



OLD MUTUAL ZIMBABWE LIMITED

CONSOLIDATED ABRIDGED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

Chairman's Statement

Environment

Macro-economic policy reform dominated environment themes during the half year ended 30 June 2019. Treasury reported that the country managed to turn from chronic fiscal deficits to a cash surplus position. This notwithstanding, adverse externalities such as hostile weather conditions which affected agricultural output and power generation, sustained a real threat of aggregate contraction in gross domestic output. The IMF projects a contraction of 2.1% for the full year 2019, while the Minister of Finance, presenting his Mid-Term Budget review also forecast a contraction to the economy.

A gradual liberalization of exchange rates starting in February 2019, though necessary, has fuelled inflation pressures. By June 2019, year on year inflation had reached a post-dollarization peak of 176%. On 24 June 2019 the Government issued Statutory Instrument (SI) 142 of 2019, giving guidance on the introduction of a new local currency which will be the sole legal tender; thereby putting an end to the multi-currency regime. The substitution of multi-currencies with a single (local) currency framework is envisioned to eradicate some pricing and income distortions. However this measure has attracted mixed market reactions. While we acknowledge that policy is best judged by results, we believe that currency risks are skewed to the downside in light of compromised market confidence and foreign currency reserves. SI 142 of 2019 has had a significant impact on the business, given that some of our business units had experienced significant demand for products denominated in United States Dollars (USD).

Strong local currency company earnings and a generalized safe haven attractiveness supported local equities; with the Zimbabwe Stock Exchange's industrial index closing the period under review up by 42.37%. Real interest rates were weighed down by galloping inflation and depressed local currency borrowing appetite. Depressed effective demand, and low rental yields in real terms, in line with broader aggregate economic constraints, weighed negatively on property performance.

Financial Performance

This financial commentary is based on the financial statements as prepared on a historical cost basis.

Profit before tax increased by 671% from \$66 million in 2018 to \$509.2 million in 2019 mainly driven by growth in investment returns. Total revenue rose by 741% from \$290.7 million to \$2.4 billion on the back of growth in all main revenue lines, particularly investment returns and exchange gains. Operating profit (which excludes investment returns from excess shareholders funds invested and gains directly attributable to policyholders) increased by 287% from \$34.3 million to \$132.9 million driven by profit growth in the life, banking, short term insurance and asset management businesses.

Gross written premiums (GWP) grew by 29% from \$103.1 million to \$132.6 million in total for the life and short term insurance businesses due to a combination of improved client retention and new business that was underwritten. Operating profit for the life business was 451% higher than prior period as a result of growth in asset based fees, growth in premium income and foreign currency translation gains. The short term insurance business recorded a growth of 543% in operating profit largely due to the impact of foreign currency translation gains on assets denominated in foreign currency.

The banking business recorded a profit growth of 195%, to \$61.1 million, up from \$20.7 million in 2018. This was mainly driven by growth in net interest income, foreign currency translation gains, and property fair value gains.

Funds under management (FUM) for the asset management business were up by 139% to \$6.8 billion mainly due to positive investment performance. The asset classes that mainly contributed to the positive investment performance were listed equities, property and investments denominated in foreign currency. As a result of the growth in FUM, operating profit for the asset management business increased by 60%.

Operating and administration expenses increased by 76% to \$80.1 million from \$45.5 million in the comparable prior period. The increase was driven by inflationary pressures and the impact of local currency devaluation which resulted in costs of imported goods and services increasing significantly. The business also incurred higher staff costs in the process of cushioning staff against rising inflation. It is noteworthy, however, that the increase in expenses is considerably less than recorded inflation over the period.

Total assets increased by 67% from \$4.4 billion as at 31 December 2018 to \$7.3 billion driven by growth in investments and securities and loans and advances. Total equity increased by 60% from \$825.4 million to \$1.3 billion mainly driven by growth in profit.

Operations

In the first half of the year the Group primarily focused on developing and offering market relevant products as well as on business re-organisation to enhance efficiencies.

The increased emphasis on developing and offering market relevant products was in response to challenges in the operating environment. We were of the view that products denominated in foreign currencies would help minimise the risk of loss of value for our customers. We therefore extended our suite of products to offer products denominated in (USD) across the major business units. We achieved commendable performance from these USD products in the first half of the year. However, Statutory Instrument (SI) 142 of 2019, will have an impact on the sustainability of this suite of products which is still being ascertained.

The life company developed a new cash funeral product named the Old Mutual Flexi Funeral Plan which will be launched in the second half of the year. It is structured as a one year renewable contract with reviewable sums assured and premiums. The product is designed to provide value to our customers through its flexibility as it will enable them to review their cover level in response to changes in their circumstances as and when the need to do so arises. The product has competitive premiums and we expect it to contribute positively to the Group's financial inclusion drive. We remain committed to ensuring the relevance of our product offering to the operating environment so that we continue to provide value for our customers.

We launched the Eight2Five innovation hub which focuses on driving innovation, incubating and accelerating new ideas, as well as offering co-working spaces to budding entrepreneurs. We expect this initiative to provide a platform that will enable the development of ideas that can help offer sustainable solutions to some of the socio-economic challenges facing the country. In addition, it also creates an innovation ecosystem that the Group can leverage on to collaborate with individuals that develop new ideas and technologies that can be adopted by the business, while enhancing the innovation culture across the entire group.

Our alternative investments portfolio grew from \$108.2 million at the end of 2018 to \$199.6 million as of 30 June 2019. The growth was due to a combination of new investment disbursements of \$45.6 million and capital appreciation of existing portfolio companies. Our focus on private equity is bearing fruit in terms of enhancing investment returns.

We acquired 27 hectares of land in Ngezi in line with our efforts to diversify our property portfolio geographically. Development of this land is expected to commence in the second half of the year. The Eastgate Market is now open and line shops as well as the anchor tenant have started operating. There is still ongoing work to complete fit-outs of market stalls. We expect this work to be completed before the end of the year.

Having reviewed the current structure of the Old Mutual Zimbabwe Limited Group, the Directors concluded that the interests of both shareholders and customers would be best served by restructuring the Group into a simpler and more optimal outfit. The Directors agreed to cluster Old Mutual Zimbabwe Limited businesses into three clusters on the basis of the major lines of business which the Group operates, namely: Insurance, Investments and Wealth Management, and Banking. Old Mutual Zimbabwe Limited will remain the holding company of these three clusters. The regulatory and shareholder approvals necessary to carry out this business re-organisation were obtained. Significant progress has been made in implementing the business re-organisation in the first half of 2019. The envisaged benefits include cost efficiencies and improved market responsiveness.

Outlook

Going forward, recent monetary policy measures contained in SI 142 of 2019 are likely to have a material impact on the operating environment. In the short term, currency depreciation and rising inflation and interest rates will have a negative impact on our customers and the business in general. The Group however, is sufficiently capitalised and has put in place strategies to mitigate the impact of the associated risks. The success of the policy measures enunciated under SI 142 will need to be complemented at a macro-economic level by other measures such as fiscal discipline, parastatal reform, urgently resolving the electricity crisis, greater efficiency in the operation of foreign currency and local money markets, and a robust approach to combating corruption and financial waste.

Appreciation

On behalf of the Board, I would like to thank our customers for their continued support and trust throughout the first half of 2019. My appreciation also goes to the Group's employees and management for their efforts, dedication and resilience despite the challenging operating environment.

Johannes !Gawaxab
Chairman

Directors' Report

Responsibility

The directors are responsible for the preparation and fair presentation of the Group and Company annual financial statements, comprising the statement of financial position as at 30 June 2019; and the statements of profit or loss; of comprehensive income; changes in equity and cash flows for the period then ended; and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and the requirements of the Companies Act (Chapter 24:03). In addition, the directors are responsible for preparing the directors' report.

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

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

Compliance with legislation

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

Compliance with IFRSs

The financial statements are prepared with the aim of complying fully with International Financial Reporting Standards (IFRSs). IFRSs comprise interpretations adopted by the International Accounting Standards Board (IASB), which includes standards adopted by the International Accounting Standards Board (IASB) and interpretations developed by the International Financial Reporting Interpretations Committee (IFRIC) or by the former Standing Interpretations Committee (SIC).

Complying with IFRSs achieves consistency with the financial reporting framework adopted by the ultimate parent company, Old Mutual Limited, which is incorporated in South Africa. Using a globally recognised reporting framework also allows comparability with similar businesses and consistency in the interpretation of the financial statements.

1. Compliance with International Accounting Standard (IAS) 21: The Effects of Changes in Foreign Exchange rates

As reported in the Directors Report for the year ended 31 December 2018, partial compliance with IFRS was achieved in 2018. This was due to the promulgation of Statutory Instrument (SI) 33 which based on our legal interpretation, for accounting and other purposes, prescribed parity in value between the US Dollar and local currency as at and up to the effective date of 22 February 2019, and also prescribed the manner in which certain balances in the financial statements would be treated as a consequence of the recognition of the Zimbabwe Dollar (ZWL\$) as currency in Zimbabwe. This has impacted on comparative financial information presented for 2018, in particular, the Group Statement of Financial Position, and has also impacted on the treatment of items of profit and loss as well as cashflows from 1 January 2019 up to 22 February 2019, the date on which SI 33 became effective.

In our opinion, the requirement to comply with Statutory Instrument 33 of 2019 created inconsistencies with IAS 21 regarding identification of the applicable functional currency and exchange rates, as well as with the principles embedded in the IFRS Conceptual Framework as also enunciated in the guidance issued by the Public Accountants and Auditors Board (PAAB) on 21 March 2019. This has resulted in accounting treatment being adopted in the 2018 comparatives and 2019 half year financial statements, which is different from that which would have been adopted if the group had been able to fully comply with IFRSs. 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.

2. Compliance with IAS29: Financial Reporting in Hyperinflationary Economies

Given official year on year inflation figures released by the government for June 2019 of 175.7%, the Group made an assessment on whether Zimbabwe is now a hyperinflationary economy based of some of the parameters outlined in IAS29. Recognition of Zimbabwe as a hyperinflationary economy would require preparation of inflation adjusted financial statements. IAS 29: (paragraph 4) states that it is preferable for all entities which report in the same currency to start applying hyperinflation accounting from the same date. While there are several indicators pointing to the existence of hyperinflationary conditions, market wide consensus is yet to emerge on this matter. In addition, no specific guidance on the matter has been provided by the PAAB. The Group within Zimbabwe has, therefore, not adopted hyperinflation accounting in these abridged financial results. Note 20 to these financial statements, however, summarises the impact of hyperinflation on the Group, had IAS29 been applied.

Capital

The issued share capital is made up of 249 0351 56 "A" class shares of US\$0.0000032 each, 83 011 718 "B" class shares of US\$0.0000032 each, 1 redeemable preference share of US\$1.00 and 1 "A" redeemable par value share of US\$1.00. The shares are owned by OM Zimbabwe Holdco Limited (75%); as well as allocations to Indigenisation Trusts and intended indigenous beneficiaries (21.5%) and a strategic partner (3.5%). The 1 redeemable preference share issued is owned by Old Mutual (Zimbabwe) Dividend Access Trust. The ultimate shareholder of Old Mutual Zimbabwe Limited is Old Mutual Limited which is incorporated in South Africa and is listed on the Johannesburg Stock Exchange (JSE).

Directors

Mr.	J.	!Gawaxab	(Chairman)
Mr.	D.	Benecke	
Mr.	T.M.	Johnson	
Mr.	M.P.	Mahlangu	
Mr.	K.	Mandevani	
Mr.	I.T.	Mashinya*	(Group Chief Operating Officer)
Mr.	N.T.T.	Mudekunye*	(Group Finance Director)
Mr.	J.	Mushosho*	(Group Chief Executive Officer)
Dr.	L.L.	Tumba	
Mr.	I.G.	Williamson	

*Denotes Executive Director

Far reaching amendments to the Banking Act (Chapter 24:20) were gazetted on 13 May 2016. This legislation affects Central Africa Building Society as well as Old Mutual Zimbabwe Limited particularly with regards to board structure and composition. The Group is in the process of instituting measures to achieve full compliance with the Act. The group is also implementing the governance requirements of the Insurance and Pensions Commission (IPEC) with a target completion date of 30 September 2019.



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

	2019 June ZWL\$000	2018 June ZWL\$000
Profit before tax	509 155	66 005
Adjusting items	(376 218)	(31 689)
Shareholder investment returns	(334 369)	(29 382)
Policyholder tax	(41 849)	(2 307)
Result from operations	132 937	34 316

GROUP STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2019

Notes	Unaudited 30-June-2019 Group ZWL\$000	Unaudited 30-June-2018 Group ZWL\$000
Revenue		
Gross premiums	132 608	103 078
Outward reinsurance	(28 741)	(4 942)
Net earned premiums	103 867	98 136
Investment income (non banking)	2 140 360	101 740
Banking interest and similar income	58 063	48 495
Fee income, commissions and income from service contracts	53 153	39 043
Other income	89 925	3 266
Total revenue	2 445 368	290 680
Expenses		
Claims and benefits (including change in insurance contract provisions)	(1 694 772)	(146 503)
Reinsurance recoveries	2 538	3 686
Net claims incurred	(1 692 234)	(142 817)
Change in provision for investment contract liabilities	(108 540)	(4 579)
Fees, commissions and other acquisition costs	(21 641)	(14 349)
Banking interest payable and similar expenses	(20 321)	(10 348)
Impairment charges	(13 360)	(7 084)
Other operating and administration expenses	(80 117)	(45 498)
Profit before tax	509 155	66 005
Income tax expense	(56 610)	(12 089)
Profit for the year	452 545	53 916
Attributable to owners of parent company	433 520	52 328
Attributable to non-controlling interests	19 025	1 588
	452 545	53 916

GROUP STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

Notes	Unaudited Group 30-June-2019 ZWL\$000	Unaudited Group 30-June-2018 ZWL\$000
Profit for the year	452 545	53 916
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Property and equipment revaluation	126 990	469
Shadow accounting	(47 397)	(135)
Foreign currency translation	(15 719)	636
Items that will be reclassified to profit or loss	-	-
Total comprehensive income for the year	516 419	54 886
Total comprehensive income attributable to:		
Owners of parent company	498 472	53 298
Non-controlling interests	17 947	1 588
	516 419	54 886

GROUP STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

Notes	Unaudited Group 30-June-2019 ZWL\$000	Audited Group 31-December-2018 ZWL\$000
Assets		
Investment property	1 211 014	411 476
Property and equipment	248 170	104 623
Investments and securities	4 281 039	2 795 282
Loans and advances	966 195	780 495
Other assets	225 743	143 021
Cash and cash equivalents	390 381	160 992
Total assets	7 322 542	4 395 889
Liabilities		
Insurance contract liabilities	3 797 594	2 049 902
Investment contract liabilities	316 231	208 923
Credit lines	316 122	53 297
Amounts owed to bank depositors	1 291 340	1 006 870
Other liabilities	280 132	251 516
Total liabilities	6 001 419	3 570 508
Net assets	1 321 123	825 381
Shareholders' equity		
Share capital and premium	1	1
Other reserves	190 324	109 829
Retained earnings	1 095 125	690 890
	1 285 450	800 720
Non-controlling interests	35 673	24 661
Total equity	1 321 123	825 381

NOTES TO THE ABRIDGED FINANCIAL STATEMENTS

for the six months ended 30 June 2019

1. General Information

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

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

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

GROUP STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Share capital & premium ZWL\$000	Other reserves ZWL\$000	Retained income ZWL\$000	Equity total ZWL\$000	Non-controlling interests ZWL\$000	Equity total ZWL\$000
Unaudited 30 June 2019						
Shareholders' equity at beginning of year	1	109 829	690 890	800 720	24 661	825 381
Impact of foreign currency translations	-	(14 641)	-	(14 641)	(1 078)	(15 719)
Profit for the financial year	-	-	433 520	433 520	19,025	452 545
Shadow accounting	-	(47 397)	-	(47 397)	-	(47 397)
Revaluation of property and equipment	-	126 990	-	126 990	-	126 990
Total Comprehensive income for the year	-	64 952	433 520	498 472	17 947	516 419
Vested Shares	-	1 866	-	1 866	-	1 866
Purchase of shares	-	-	63	63	(6 935)	(6 872)
Movement in treasury shares	-	13 677	-	13 677	-	13 677
Dividends paid	-	-	(29 348)	(29 348)	-	(29 348)
Transactions with shareholders	-	15 543	(29 285)	(13 742)	(6 935)	(20 677)
Shareholders' equity at end of year	1	190 324	1 095 125	1 285 450	35 673	1 321 123
Unaudited 30 June 2018						
Shareholders' equity at beginning of year	1	121 672	439 983	561 656	18 532	580 188
Impact of adopting IFRS 9 at 1 January 2018	-	-	(20 331)	(20 331)	-	(20 331)
Profit for the half year	-	-	52 328	52 328	1 588	53 916
Shadow accounting	-	(135)	-	(135)	-	(135)
Revaluation of property	-	469	-	469	-	469
Regulatory impairment allowance	-	(639)	639	-	-	-
Total Comprehensive income for the year	-	(305)	52 967	52 662	1 588	54 250
Other movements	-	(4 893)	4 893	-	-	-
Vested Shares	-	363	-	363	-	363
Movement in treasury shares	-	-	(21 403)	(21 403)	(1 947)	(23 350)
Transactions with shareholders	-	(4 530)	(16 510)	(21 040)	(1 947)	(22 987)
Shareholders' equity at end of year	1	116 837	456 109	572 947	18 173	591 120

GROUP STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Unaudited Group 30-June-2019 ZWL\$000	Unaudited Group 30-June-2018 ZWL\$000
Net cash flows from operating activities	120 645	39 487
Net cash from investing activities	(37 717)	(90 806)
Net cash flows from financing activities	(29 348)	(21 403)
Net increase/(decrease) in cash and cash equivalents	53 580	(72 722)
Effects of exchange rate changes on cash and cash equivalents	175 809	(475)
Cash and cash equivalents at beginning of the period	160 992	190 251
Cash and cash equivalents at the end of the period	390 381	117 054

2. Basis of preparation

The consolidated abridged financial statements provide information about the financial position, results of operations, and changes in the financial position of the Group. They are based on the statutory records that are maintained under the historical cost convention with the exception of investments and securities, and investment properties, which are included at fair value, as well as insurance contract provisions and provisions for investment contracts with discretionary participating features which are calculated on a Financial Soundness Valuation basis. The accounting policies have been consistently applied to all periods presented, except where specifically highlighted.

The Group financial statements have been prepared on the going concern basis which the directors believe to be appropriate.

2.1 Critical accounting estimates and judgements

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Critical accounting estimates are those which involve the most complex or subjective judgements or assessments. The areas of the Group's business that typically require such estimates are life insurance contract provisions, determination of the fair value for financial assets and liabilities, investment properties and provisions.

2.1.1 Functional currency

The group has in previous financial periods adopted the United States Dollar as its functional and presentation currency. For the 2019 financial statements for the six months ended 30 June 2019, following the change in functional currency from 22 February 2019, the Group's functional currency is now the Zimbabwe dollar (ZWL\$).

For purposes of preparing these financial statements, the functional currency of comparative financial information is presented as being in Zimbabwe dollars with no additional adjustment made to previously reported financial information. Following the change in functional currency on the 22nd of February 2019 to ZWL\$ and with the establishment of an interbank market with an exchange rate of USD1: ZWL\$2.5, the Group restated all foreign currency denominated balances as at 28 February 2019 through a foreign currency translation reserve. For 2018 these were recorded at an exchange rate of 1:1 between foreign and local monetary balances.

Initial accounting impact

At the date of adoption of the new functional currency we used the interbank mid-rate of USD1: ZWL\$2.5 to translate forex assets and liabilities. We accounted for the net loss of ZWL\$15.8 million on initial translation through a Foreign Currency Translation Reserve (FCTR), which is part of shareholders equity. This was because the initial loss was due to a change in functional currency.

Restating the financial statements as at 31 December 2018 by the starting interbank market rate of USD1: ZWL\$2.5 as opposed to the 1:1 exchange rate applied then would have resulted in a foreign currency translation reserve of ZWL\$57.6 million with assets increasing from a 1:1 position of ZWL\$4.4 billion to ZWL\$5.2 billion while liabilities would also grow from ZWL\$3.6 billion to ZWL\$4.3 billion resulting in a net equity position of ZWL\$882.9 million from ZWL\$825.2 million initially reported.

2.1.2 Hyperinflationary accounting

IAS 29 has highlighted the following as possible indicators of an economy under hyperinflation:

- The general population prefers to keep its wealth in non-monetary assets or in a relatively stable foreign currency.
- The general population regards monetary amounts not in terms of the local currency but in terms of a relatively stable foreign currency. Prices may be quoted in that currency.
- Sales and purchases on credit take place at prices that compensate for the expected loss of purchasing power during the credit period, even if the period is short.
- Interest rates, wages and prices are linked to a price index.
- Cumulative inflation rate over three years is approaching, or exceeds, 100%.

According to the listed indicators it would appear that the business should be applying hyperinflation accounting in line with IAS29: Financial Reporting in Hyperinflationary Economies. However, IAS 29 (paragraph 4) also states that "it is preferable that all entities that report in the currency of the same hyperinflationary economy apply this Standard from the same date". The matter is still being deliberated on by regulators for market wide guidance. In the absence of official guidance we have prepared these results on a historical cost basis (refer note 20 for the impact on the group's profits and on net shareholders equity if financial statements had been adjusted for hyperinflation in the manner required by IAS29).

2.1.3 Revaluation of property and equipment

IAS 16: Property, Plant and Equipment requires that property and equipment is subject of an assessment of whether carrying value reflects fair values or cost of replacement. In the past this has not been necessary for assets other than investment properties, because management believed that the cost, less accumulated depreciation adequately reflected the fair value of the assets. With the change in functional currency to ZWL\$ as well as high inflation experienced so far in 2019, it became necessary to assess whether fixed assets, which were historically acquired when the USD was the functional currency, were still carried at appropriate balances in ZWL\$ even after allowing for depreciation.

As at 30 June 2019, the Group carried out a revaluation under the following basis:

- Motor vehicles and Furniture & Equipment were eligible for revaluation. These assets were revalued upwards by ZWL\$15m.
- Computer equipment (excl. POS machines and Servers) were excluded for revaluation. This is because technological advancements quickly erode the value of the assets over time. These assets generally have a useful life of 3 years.



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NOTES TO THE ABRIDGED FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (continued)

2.1.4 Revaluation of investment property

In line with the OMZIL Group Property Valuation Policy, three external valuers are required to carry out property valuations bi-annually. For the six months ended 30 June 2019, valuations were carried out on US dollar based parameters and not in ZWL\$. The justification for using US dollar based valuations is summarised below:

- According to International Valuation Standards (IVS) 101- Scope of Work clause 20.3e general requirements, the currency for the valuation and the final valuation report or conclusion must be established in a stable currency. In light of this, a stable and established currency was adopted for valuation which is the US dollar (USD).
- Property is a long term asset and is valued on the basis of long term assumptions over an extended period of time or into perpetuity. As such it is valued based on expected rentals over the valuation period. These rentals were benchmarked in USD/square metre in the absence of observable local dollar rentals.
- Valuation best practice requires that property valuation should be supported by market evidence. In this case the market has substantial sales evidence in US dollars while there are insignificant transactions completed in ZWL\$ or through the Real Time Cross Settlement System.
- With property being a long term asset, its valuation should be less affected by short term market phenomena, unlike what would be the case if we were valuing a monetary asset or tradeable instrument. Hence the difference in volatility we have traditionally seen between our equity values and our property values.

Notwithstanding the fact that underlying valuations may have been done in USD, there would still be a need to convert these into ZWL\$ at the market exchange rate for financial reporting purposes. For half year reporting the group has decided to discount the value of properties by 50% due to the inability to secure rental escalations since the change in functional currency, which are directly proportionate to the extent of currency depreciation since February 2019 and which maintain the value of rentals in real terms. Rental yields are a critical valuation input, given that the group has traditionally used the income approach in the valuation of a significant part of the property portfolio. This judgement was also influenced by the limited market data for property transactions denominated in ZWL\$, limited ability to forecast a stable exchange rate into the future, together with limited market evidence to support income capitalisation rates for rental cashflows in ZWL\$. The discount applied further takes into account expected rental increases that the Group expects to achieve in the foreseeable future.

2.1.5 Foreign denominated legacy debts / Blocked funds

On the 24th of June 2019, Government issued Statutory Instrument 142 (SI 142) which was followed up by the Reserve Bank of Zimbabwe (RBZ)'s Exchange Control Directive RU/102 of 2019 which directed authorised dealers to transfer to the Reserve Bank, RTGS balances at an exchange rate of ZWL\$1:USD1 in relation to foreign legacy debts to be registered for settlement by the Reserve Bank. A follow up circular, the Exchange Control Circular no.8 of 2019 was issued on the 24th of July and it gave more detail around the qualification criteria and the effective cut-off date for registering this legacy debt.

The Group made applications relating to obligations for loan repayments on offshore lines of credit, amounts owing to foreign suppliers of goods and services including fellow group companies, dividends, and other foreign liabilities. USD30m in legacy debt was confirmed as having been registered.

Accounting treatment

Upon transferring local funds for the registration of legacy debts/blocked funds a legitimate expectation to receive USD has been created and a financial instrument denominated in USD was recognised on the group's statement of financial position.

This financial instrument has been fair valued and translated at the prevailing interbank exchange rate on the assumption that a right to acquire USD30 million at a future date now exists. The fair value of the financial instrument has been recognised at ZWL\$114.2 million. However, details as to the exact structure and design of the instrument are yet to be availed by the RBZ. The carrying value of the financial instrument reflects management's assessment of the present value of expected net cashflows to be received under this arrangement.

No financial instrument has been recognised for accounting purposes in respect of legacy debts where we are yet to receive confirmation from RBZ of registration. This applies to all group legacy debts outside those of the banking subsidiary CABs.

The group will continue to disclose all foreign currency liabilities separately at the interbank rate as this reflects the extent of the group's current contractual obligations, which are yet to be extinguished.

3. Segment information

A Statement of profit or loss - segment information for the six months ended 30 June 2019

	Life Assurance ZWL\$000	General Insurance ZWL\$000	Banking & Lending ZWL\$000	Asset Management ZWL\$000	Holding Co & Other ZWL\$000	Consolidation Adjustments ZWL\$000	Total ZWL\$000
Revenue							
Gross premiums	93 197	46 773	-	-	-	(7 362)	132 608
Outward reinsurance	(1 058)	(27 683)	-	-	-	-	(28 741)
Net earned premiums	92 139	19 090	-	-	-	(7 362)	103 867
Investment income (non banking)	1 956 180	22 327	46 022	200	115 771	(140)	2 140 360
Banking interest and similar income	-	-	58 063	-	-	-	58 063
Fee income, commissions and income from service contracts	3 169	2 025	31 970	15 855	1 448	(1 314)	53 153
Other income	37 462	13 212	24 100	4 185	12 432	(1 466)	89 925
Total revenue	2 088 950	56 654	160 155	20 240	129 651	(10 282)	2 445 368
Expenses							
Claims and benefits (including change in insurance contract provisions)	(1 677 740)	(17 560)	-	-	-	528	(1 694 772)
Reinsurance recoveries	769	1 769	-	-	-	-	2 538
Net claims incurred	(1 676 971)	(15 791)	-	-	-	528	(1 692 234)
Losses on loans and advances, general input	-	-	-	-	-	-	-
Change in provision for investment contract liabilities	(108 540)	-	-	-	-	-	(108 540)
Fees, commissions and other acquisition costs	(11 355)	(422)	(20 560)	(118)	(1 420)	12 234	(21 641)
Banking interest payable and similar expenses	-	-	(22 457)	-	-	2 136	(20 321)
Impairment charges	-	-	(13 360)	-	-	-	(13 360)
Other operating and administration expenses	(19 444)	(6 089)	(42 656)	(8 840)	(23 581)	20 493	(80 117)
Profit before tax	272 640	34 352	61 122	11 282	104 650	25 109	509 155
Income tax expense/(credit)	(44 676)	(2 425)	(2 272)	(3 570)	(3 667)	-	(56 610)
Profit for the year	227 964	31 927	58 850	7 712	100 983	25 109	452 545

3. Segment information

A Statement of profit or loss - segment information for the six months ended 30 June 2018

	Life Assurance ZWL\$000	General Insurance ZWL\$000	Banking & Lending ZWL\$000	Asset Management ZWL\$000	Holding Co & Other ZWL\$000	Consolidation Adjustments ZWL\$000	Total ZWL\$000
Revenue							
Gross earned premiums	85 394	19 392	-	-	-	(1 707)	103 079
Outward reinsurance	(1 310)	(3 633)	-	-	-	-	(4 943)
Net earned premiums	84 084	15 759	-	-	-	(1 707)	98 136
Investment income (non banking)	88 737	2 651	-	112	11 858	(1 618)	101 740
Banking interest and similar income	-	-	48 495	-	-	-	48 495
Fee income, commissions and income from service contracts	2 725	-	30 356	11 545	7 369	(12 952)	39 043
Other income	278	40	2 488	178	91	191	3 266
Total revenue	175 824	18 450	81 339	11 835	19 318	(16 086)	290 680
Expenses							
Claims and benefits (including change in insurance contract provisions)	(138 232)	(12 212)	-	-	-	3 941	(146 503)
Reinsurance recoveries	695	2 991	-	-	-	-	3 686
Net claims incurred	(137 537)	(9 221)	-	-	-	3 941	(142 817)
Change in provision for investment contract liabilities	(4 579)	-	-	-	-	-	(4 579)
Fees, commissions and other acquisition costs	(1 515)	(1 845)	(10 681)	(59)	(773)	525	(14 348)
Banking interest payable and similar expenses	-	-	(14 554)	-	-	4 207	(10 347)
Credit losses and impairment charges	-	-	(7 084)	-	-	-	(7 084)
Other operating and administration expenses	(5 645)	(3 477)	(28 298)	(4 996)	(9 328)	6 244	(45 500)
Profit before tax	26 548	3 907	20 722	6 780	9 217	(1 169)	66 005
Income tax expense/(credit)	(4 571)	(779)	21	(2 171)	(4 589)	-	(12 089)
Profit for the year	21 977	3 128	20 743	4 609	4 628	(1 169)	53 916

B Statement of financial position - segment information at 30 June 2019

	Life Assurance ZWL\$000	General Insurance ZWL\$000	Banking & Lending ZWL\$000	Asset Management ZWL\$000	Holding Co & Other ZWL\$000	Consolidation Adjustments ZWL\$000	Total ZWL\$000
Assets							
Investment property	1 144 632	1 486	62 910	-	1 986	-	1 211 014
Property and equipment	81 616	2 072	152 906	3 677	7 899	-	248 170
Investments and securities	3 542 401	119 702	408 774	5 718	662 356	(457 912)	4 281 039
Loans and advances	-	-	965 537	-	-	658	966 195
Other assets	43 231	36 397	125 018	9 738	78 442	(67 083)	225 743
Cash and cash equivalents	60 184	10 717	318 075	5 048	23 084	(26 727)	390 381
Total assets	4 872 064	170 374	2 033 220	24 181	773 767	(551 064)	7 322 542
Liabilities							
Insurance contract liabilities	3 754 263	43 331	-	-	-	-	3 797 594
Investment contract liabilities	316 231	-	-	-	-	-	316 231
Credit lines	-	-	316 122	-	-	-	316 122
Amounts owed to bank depositors	-	-	1 365 313	-	-	(73 973)	1 291 340
Other liabilities	114 674	39 918	59 423	7 579	333 745	(275 207)	280 132
Total liabilities	4 185 168	83 249	1 740 858	7 579	333 745	(349 180)	6 001 419
Net assets	686 896	87 125	292 362	16 602	440 022	(201 884)	1 321 123

B Statement of financial position - segment information at 31 December 2018

	Life Assurance ZWL\$000	General Insurance ZWL\$000	Banking & Lending ZWL\$000	Asset Management ZWL\$000	Holding Co & Other ZWL\$000	Consolidation Adjustments ZWL\$000	Total ZWL\$000
Assets							
Investment property	386 935	449	23 492	-	600	-	411 476
Property and equipment	28 830	485	71 211	1 325	2 772	-	104 623
Deferred acquisition costs	-	640	-	-	-	-	640
Finance lease receivable	7 734	-	-	-	-	-	7 734
Reinsurer contracts	-	4 778	-	-	-	-	4 778
Investments and securities	2 278 604	48 034	381 129	6 481	554 005	(472 971)	2 795 282
Deferred tax assets	-	-	-	168	524	723	1 415
Loans and advances	-	-	780 495	-	-	-	780 495
Other assets	32 455	7 079	80 244	5 725	3 828	(877)	128 454
Cash and cash equivalents	21 656	8 848	130 216	2 916	25 881	(28 525)	160 992
Total assets	2 756 214	70 313	1 466 787	16 615	587 610	(501 650)	4 395 889
Liabilities							
Insurance contract liabilities	2 032 234	17 668	-	-	-	-	2 049 902
Investment contract liabilities	208 923	-	-	-	-	-	208 923
Provisions	910	84	5 102	1 603	8 524	-	16 223
Deferred tax liabilities	52 135	14	3 288	3	4 084	(1 486)	58 038
Current tax payables	85	-	-	298	-	-	383
Amounts owed to bank depositors	-	-	1 167 154	-	-	(160 285)	1 006 869
Credit lines	-	-	53 297	-	-	-	53 297
Other liabilities	19 881	1 289	41 301	5 251	238 738	(129 588)	176 872
Total liabilities	2 314 168	19 055	1 270 142	7 155	251 346	(291 359)	3 570 507
Net assets	442 046	51 258	196 645	9 460	336 264	(210 291)	825 382

Unaudited Group 30-June-2019 ZWL\$000

Unaudited Group 30-June-2018 ZWL\$000

4. Gross premiums

	Unaudited Group 30-June-2019 ZWL\$000	Unaudited Group 30-June-2018 ZWL\$000
Gross premiums		
Single	1 234	1 898
Recurring	10 825	9 250
Individual business	12 059	11 148
Single	28 691	29 171
Recurring	45 085	43 367
Group business	73 776	72 538
General insurance	46 773	19 392
Total gross premiums	132 608	103 078
Comprising		
Insurance contracts	26 874	23 224
Investment contracts with discretionary participating features	58 961	60 462
General insurance	46 773	19 392
Total gross written premium	132 608	103 078
Total gross earned premiums	132 608	103 078



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For the six months ended 30 June 2019 (continued)

	Unaudited Group 30-June-2019 ZWL\$000	Unaudited Group 30-June-2018 ZWL\$000
5. Investment income (non banking)		
Dividend income		
Financial assets at fair value through profit or loss	44 767	24 247
Interest income		
Interest bearing securities	7 735	5 296
Net rental income		
Investment property	11 840	10 367
Fair value gains and losses		
Investment property	787 941	3 055
Financial assets at fair value through profit or loss	945 551	58 747
Foreign exchange gains	342 526	28
	2 076 018	61 830
Total investment returns included in income statement	2 140 360	101 740
6. Banking interest and similar income		
Interest and similar income		
Loans and advances		
Fixed Deposits	7 593	7 347
Loans and advances	50 470	41 148
Total interest and similar income	58 063	48 495
Interest Expense:		
Credit lines	(6 967)	(1 534)
Money market deposits	(12 604)	(8 437)
Term deposits	(9)	(4)
Savings deposits	(741)	(373)
Total interest expense	(20 321)	(10 348)
Net interest income	37 742	38 147
7. Fee income, commissions and income from service contracts		
Banking operations:		
Commissions	16 755	12 253
Service fees	8 768	7 771
Administration fees	14 108	11 841
Total fee income and commission from banking operations	39 631	31 865
Long term business	3 169	2 633
Asset management business	10 353	4 545
	53 153	39 043
8. Other income		
Foreign exchange gains	80 809	625
Bad debts recoveries	5 134	321
Other	3 982	2 320
	89 925	3 266
9. Claims and benefits		
Claims and benefits (including change in insurance contract provisions):		
Increase in insurance contracts provision	1 671 006	82 351
Gross claims expenses (refer to analysis in note 9.1 below)	66 897	64 272
Shadow accounting to revaluation reserve	(43 131)	(120)
	1 694 772	146 503
9.1 Analysis of claims expenses		
Individual business	4 248	3 268
Death and disability benefits	462	673
Maturity benefits	2 017	990
Surrenders	1 769	1 605
Group business	47 914	51 783
Death and disability benefits	7 235	7 056
Pension commutations, maturities and withdrawal benefits	25 185	30 826
Annuities	12 114	7 389
Surrenders	3 380	6 512
General insurance	14 735	9 221
Total claims and benefits	66 897	64 272
Comprising:		
Insurance contracts	7 675	7 537
Investment contracts with discretionary participating features	44 487	47 514
General insurance	14 735	9 221
Total claims and benefits payable	66 897	64 272
10. Shadow accounting		
Insurance contracts	43 131	123
Investments contracts	4 266	12
Total	47 397	135
Shadow accounting is an adjustment permitted by IFRS 4 'Insurance contracts', to allow for the impact of recognising unrealised gains or losses on insurance assets and liabilities in a consistent manner to the recognition of the unrealised gain or loss on financial assets that have a direct effect on the measurement of the related insurance assets and liabilities.		
11. Other operating and administration expenses		
Administrative expenses	5 555	5 289
Office space costs	3 212	2,826
Fees and levies	325	56
Donations	1 159	497
Share based payments	1 963	363
Intermediated money transfer tax	2 388	
Insurance	925	451
Actuarial and consultancy fees	4 228	961
Advertising and marketing	3 295	1,800
Software licensing	6 605	2 652
Depreciation and Amortization	6,871	5,218
	36 526	20 113
Auditors' remuneration		
Statutory audit services - current year	3 809	371
Current year	1 528	371
Prior year underprovision	2 281	-
Staff costs		
Wages and salaries	23 075	15 381
Retirement obligations	3 251	1 176
Social security costs	965	545
Bonus and incentive remuneration	3 967	2 940
Other staff costs	7 598	4 463
	38 856	24 505
Other	926	509
	80 117	45 498

12. Investment property

Carrying amount at beginning of year

Additions
Disposal
Gain/(Loss) from fair value adjustments

Carrying amount at end of year

Comprising:
Freehold property

The fair value of freehold property leased to third parties under operating leases

Rental income from investment property
Direct operating expenses arising from rented-out investment property

The increase in the fair value of investment property is largely due to adoption of the ZWL\$ as the functional currency. In 2018, properties were valued in USD which was taken at 1:1 with local currency. In 2019, property values reflected an underlying USD value translated at the prevailing exchange rate as at 30 June 2019 of 1:6.62.

13. Investments and securities

13.1 Analysis of investments

Equity securities - listed
- unlisted

Total Equities

Unit trust investments
Public sector securities
Treasury bills
Deposits and money market securities

13.2 Spread of equity securities by sector

Commodities
Consumer
Financial
Property
Manufacturing
Mining

13.3 Movements of investment and securities

Opening balance
Fair value movements through profit and loss
Foreign exchange gains
Interest earned
Additions
Disposals
Maturities
Closing balances

13.4

Investment in unlisted equities above 20% shareholding company

Takura Fund II (Liminted Partner) B Shares (held by Shareholders and OMLAC Main Fund)
Africa Takura Ventures - Fund 1 'M Shares' (held by shareholders and OMLAC Main fund)
Nedbank Zimbabwe (held in shareholder funds)
Lake Harvest Acquaculture (held by Shareholders and OMLAC Main Fund)
Lobels Holdings Limited (held by Shareholders and OMLAC Main Fund)
Manica Boards and Doors (MBD) (held by OMLAC Main Fund)
Kupinga Renewable Energy (held by OMLAC Main Fund)
Closefin
Plaza Bakery
Zimcampus
Solgas
Richaw Solar Tech
Harava Solar Park

% holding	Value \$	% holding	value \$
40%	63 692	40%	29 972
26%	5	26%	5
21%	14 324	21%	12 535
26%	302	26%	302
49%	41 689	49%	38 290
55%	5 117	55%	1 724
40%	5 667	40%	479
21%	12 053	21%	10 566
49%	1 287	-	-
35%	5 139	-	-
49%	7 530	-	-
49%	20 876	-	-
27%	7 000	-	-

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

The group has not consolidated the investments in MBD. Management concluded that the investment in MBD is not material. Nedbank Zimbabwe shares held by OMZIL were fair valued as per IFRS 9.

14. Loans and advances

Concentration - gross loans and advances

Housing
Unsecured personal loan
Commercial and industrial

Gross loans and advances

Less provision for impairment
Net loans and advances

USD denominated loans included above

Maturity analysis - gross and loans advances

On demand to 3 months
3 months to 12 months
1 year to 5 years
Over 5 years

Non performing loans

Analysis of past due but not paid

30 to 60 days past due
61 to 90 days past due

Unaudited Group
30-June-2019
ZWL\$000

Unaudited Group
31-December-2018
ZWL\$000

Unaudited Group
30-June-2019
ZWL\$000

Unaudited Group
31-December-2018
ZWL\$000

Unaudited Group
30-June-2019
ZWL\$000

Audited Group
31-December-2018
ZWL\$000



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for the six months ended 30 June 2019 (continued)

14.1	12-month ECL not credit impaired \$	Life time ECL not credit impaired \$	Life time ECL credit impaired \$	Total June 2019 \$	Total December 2018 \$
Loss allowance analysis					
Loss allowance on 1 January	9 500	7 153	20 302	36 955	34 487
Write offs	-	-	-	-	(2 639)
Utilisation	-	-	-	-	(2 595)
Transfer to 12-month ECL	2 668	(433)	(1 933)	302	-
Transfer to life time ECL not credit impaired	(13 285)	13 635	(279)	71	-
Transfer to life time ECL credit impaired	(2 426)	(509)	3 017	82	-
Net increase in loans and advances	22 798	(4 568)	(5 746)	12 484	7 573
Balance as at 30 June	19 255	15 278	15 361	49 894	36 826
Gross carrying amount analysis					
Gross carrying amount on 1 January	678 023	88 229	51 469	817 721	684 770
Write offs	-	-	-	-	-
Transfer to 12-month ECL	26 656	(20 328)	(5 713)	615	-
Transfer to life time ECL not credit impaired	(188 638)	189 634	(1 188)	(192)	-
Transfer to life time ECL credit impaired	(4 106)	(2 724)	6 831	1	-
Net increase in loans and advances	234 321	(22 529)	(13 848)	197 944	132 551
Balance as at 30 June	746 256	232 282	37 551	1 016 089	817 321

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

14.2 Sectoral analysis of loans and advances

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

	Unaudited Group 30-June-2019 ZWL\$000	Audited Group 31-December-2018 ZWL\$000
14.2.1 Sector		
Trade and services	30 628	27 692
Energy and minerals	23 702	20 792
Agriculture	172 063	157 159
Construction and property	334 920	261 019
Light and heavy industry	74 992	59 860
Unsecured personal loans	216 954	195 116
Transport and distribution	104 844	66 540
State and state enterprises	57 986	29 143
Total gross loans and advances	1 016 089	817 321

15. Insurance contract liabilities

Outstanding claims	4 446	2 842
Future policyholders' benefits (see analysis of movement in provision below):	3 793 148	2 047 060
	3 797 594	2 049 902

Future policyholders' benefits Movement in provision for insurance contracts Balance at beginning of year

Inflows		
Premium income	91 597	202 837
Investment income	1 792 386	666 994
Fee and other income	3 169	5 967
Outflows		
Claims and policy benefits	(51 392)	(125 760)
Operating expenses	(27 762)	(31 200)
Taxation	(673)	(832)
Current tax	(41 176)	(3 575)
Deferred tax		
Transfer to operating profit	(20 061)	(20 110)
Balance at end of year	3 793 148	2 047 060

16. Investment contract liabilities

Liabilities at fair value through profit or loss	316 231	208 923
Movement in liabilities fair valued through profit or loss		
Balance at beginning of year	208 886	120 816
New contributions received	1 245	2 244
Withdrawals	(2 440)	(3 613)
Fair value movements	108 540	89 476
Balance at end of year	316 231	208 923

17. Amounts owed to bank depositors

Money market deposits	487 007	461 486
Term deposits	798	709
Savings deposits	803 535	544 675
	1 291 340	1 006 870

USD denominated deposits included above

Maturity analysis		
On demand to 3 months	1 116 902	826 558
3 months to 1 year	49 293	55 446
1 year to 5 year	56 549	54 675
Over 5 years	68 596	70 191
	1 291 340	1 006 870

Concentration

Financial institutions	446 090	34.5%	427 920	42.50%
Companies	715 931	55.5%	482 290	47.90%
Individuals	129 319	10.0%	96 660	9.60%
	1 291 340	100%	1 006 870	100.00%

18. Commission of Inquiry

The Zimbabwean Government initiated an inquiry into the loss in value for certain policyholders and beneficiaries upon the conversion of pension and insurance benefits after the dollarization of the economy in 2009. On 9 March 2018 the results of the Zimbabwean Government's inquiry were made public.

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

19. Related party disclosures

Holding company and fellow subsidiaries and associates.

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

Transactions and balances with holding company and fellow subsidiaries

19. Related party disclosures (continued)

	Unaudited Group 30-June-2019 ZWL\$000	Unaudited Group 31-December-2018 ZWL\$000
Old Mutual Life Assurance Company (South Africa) Limited		
Amounts due	(14 781)	(5 060)
Old Mutual Africa Holdings		
Amounts due	7 558	1 106
Old Mutual Zimbabwe Holdco Limited		
Amounts due	(46 312)	(31 394)
Old Mutual Netherlands B.V		
Amounts due	(50 000)	(50 000)
	Unaudited Group 30-June-2019 ZWL\$000	Unaudited Group 31-December-2018 ZWL\$000
Fellow subsidiaries		
Key Management personnel remuneration		
Short Term employee benefits	3 528	2 527
Share based payments	323	346
Post employment benefits	178	129
	4 029	3 002

20. Impact of Hyperinflation

	Restated 30 June 2019 ZWL\$000	Restated 30 June 2018 ZWL\$000	Historical 30 June 2019 ZWL\$000	Historical 30 June 2018 ZWL\$000
Profit/ Loss before tax	(210 471)	178 934	509 154	66 006
	Restated 30 June 2019 ZWL\$000	Restated 31 December 2018 ZWL\$000	Historical 30 June 2019 ZWL\$000	Historical 31 December 2018 ZWL\$000
Net Shareholder funds	1 350 584	1 609 748	1 321 123	825 381

If the Group had applied hyperinflation accounting, a loss before tax of ZWL\$210 million would have been incurred for the six months ended 30 June 2019 while net shareholders equity would have fallen by ZWL\$259 million relative to the December 2018 value restated for inflation. The loss for the period ended 30 June 2019 and the resultant fall in net shareholders funds compared to the restated 31 December 2018 position is due to the fact that the bulk of the Group's net assets are comprised of monetary assets or assets carried at fair value whose values have not increased at levels that match the growth in the Consumer Price Index on which inflation calculations are based.

21. Impact of exchange rate movements

Management performed a sensitivity analysis of the effect of using an exchange rate of 1:10 and 1:15 as at 30 June 2019.

	Unaudited Group 30-Jun-2019 ZWL\$000	Unaudited Group 30-Jun-2019 ZWL\$000	Unaudited Group 30-Jun-2019 ZWL\$000	Unaudited Group 30-Jun-2019 ZWL\$000	Unaudited Group 30-Jun-2019 ZWL\$000	Unaudited Group 30-Jun-2019 ZWL\$000
		Monetary Assets/Liabilities Denominated in USD	Non-monetary Assets/Liabilities Denominated in USD	Total Actual 1:6.62	Total 1:10	Total 1:15
Assets						
Investment property	-	-	1 211 014	1 211 014	1 829 326	2 743 989
Property and equipment	120 411	-	127 759	248 170	313 400	409 895
Investments and securities	3 549 443	-	731 596	4 281 039	4 654 573	5 207 138
Loans and advances	805 243	160 952	-	966 195	1 048 373	1 169 938
Other assets	225 743	-	-	225 743	225 743	225 743
Cash and cash equivalents	5 236	385 145	-	390 381	587 026	877 921
Total assets	4 706 076	546 097	2 070 369	7 322 542	8 658 441	10 634 624
Liabilities						
Insurance contract liabilities	2 040 603	-	1 756 991	3 797 594	4 694 668	6 021 700
Investment contract liabilities	239 163	-	77 068	316 231	355 580	413 788
Credit lines	-	316 122	-	316 122	477 526	716 290
Amounts owed to bank depositors	933 589	357 751	-	1 291 340	1 473 999	1 744 204
Other liabilities	193 681	86 451	-	280 132	324 271	389 566
Total liabilities	3 407 036	760 324	1 834 059	6 001 419	7 326 044	9 285 548
Net assets	1 299 040	(214 227)	236 310	1 321 123	1 332 397	1 349 076
Shareholders' equity						
Share capital and premium	1	-	-	1	1	1
Other reserves	190 324	-	-	190 324	201 598	218 277
Retained earnings	1 095 125	-	-	1 095 125	1 095 125	1 095 125
	1 285 450	-	-	1 285 450	1 296 724	1 313 403
Non-controlling interests	35 673	-	-	35 673	35 673	35 673
Total equity	1 321 123	-	-	1 321 123	1 332 397	1 349 076

The Group and its subsidiaries remain solvent and sufficiently capitalised at the different exchange rate sensitivities.

22. Risk Management

Overview

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

Liability Risk

OMZIL assumes liability risk, sometimes referred to as insurance risk, by issuing insurance contracts under which it agrees to compensate the policyholder or beneficiary if a specified uncertain future event affecting the policyholder occurs. This risk includes mortality and morbidity risk, as well as non-life risk from events such as fire. Mortality and morbidity risk is the risk that death, critical illness and disability claims are different from expected levels. Higher than expected claim levels will reduce expected profits. The risk is managed through experience monitoring and investigation; product design and pricing; robust underwriting practices; and in some instances reinsurance.

Market Risk

This is the risk of a financial impact arising from changes in the value of financial assets or financial liabilities from changes in equity, bond and property prices, interest rates and foreign exchange rates. The OMZIL Group has put in place a robust market risk management framework that includes a set of policies, principles and governance processes to monitor and manage market risk within the business and in accordance with local regulatory requirements. The framework sets the boundaries for risk taking within an approved limit structure and early warning triggers that ensure management is informed promptly of potential issues.

Credit and Counterparty Risk

Credit risk is defined as the risk that one party to a financial instrument will cause a financial loss to the OMZIL Group by failing to discharge an obligation to repay cash or deliver another financial asset. Credit risk arises from a number of activities of the Group, such as banking, lending, trading and investing. The Group has adopted a policy of dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the financial loss from defaults.

Liquidity Risk

The risk that available liquid assets will be insufficient to meet changing market and business conditions, liabilities, funding of asset purchases or an increase in client demands for cash. Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the OMZIL Group's short, medium and long-term funding and liquidity requirements. The OMZIL Group manages liquidity by maintaining adequate reserves and banking facilities, continuously monitoring forecasted and actual cash flows, and matching the maturity profiles of financial assets and liabilities.

Compliance and Regulatory Risk

This is the risk that laws and regulations will be breached. This includes risk of regulatory intervention resulting in sanctions being imposed or temporary restriction on the OMZIL Group's ability to operate and /or additional regulatory capital charges. The OMZIL Group recognises its accountability and responsibilities to all stakeholders under the legal, regulatory and supervisory requirements applicable to its businesses. Compliance and Regulatory risk is managed through a Board approved Compliance Programme, internal policies, and processes and maintaining an independent Compliance function for each business line.

Operational Risk

The risk arising from operational activities, such as failure of a major system, or losses incurred as a consequence of people and /or process failures, including external events. Practices to minimise and mitigate operational risk are embedded across all business units, taking into account the cost versus the benefit of doing so. OMZIL Group Internal Audit provides independent assurance on the adequacy and effectiveness of the system of internal controls.

Strategic Risk

This is the risk that strategic decisions made may adversely affect future earnings and the sustainability of the business. To manage this risk, all new partnership opportunities are reviewed and evaluated according to strict investment criteria and appropriate governance processes. In addition, oversight committees at both executive and Board levels oversee strategic initiatives.



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