FVTPL	Financial assets held at amortised cost	Fair value through profit or loss	Financial liabilities held at amortised cost	Equity and non financial assets and liabilities	Total carrying amount
		\$	\$	\$	\$	\$	\$
Categories of financial instruments - 2018							
Assets							
Non-Current Assets							
Property, plant and equipment	4	-	-	-	-	277,766	277,766
Intangible assets	7	-	-	-	-	681,133	681,133
Amounts owed by group companies	6	-	1,164,633	-	-	-	1,164,633
Other financial assets		-	-	-	-	89,204	89,204
Deferred tax	9	-	-	-	-	109,017	109,017
Money market investments	5	-	4,864,810	-	-	-	4,864,810
		-	6,029,443	-	-	1,157,120	7,186,563
Current Assets							
Trade and other receivables	8	-	1,460,226	-	-	-	1,460,226
Cash and cash equivalents	10	766,114	-	-	-	-	766,114
		766,114	1,460,226	-	-	-	2,226,340
Total Assets		766,114	7,489,669	-	-	1,157,120	9,412,903
Equity							
Equity Attributable to Equity Holders of Parent:							
Share capital		-	-	-	-	100	100
Reserves		-	-	-	-	1,613,006	1,613,006
Retained income		-	-	-	-	2,112,060	2,112,060
		-	-	-	-	3,725,166	3,725,166
Liabilities							
Non-Current Liabilities							
Amounts owed to group companies	6	-	-	-	1,847,711	-	1,847,711
Provisions	11	-	-	-	-	968,841	968,841
Current Liabilities							
Trade and other payables	12	-	-	1,638,107	780,854	240,554	2,659,515
Current tax payable		-	-	-	-	211,670	211,670
		-	-	1,638,107	780,854	452,224	2,871,185
Total Liabilities		-	-	1,638,107	2,628,565	1,421,065	5,687,737
Total Equity and Liabilities		-	-	1,638,107	2,628,565	5,146,231	9,412,903



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Categories of financial instruments - 2017

Assets

	Note	Financial assets classified at FVTPL \$	Financial assets held at amortised cost \$	Fair value through profit or loss \$	Financial liabilities held at amortised cost \$	Equity and non financial assets and liabilities \$	Total carrying amount \$
Non-Current Assets							
Property, plant and equipment	4	-	-	-	-	307,882	307,882
Intangible assets	7	-	-	-	-	941,933	941,933
Amounts owed by group companies	6	-	1,344,405	-	-	-	1,344,405
Other financial assets		-	-	-	-	-	-
Deferred tax	9	-	-	-	-	94,962	94,962
Money market investments	5	-	4,402,511	-	-	25,132	25,132
		-	5,746,916	-	-	-	4,402,511
						1,369,909	7,116,825
Current Assets							
Trade and other receivables	8	-	720,494	-	-	-	720,494
Cash and cash equivalents	10	210,923	-	-	-	-	210,923
		210,923	720,494	-	-	-	931,417
Total Assets		210,923	6,467,410	-	-	1,369,909	8,048,242
Equity and Liabilities							
Total Equity		-	-	-	-	3,164,257	3,164,257
Liabilities							
Non-Current Liabilities							
Amounts owed to group companies	6	-	-	-	1,979,525	-	1,979,525
Provisions	11	-	-	-	-	378,473	378,473
		-	-	-	1,979,525	378,473	2,357,998
Current Liabilities							
Trade and other payables	12	-	-	1,602,202	688,705	140,367	2,431,274
Current tax payable		-	-	-	-	94,718	94,718
		-	-	1,602,202	688,705	235,085	2,525,992
Total liabilities		-	-	1,602,202	2,668,230	613,558	4,883,990
Total equity and liabilities		-	-	1,602,202	2,668,230	3,777,815	8,048,242



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Fair values of financial assets and liabilities

Determination of fair value

Fair values are determined according to the following hierarchy based on the requirements in IFRS 7 'Financial Instruments: Disclosures'

- 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 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, a valuation technique is used.

The judgement 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.

All financial instruments, regardless of their IFRS 9 categorisation, are initially recorded at fair value. The fair value of a financial instrument on initial recognition is normally the transaction price, that is, the fair value of the consideration given or received. In certain circumstances, however, the initial fair value may be based on other observable current market transactions in the same instrument, without modification or repackaging, or on a valuation technique whose variables include only observable data.

Subsequent to initial recognition, the fair values of financial instruments measured at fair value that are quoted in active markets are based on bid prices for assets, which in certain circumstances includes using quotations from independent third parties such as brokers and pricing services, and offer prices for liabilities. When quoted prices are not available, fair values are determined by using valuation techniques that refer as far as possible to observable market data. These include comparison with similar instruments where market observable prices exist, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants. A number of factors such as bid-offer spread, credit profile, servicing costs and model uncertainty are taken into account, as appropriate, when values are calculated using a valuation technique. Changes in the assumptions used in such valuations could impact the reported value of such instruments.

Analysis of instruments at fair value

31 December 2018

	Level 1	Level 2	Level 3	Total
Investment and securities	\$ 4,864,810	\$ -	\$ -	\$ 4,864,810

31 December 2017

	Level 1	Level 2	Level 3	Total
Investment and securities	\$ 4,402,511	\$ -	\$ -	\$ 4,402,511

Investments and securities

The fair values of listed investments and securities are based on bid prices. For unlisted investments and securities, fair values are determined using valuation techniques that refer as far as possible to observable market data (see above).

The value of trading units fluctuate based on the respective Fund's performance. Purchases are at bid price and liquidations at the offer price. The prices are calculated daily by multiplying the value of each unit by the number of units in issue.



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Investment contracts

The approach to determining the fair values of investment contracts is set out in the accounting policies section for investment contract business.

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.

4. Property and equipment

	2018			2017		
	Cost \$	Accumulated depreciation \$	Carrying value \$	Cost \$	Accumulated depreciation \$	Carrying value \$
Furniture and fixtures	92,777	(30,700)	62,077	27,475	(22,643)	4,832
Motor vehicles	544,438	(367,363)	177,075	567,438	(302,192)	265,246
Computer equipment	137,705	(99,091)	38,614	123,723	(85,919)	37,804
Total	774,920	(497,154)	277,766	718,636	(410,754)	307,882

Reconciliation of property and equipment - 2018

	Furniture and fixtures \$	Motor vehicles \$	Computer equipment \$	Total \$
Cost	92,777	544,438	137,705	774,920
Accumulated depreciation and impairment	(30,700)	(367,363)	(99,091)	(497,154)
Net book value at 31 December 2018	62,077	177,075	38,614	277,766
Net book value at beginning of year	4,832	265,246	37,804	307,882
Additions	65,837	-	17,102	82,939
Disposals - cost	(535)	(23,000)	(3,119)	(26,654)
Disposals - accumulated depreciation and impairment	445	23,000	2,130	25,575
Depreciation	(8,502)	(88,171)	(15,303)	(111,976)
	62,077	177,075	38,614	277,766

Reconciliation of property and equipment - 2017

	Furniture and fixtures \$	Motor vehicles \$	Computer equipment \$	Total \$
Cost	29,347	506,397	101,681	637,425
Accumulated depreciation and impairment	(21,884)	(296,606)	(78,757)	(397,247)
Net book value at 31 December 2017	7,463	209,791	22,924	240,178
Net book value at beginning of year	7,463	209,791	22,924	240,178
Additions	-	145,991	29,693	175,684
Disposals - cost	-	(62,250)	(5,374)	(67,624)
Disposals - accumulated depreciation and impairment	-	62,250	3,737	65,987
Transfers	(111)	-	110	(1)
Depreciation	(2,520)	(90,536)	(13,286)	(106,342)
	4,832	265,246	37,804	307,882



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	2018	2017
5. Investment and securities		
5.1 Analysis of investments		
Equity securities		
RBZ Bonds	2,026,082	-
Unit trust investments	260,520	141,198
Bankers' acceptance	2,578,208	4,261,313
Total investments and securities	4,864,810	4,402,511

These are Banker's Acceptances that have maturity periods of less than one year.

5.2 Loss allowance analysis

	12-month ECL	Life time ECL not credit impaired	Life time ECL credit impaired	Total
Loss allowance on 1 January	\$ 9,817	\$ -	\$ -	\$ 9,817
Net remeasurement of ECL through profit or loss	4,794	-	-	4,794
Balance as at 31 December	<u>14,611</u>	<u>-</u>	<u>-</u>	<u>14,611</u>

6. Amounts due to/from group companies

6.1 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. Members of the same group are considered related and any transactions between them which results in transfer of resources, services or obligations regardless of whether a price is charged are related party transactions.

The company has related party relationships with the parent company and fellow subsidiaries (balances are reflected below), as well as key management personnel as shown on note 25.

Outstanding intergroup loans carry an interest rate of 10% after 30 days from the date of issue/invoicing. This can however be waived if failure to honor the obligation was due to circumstances beyond control of the loanee.

6.2 Amounts due to/from group companies

Other -Group Companies- fellow subsidiaries	Amounts due from 31 December 2018	Amounts due (to) 31 December 2018	Amounts due from 31 December 2017	Amounts due (to) 31 December 2017
Old Mutual Life Assurance Company Zimbabwe Limited	\$ 1,042,784	\$ -	\$ 1,317,114	\$ -
Old Mutual Shared Services (Private) Limited	-	(115,622)	-	(13,240)
Old Mutual Securities Mutual and Federal	435	-	417	-
Old Mutual Insurance Company	17,447	-	2,812	-
Old Mutual Zimbabwe Limited	31,656	-	22,975	-
Three Anchor Investments (Private) Limited (CABSCUS)	-	(1,710,711)	-	(1,898,661)
Central Africa Building Society	1,394	-	1,087	-
Employee Scheme Trusts	-	(21,378)	-	(67,624)
Indigenisation Employee Scheme	25,917	-	-	-
Management Incentive Scheme	45,000	-	-	-
	<u>1,164,633</u>	<u>(1,847,711)</u>	<u>1,344,405</u>	<u>(1,979,525)</u>



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7. Intangible assets

	2018			2017		
	Cost \$	Accumulated amortisation \$	Carrying value \$	Cost \$	Accumulated amortisation \$	Carrying value \$
Software	1,304,000	(622,867)	681,133	1,304,000	(362,067)	941,933

Reconciliation of intangible assets - 2018

	Opening balance \$	Amortisation \$	Total \$
Accumulated amortisation Software	(362,067)	(260,800)	(622,867)
	1,304,000	-	1,304,000
	<u>941,933</u>	<u>(260,800)</u>	<u>681,133</u>

Reconciliation of intangible assets - 2017

	Opening balance \$	Amortisation \$	Total \$
Accumulated amortisation Software	(101,267)	(260,800)	(362,067)
	1,304,000	-	1,304,000
	<u>1,202,733</u>	<u>(260,800)</u>	<u>941,933</u>

8. Trade and other receivables

Trade receivables	<u>1,460,226</u>	<u>720,494</u>
Split between non-current and current portions		
Current assets	<u>1,460,226</u>	<u>720,494</u>

9. Deferred tax

The deferred tax assets and the deferred tax liability relate to income tax in the same jurisdiction, and the law allows net settlement. Therefore, they have been offset in the statement of financial position as follows:

Deferred tax liability	<u>109,017</u>	<u>25,132</u>
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Reconciliation of deferred tax asset / (liability)

At beginning of year	25,132	(39,137)
Taxable / (deductible) temporary difference movement on tangible fixed assets	(17,831)	(22,742)
Provision for bad debts	138,178	-
Unrealised Foreign exchange gain/loss	(63,541)	67,383
Provision for pay in lieu of leave	13,940	(1,543)
Bonus provision	13,139	21,171
	<u>109,017</u>	<u>25,132</u>

The deferred tax asset is due to a expected refund on unit trusts claims.



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	2018	2017
10. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash at bank and in hand	766,114	210,923

11. Provisions

Reconciliation of provisions - 2018

	Opening balance	Utilised during the year	Charge	Total
	\$	\$	\$	\$
Staff bonus	267,894	(331,119)	382,145	318,920
Leave pay	52,696	-	2,695	55,391
Audit fees	14,383	(44,198)	44,234	14,419
Other provisions	43,500	-	536,611	580,111
	378,473	(375,317)	965,685	968,841

Other provisions comprises of an allowance for potential unit trusts claims.

Reconciliation of provisions - 2017

	Opening balance	Utilised during the year	Charge	Total
	\$	\$	\$	\$
Staff bonus	268,273	(299,444)	299,065	267,894
Leave pay	51,442	(20,251)	21,505	52,696
Audit fees	18,047	(47,064)	43,400	14,383
Other provisions	43,500	-	-	43,500
	381,262	(366,759)	363,970	378,473

12. Trade and other payables

Payables

Accruals		
Non-member institution rebates	2,117,496	1,931,191
Fidelity insurance	176,644	169,108
Control accounts (allocations into the temporary accounts)	73,218	66,948
VAT payable	51,603	123,655
	240,554	140,367
	2,659,515	2,431,269

Control accounts represent liabilities to the company and are a line item on the Statement of Financial Position. Control account balances arise from clients' deposits received in the Old Mutual Unit Trusts inflow bank accounts whose identities have not yet been identified as at reporting date. These deposits are then allocated to the temporary account in the Money Market Fund pending establishing the identity of the depositors.

Individual control account balances in the temporary account are reconciled monthly and followed up with the banks for further details. An age analysis of the same is prepared by the Team Leader, reviewed by Finance Manager and circulated to the OMIG Executive Committee on a monthly basis.



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13. Share capital and premium		
Authorised share capital		
20 000 Ordinary shares of \$1 each	20,000	20,000
-Subject to the restrictions imposed by the Companies Act (Chapter 24:03) as amended, the unissued ordinary shares are under the control of the directors until the forthcoming annual general meeting.		
Issued share capital		
Ordinary	100	100
14. Share based payment reserve		
Opening balance		
Broad-Based Employee Share Plan	1,215,470	1,166,927
Share based payment expense	(10,605)	-
	44,890	48,543
	<u>1,249,755</u>	<u>1,215,470</u>
15. Investment income (non banking)		
Interest on money market investments	276,450	202,703
Other income	2,585	2,000
	<u>279,035</u>	<u>204,703</u>
16. Fee income, commissions and income from service contracts		
Fee income		
Investment management fees	15,673,785	11,665,736
17. Other income		
Profit on disposal of motor vehicle	10,988	22,241
18. Other operating and administration expenses		
Depreciation and amortisation		
Marketing expense	372,776	367,142
Audit fees - internal audit	111,765	197,303
Lease rentals-on operating lease	114,415	125,872
Repairs and maintenance	165,284	197,672
Outsourced services - Old Mutual Shared Services (Pvt) Ltd	103,906	133,769
Software and licensing costs	616,214	626,016
Travel - local	190,153	224,754
Travel - overseas	46,012	51,809
Information costs	13,304	4,481
	18,944	23,764
Auditors' remuneration - external audit	1,752,773	1,952,582
Statutory audit services - current year		
Staff costs	44,234	44,221
Wages and salaries		
Bonus and incentive remuneration	1,666,337	1,446,560
Social security costs	382,145	282,136
Share-based payments	32,819	31,681
Other staff costs	44,890	48,543
	304,604	247,913
Other expenses	2,430,795	2,056,833
	965,251	422,145
Total other operating and administration expenses	<u>5,193,053</u>	<u>4,475,781</u>



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	2018	2017
18. Other operating and administration expenses (continued)		
18.1 Staff costs		
Salaries, wages, bonuses and other benefits	2,081,301	1,760,377
Other short term costs	304,604	247,913
Share based compensation expense	44,890	48,543
Total employee costs	<u>2,430,795</u>	<u>2,056,833</u>
19. Taxation		
Normal income tax		
Local income tax - current period	3,062,376	2,250,575
Deferred tax		
Originating and reversing temporary differences	(83,884)	(64,269)
	<u>2,978,492</u>	<u>2,186,306</u>
Reconciliation of the effective tax rate		
Standard rate of taxation		
Applicable tax rate	25.75 %	25.75 %
Exempt income	(0.65)%	(0.72)%
Disallowable charges	1.87 %	4.94 %
	<u>26.97 %</u>	<u>29.97 %</u>
20. Post employment benefits		
<p>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.</p>		
<p>The Old Mutual Staff Pension Fund</p> <p>The Fund is a defined contribution plan registered to provide retirement benefits for the Company's full-time employees.</p>		
<p>National Social Security Authority Scheme</p> <p>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 7% of pensionable emoluments up to a maximum of \$49 per month per employee.</p>		
Contributions recognised as an expense for the year		
National Social Security Authority Scheme	32,819	31,681



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	2018	2017
21. Employee costs		
Employee costs		
Basic		
Commissions	1,539,928	1,286,193
Bonus	124,395	158,431
Statutory contributions	382,145	282,136
Leave pay provision charge	32,819	31,681
Other short term costs	2,014	1,936
Share-based payment	304,604	247,913
	44,890	48,543
	<u>2,430,795</u>	<u>2,056,833</u>
22. Depreciation, amortisation and impairment losses		
Depreciation		
Property, plant and equipment	111,976	106,342
Amortisation		
Intangible assets	260,800	260,800
Total depreciation, amortisation and impairment		
Depreciation	111,976	106,342
Amortisation	260,800	260,800
	<u>372,776</u>	<u>367,142</u>
23. Tax paid		
Balance at beginning of the year	(94,718)	121,226
Current tax for the year recognised in profit or loss	(3,062,376)	(2,250,575)
Balance at end of the year	211,670	94,718
	<u>(2,945,424)</u>	<u>(2,034,631)</u>
24. Dividends paid		
Dividends	(5,500,000)	(5,200,000)
25. Related parties		

The Company's immediate holding Company is Old Mutual Zimbabwe Limited, incorporated in Zimbabwe, which holds 100% of the Company's ordinary shares. The ultimate holding Company is Old Mutual limited, incorporated in South Africa.

The Company's transactions with fellow subsidiaries are disclosed in the note 6.

Other Group companies consist of fellow subsidiaries.

Related party transactions

Key Management personnel

Key management personnel and their close members of family and entities which they control, jointly control or over which they exercise significant influence are considered related parties to the Company. The Company's executive and non-executive directors as listed in the directors' report and members of the Executive Committee are considered to be key management personnel.

Executive Committee members consist of Marjorie Mayida, Rejoice Gutuza, Givemore Kandutu, Benjamin Sithole, Davies Musoso, Jennifer Zanga, Gilbert Mangwere, Bevin Ngara and Grace Mukahanana.



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25. Related parties (continued)		
Compensation to directors		
Short-term employee benefits	59,000	40,456

26. Share based payments

26.1 Indigenisation transactions

In 2012 the company, through the holding company, Old Mutual Zimbabwe Limited (OMZIL), entered into an Indigenisation transaction under the Indigenisation & Empowerment Act (Chapter 14:33). OMZIL donated US\$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.

OMZIL Indigenisation Employee Share Scheme

This scheme operates for the benefit of all employees of the company. On 1 June 2012, an allocation was made by means of a once-off share award to the participants. The award is not subject to any performance targets but are required to be in the service of Old Mutual during the vesting period.

Participants only take delivery of the shares after the vesting periods of two years (one-third), three years (one-third) and 4 years (one-third) of participation in the scheme. The related expenses are recognised over the respective vesting periods.

Shares exercised during the year were exercised at an average price of (2018: \$1.09) (2017: \$1.40)

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 Company after the allocation date also participate in the scheme.

Costs associated with Indigenisation transaction

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

OMZIL Management Incentive Scheme

Opening balance of shares	149,660	181,490
Vested	(43,513)	(31,830)
Closing balance of shares	106,147	149,660

26.2 Share based payments reserve

Opening Balance	1,215,470	1,166,927
Cash Settled SBP	(10,605)	-
Share based payment expense	44,890	48,543
	1,249,755	1,215,470

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.

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

26.3 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.



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26. Share based payments (continued)

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 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:

	December 2018	December 2017
Broad Based Employee Share Plan	\$ 54,912	\$ -

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 company 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:

	2018 Number of shares	2017 Number of shares
Deferred delivery entitlements Issued during the year	10,364	-
Outstanding, at end of year	10,364	-

27. Risk management

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

Capital adequacy

Capital management policies

Capital is actively managed to ensure that the Company is properly capitalised and funded at all times, having regard to its regulatory needs, prudent management and the needs of all stakeholders.

The Company has a business planning process that runs on an annual cycle with regular updates to projections. It is through this process, that the Company's capital is managed.

The Securities and Exchange Commission of Zimbabwe sets and monitors capital requirements for the Company. The minimum capital required for asset management companies is equivalent of 3 months cover expenses, invested with at least two financial institutions. Shareholder equity amounted to \$3.709million (2017: \$3.164 million). The amount of the surplus available to be distributed as dividends is subject to available distributable reserves within the shareholders equity, maintaining minimum capital requirements as determined by the regulators.

Market risk

Market risk is the potential impact on earnings of unfavourable changes in foreign exchange rates, interest rates, prices, market volatilities and liquidity. Investment risk arises from changes in the fair value of investments.

All trading instruments are subject to market risk, that future changes in market conditions may make an instrument less valuable or more onerous. The instruments are recognised at fair value, and all changes in market conditions directly affect net trading income.

Funds under management



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27. Risk management (continued)

Funds under management (FUM) represents assets being managed on behalf of investors and these are kept off balance sheet. FUM is the base upon which our business earns its revenue. FUM is influenced by investment markets movements and Net Client Cash Flows (NCCF). We monitor and respond to market movements using our investments process that is supported by a well developed research function.

Interest rate risk

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

The company has due regard to the nature of the liabilities and guarantees given to clients. The interest rate risk of such liabilities is managed by investing in assets of similar duration. Derivative instruments are not used to any material extent 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.

Sensitivity Analysis.

The company earns its income from investment activities on behalf of clients. This investment process is done following a rigorous investment policy which prescribes a balanced allocation of assets/funds across various asset classes. As such any movement in interest rates is not likely to adversely affect the company's earnings. Impact on the company's own investments is also assessed to be little as the income earned from such activities is less than 1% of the company's overall revenue.

Equity price risk

Equity price risk is the possibility that equity prices will fluctuate affecting the fair value of equity investments and other instruments that derive their value from a particular equity investment or index of equity prices. The primary exposure to equity prices arises from trading activities.

Sensitivity analysis

The company earns its income from investment activities on behalf of clients. This investment process is done following a rigorous investment policy which prescribes a balanced allocation of assets/funds across various asset classes. As such any market movement on the industrial index is not likely to adversely affect the company's earnings. The company on its own has no equity investments.

Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting obligations for its financial liabilities and that the cash may not be available to pay obligations when due at a reasonable cost. The key measure used by the company for managing liquidity risk is the Liquidity Ratio.

The company strives to maintain a balance between continuity of funding and flexibility through the use of liabilities with a range of maturities. The company continually assesses liquidity risk by identifying and monitoring changes in funding required to meet business goals and targets set in terms of the overall company strategy.

The table below analyses assets and liabilities into current and non-current categories based on the remaining period at statement of financial position date to settlement date.



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27. Risk management (continued)

31 December 2018	0-30 days	31-60 days	61-90 days	Non-current assets	Total
	\$	\$	\$	\$	\$
Assets					
Intangible assets	-	-	-	681,133	681,133
Property and equipment	-	-	-	277,766	277,766
Deferred tax	109,017	-	-	-	109,017
Loans and advances	-	89,204	-	-	89,204
Investments and securities	-	4,864,810	-	-	4,864,810
Trade receivables	1,460,226	-	-	-	1,460,226
Amounts due from group companies	1,164,633	-	-	-	1,164,633
Cash and cash equivalents	766,114	-	-	-	766,114
Total assets	3,499,990	4,954,014	-	958,899	9,412,903
31 December 2018	0-30 days	31-60 days	61-90 days	Non-current assets	Total
	\$	\$	\$	\$	\$
Liabilities					
Provisions	-	968,841	-	-	968,841
Other liabilities	2,659,515	-	-	-	2,659,515
Current tax payable	211,670	-	-	-	211,670
Amounts due to group companies	1,847,711	-	-	-	1,847,711
Total liabilities	4,718,896	968,841	-	-	5,687,737
31 December 2017	0-30 days	31-60 days	61-90 days	Non-current assets	Total
	\$	\$	\$	\$	\$
Assets					
Property and equipment	-	-	-	307,882	307,882
Intangible assets	-	-	-	941,933	941,933
Deferred tax asset	-	-	-	25,132	25,132
Loans and advances	-	94,962	-	-	94,962
Investments and securities	-	4,402,511	-	-	4,402,511
Trade receivables	720,494	-	-	-	720,494
Amounts due from group companies	1,344,405	-	-	-	1,344,405
Cash and cash equivalents	210,923	-	-	-	210,923
Total assets	-2,275,822	4,497,473	-	1,274,947	8,048,242
31 December 2017	0-30 days	31-60 days	61-90 days	Non-current assets	Total
	\$	\$	\$	\$	\$
Liabilities					
Provisions	-	378,473	-	-	378,473
Other liabilities	2,431,269	-	-	-	2,431,269
Current tax payable	94,718	-	-	-	94,718
Amounts due to group companies	1,979,525	-	-	-	1,979,525
Total liabilities	4,505,512	378,473	-	-	4,883,985

28. Accounting estimates and judgements

Management exercised judgement in the following areas:

Residual values

In calculating depreciation, residual values were determined by assessing values of similar assets in the market.



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Figures in \$

2018

2017

Valuation of financial assets and liabilities

The fair values of financial assets and liabilities are classified and accounted for in accordance with the policies set out in section 1.6. 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 realised under current market conditions. Fair values of certain financial instruments including derivative instruments together with fair values of share-based payment liabilities are determined using pricing models that consider, among other factors, contractual and market prices, correlations, yields curves, credit spreads and volatility factors.

29. Funds under management (FUM)

Total Funds Under Management is represented by:

Cash and cash equivalents	84,260,475	34,490,089
Interest bearing investments	643,212,600	548,608,157
Listed equity investments	2,668,204,085	1,353,821,387
Alternative investments	102,099,421	195,460,158
Total Funds Under Management	3,497,776,581	2,132,379,791

Funds under management represent assets being managed on behalf of investors and these are kept off balance sheet.

Out of the total FUM figures reported above, the portion managed on behalf of other Group companies is as follows:

Old Mutual Zimbabwe Limited (OMZIL)	281,538,110	165,716,982
Frittlewell	109,295	97,422
Old Mutual Life Assurance Company of Zimbabwe Limited (OMLAC)	2,299,193,385	1,343,154,175
Old Mutual Insurance Company (Private) Limited (OMICO)	48,182,255	38,776,067
Three Anchor Investments t/a Cabs Custodial Services (CABSCUS)	1,616,220	1,259,854
Old Mutual Securities (Private) Limited (OMSEC)	465,237	444,554
Mutual & Federal	8,851,842	4,891,273
Old Mutual Zimbabwe Limited Management Incentive Share Trust	1,426,800	838,460
	2,641,383,144	1,555,178,787

30. Going concern

The Company has adequate resources to continue in operation for the foreseeable future. The financial statements have, accordingly been prepared on a going concern basis.

31. Events after the reporting period

Significant Subsequent events

On 20 February 2019, the RBZ Governor announced Monetary Policy Statement 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 an adjusting event in terms of International Accounting Standard 10 (IAS 10) "Events after the reporting period" as it is 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.



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31. Events after the reporting period (continued)

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 below:

Management performed 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.

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31. Events after the reporting period (continued)

	2018 \$ Monetary assets/ Liabilities Nostrro FCA USD	2018 \$ Assets/ Liabilities RTGS Dollar	2018 \$ Non-monetary assets/ Liabilities USD	2018 \$ Total 1:1	2018 RTGS \$ Total 1:2.5	2018 RTGS \$ Total 1.4	2018 RTGS \$ Total 1:5
Assets							
Property and equipment	-	277,766	-	277,766	277,766	277,766	277,766
Investments and securities	-	4,864,810	-	4,864,810	4,864,810	4,864,810	4,864,810
Deferred tax assets	-	109,017	-	109,017	109,017	109,017	109,017
Loans and advances	-	89,204	-	89,204	89,204	89,204	89,204
Other assets	-	3,305,992	-	3,305,992	3,305,992	3,305,992	3,305,992
Cash and cash equivalents	-	766,114	-	766,114	766,114	766,114	766,114
Total Assets	-	9,412,903	-	9,412,903	9,412,903	9,412,903	9,412,903
Liabilities							
Provisions	-	968,841	-	968,841	968,841	968,841	968,841
Current tax payables	-	211,670	-	211,670	211,670	211,670	211,670
Amounts due to group companies	-	1,847,711	-	1,847,711	1,847,711	1,847,711	1,847,711
Other liabilities	-	1,021,408	-	1,021,408	1,021,408	1,021,408	1,021,408
Other liabilities	1,638,107	-	-	1,638,107	4,095,268	6,552,428	8,190,535
Total liabilities	1,638,107	4,049,630	-	5,687,737	8,144,898	10,602,058	12,240,165
Net assets	(1,638,107)	5,363,273	-	3,725,116	1,268,006	(1,189,155)	(2,827,262)
Shareholders' equity							
Share capital and premium	-	100	-	100	100	100	100
Share based payment reserve	-	1,249,755	-	1,249,755	1,249,755	1,249,755	1,249,755
Non-distributable reserve	-	363,251	-	363,251	363,251	363,251	363,251
Retained earnings	-	2,112,060	-	2,112,060	2,112,060	2,112,060	2,112,060
Foreign currency translation reserve	-	-	-	-	(2,457,160)	(4,914,321)	(6,552,428)
Total equity	-	3,725,166	-	3,725,166	1,268,006	(1,189,155)	(2,827,262)
	-	3,725,166	-	3,725,166	1,268,006	(1,189,155)	(2,827,262)

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31. Events after the reporting period (continued)

The company remains solvent at an exchange rate of up to 1:2.5. However if the exchange rate deteriorates to 1:4 and 1:5, the company's equity becomes negative. This situation is considered temporary by the directors and is attributable to the 2018 dividend of \$7.5 million which was declared and paid out before the monetary policy statement announcement of the new exchange rates, otherwise the going concern of the company is considered not compromised. The parent company, OMZIL, is ready to inject capital should the need arise. In addition, the company's unaudited equity stood at \$3.7 million as at 31 March 2019, after taking into account foreign currency translation losses at a rate of 1:3.

The RTGS balances disclosed in the sensitivity analysis will not necessarily be the opening balances for 2019 reporting.