Old Mutual Zimbabwe Limited

2019 ANNUAL REPORT

175 YEARS OF DOING GREAT THINGS

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CONTACTS

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Certificate of incorporation no.
5684/1998

CHAIRMAN'S STATEMENT

"Overall, we see the economy remaining under pressure in the near-term outlook as the economy goes through structural adjustments. We, however, back government efforts to contain inflation and stabilise the currency market through measures that increase production in the primary and secondary industries and support stated intentions of avoiding increasing money supply at levels which are not supported by the level of productive economic activity. We urge the intensification of initiatives to fight corruption and financial mismanagement which place an intolerable cost on the economy."

JOHANNES !GAWAXAB

Economic Environment

The year 2019 proved to be a very difficult one for the business and its customers given the emergence of hyperinflation, the loss of confidence in, and resultant rapid depreciation of the reintroduced Zimbabwe dollar as well as falling disposable incomes.

Transition was the dominant theme during the year ended 31 December 2019. Macro-economic reforms were anchored on the re-introduction of the Zimbabwe dollar, fiscal consolidation, and an accompanying targeted money supply framework. The impact of these policies on the socio-economic environment was, however, mixed.

The managed transition towards free market tenets was in-part captured by the partial lifting of subsidies on foreign currency, fuel, electricity, and other goods and services. Treasury recorded a cash budget surplus of ZWL$437 million by year end. The flipside featured incessant wage increase pressures and, earlier in the year, public protests that somewhat turned violent. Aggregate demand conditions were further strained by adverse weather conditions with dire consequences on food security, power generation, and overall economic output. Consequently, government estimates that the economy shrunk by 6.5% in 2019.

The official reintroduction of a local currency (ZWL$) regime in June 2019 underpinned monetary policy reforms. A series of legal instruments gazetted by the government confirmed a notable loss of value in the savings industry. Of note is Statutory Instrument 33 of 2019 (SI 33) gazetted on 22 February 2019 that converted certain United States dollar-denominated assets and liabilities to local currency at an exchange rate of ZWL$1:USD1. This was followed in June 2019 by Statutory Instrument 142 (SI142) which made the Zimbabwe dollar sole legal tender in the country and banned the use of other currencies for local transactions (other than for very limited exceptions), thus ending the multi-currency dispensation that had existed since 2009.

Inherent foreign currency supply side constraints, and insignificant foreign currency reserves exerted immense pressure on the local currency. From official parity at the beginning of the year the ZWL$ closed the year under review 94% weaker at ZWL$16.77 per US$. Exchange rate pass-through effects on imported goods caused significant inflationary pressures. Inflation closed 2019 at 521.2%; up from 42.1% in the prior year.

Supported by growth in money supply, the local equities nominally delivered capital gains as the ZSE industrial index closed the year to 31 December 2019 up by 57.3%. Factoring inflation, equities, however, lost value in real terms to the tune of -74.7%. Property nominal returns were propped up by currency depreciation despite increasingly compromised rental yields. Depressed local currency borrower appetite and the central bank's interest rate policy kept money market interest rates relatively low, notwithstanding the inflation driven result of negative real interest rates.

Treasury commenced issuance of Treasury Bills based on a public auction system. The average yield on Treasury Bills of 15% was, however, unattractive when compared to the levels of inflation. In real terms, market yields closed the year with a negative yield of 81.5%. Despite efforts to protect value for our customers and the business, the weak performance in real terms of the investment markets meant that there were unfortunately very limited options through which this could be achieved.

Financial performance

During the current year, the Group adopted International Accounting Standard 29 "Financial Reporting in Hyperinflationary Economies" (IAS 29) as the characteristics of the economic environment indicating hyperinflation in terms of the accounting standard were met. On a historical cost basis, profit before tax was up 247% from ZWL$329.9 million to ZWL$1.1 billion driven by growth across all revenue lines, however, the Group had an inflation adjusted loss before tax of ZWL$2.7 billion in 2019 compared to an inflation adjusted profit before tax of ZWL$592.5 million in 2018 as nominal growth in the business lagged inflation. A detailed break-down of the financial performance on both inflation-adjusted and historical cost basis is contained in the Chief Executive Officer's report.

Operations

Despite economic challenges, the business sought to identify opportunities for improvement and growth by focusing on:

- Developing and offering adapted products that seek to provide the best value for money to our customers in the current environment;
- Minimising the risk of loss of value for our customers and shareholders;
- Building digital platforms and;
- Business reorganisation to enhance efficiencies.

CHAIRMAN'S STATEMENT (CONT'D)

Though we made commendable progress in these initiatives; the abolishment of the multi-currency system at the tail-end of Q2 2019, incessant foreign currency shortages, and the continued depreciation of the Zimbabwe dollar on the interbank market limited our capacity to fully deliver on some of these focus areas as initially anticipated. A more detailed review of these key focus areas is contained in the Chief Executive Officer's report.

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

- Winner of the Customer Care Excellence category for the short-term insurance sector at the 2019 Bold Ads Insurance Awards;
- Second runner up 2019, Service Excellence Award for the short-term insurance sector;
- Old Mutual was presented an award for being a Superbrand in the insurance sector at the Marketers' Association of Zimbabwe's 2019 Superbrands Awards;
- Old Mutual was presented an award for having the Best Exhibit for the insurance sector at the Harare Agricultural Show;
- Old Mutual Finance won The Most Rural Focused Agricultural Microfinance Institution award at ZAMFI (Zimbabwe Association of Microfinance Institutions); and
- Our Eastgate Market received the following recognitions from the Chartered Institute of Project Managers Zimbabwe:
    - Overall Project of the Year
    - Engineering Excellence Award

Leadership Changes

In line with the Old Mutual Group's retirement policy, our Group Chief Executive Officer (GCEO) Mr Jonas Mushosho retired on the 31st of December 2019, after 30 years of service to the Old Mutual group in various capacities, including the last seven years as GCEO, with the period 2016 to 2019 having seen him simultaneously take on additional responsibilities in 12 countries, excluding South Africa, as Managing Director for Old Mutual Rest of Africa. Following a thorough and extensive recruitment process during which both internal and external candidates were considered, the Board approved the appointment of Mr Samuel Matsekete as the new GCEO, effective from the beginning of January 2020. Samuel re-joins Old Mutual from First Capital Bank where he was Managing Director.

On behalf of the Board and on my own behalf I would like to extend our appreciation to Jonas for his service to the Group, as well as to wish him well in his retirement. I would also like to welcome Sam as our new GCEO and look forward to his contribution to the future success of our organisation.

In fulfilment of various governance requirements, and the need to comply with Old Mutual group age and term limits, there was a restructuring of the Board of Directors of Old Mutual Zimbabwe Limited, as well as those of its subsidiaries. Details are contained in the Directors Report. My thanks also go out to the retiring directors for their immeasurable contribution to the Group over the years, while also welcoming the new directors to the Old Mutual family.

Outlook

Going forward, limited fiscal funding options, the inability to access foreign capital markets, a rapidly weakening local currency, the impact of COVID-19 pandemic on the economy, and policy inconsistency, pose the risk of further economic instability. Overall, we have a negative view on the near-term outlook as economic scenarios remain skewed to the downside. We, however, back government efforts to contain inflation and stabilise the currency market through measures that increase production in the primary and secondary industries and support stated intentions of avoiding increasing money supply at levels which are not supported by the level of productive economic activity. We urge the intensification of initiatives to fight corruption and financial mismanagement which place an intolerable cost on the economy.

Appreciation

On behalf of the Board, I would like to thank our customers for their continued support and trust throughout 2019. My appreciation also goes to the Group's employees and management for their efforts and commitment to successfully steer the business through the current difficult business environment.

Dividends

Taking into account the current economic environment, exacerbated by post year end concerns over the COVID-19 pandemic and the potential economic impact therof as well as the need for the business to manage its capital prudently, the board has not declared a final dividend.

Johannes !Gawaxab 30 May 2020
Chairman

CEO'S REVIEW

SAMUEL MATSEKETE
Group Chief Executive Officer

Introduction

It gives me great pleasure to present to you the Chief Executive Officer's review for the financial year ended 31 December 2019. For the 2019 financial year the business sought to deliver value for stakeholders by focusing on:

- Developing and offering relevant products that provide the best value for money to our customers in the current environment;
- Minimising the risk of loss of value for our customers and shareholders against the background of hyperinflation and a rapidly depreciating currency;
- Building digital platforms and;
- Business reorganisation to enhance efficiencies.

A review of each of these key focus areas is detailed below.

Developing and offering relevant products that provide the best value for money to our customers in the current environment

We extended our suite of products to offer products denominated in United States Dollars (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 had an adverse impact on this suite of products as the business had to discontinue most of the product offerings that had been developed. This left customers exposed to inflation, erosion of savings, and the risk of inadequate insurance cover.

The life assurance business developed and launched a new cash funeral product named the Old Mutual Flexi Funeral Plan. 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 financial 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.

Minimising the risk of loss of value for our customers and shareholders

The year under review saw a heightened risk of loss of value largely due to high levels of inflation which have resulted in negative real investment returns. To mitigate this risk, we adopted an investment strategy that entailed a bias towards exposures to real assets, particularly; listed equities, property, alternative investments, and assets denominated in foreign currencies.

We acquired 27 hectares of land in Ngezi. This is in line with our efforts to grow exposure to the mining sector and value chain as well as diversify the property portfolio geographically. Development of this land will commence during 2020. We also acquired 12.6 hectares of land in Victoria Falls.

The Eastgate Market is now open, and line shops as well as the anchor tenant have started operating. The fit outs of market stalls were completed and opened for trading in December 2019. While trading has had to be scaled back due to the national lockdown in response to the COVID-19 pandemic, we are excited by the prospects offered by this investment in the long term.

Our alternative investments (Private Equity) portfolio grew from ZWL$108.2 million at the end of 2018 to ZWL$706.7 million as of 31 December 2019. The growth was due to a combination of new investment disbursements of ZWL$138.4 million and capital appreciation of existing portfolio companies. Our focus on private equity is bearing fruit in terms of enhancing investment returns.

Building digital platforms

The Eight2Five innovation hub was established and it focuses on driving innovation, incubating as well as accelerating new ideas. We expect this initiative to:

1. Provide a platform enabling development of business solutions to the Group or to third parties on a commercial basis.
2. Enhance the innovation culture within the business; and
3. Develop new uses for some buildings in the existing property portfolio.

In collaboration with our partners, Udugu and British Council, we launched Eight2Five's first Value Creation Challenge.

CEO'S REVIEW (CONT'D)

We continued investing in digital platforms for our banking customers. These will provide them with flexibility and convenience in transacting. Over 100 million transactions were processed in 2019 on Mobile and Point of Sale platforms, which is a significant share of the market.

Notwithstanding the progress made, foreign currency shortages and the continued depreciation of the Zimbabwe dollar adversely affected our capacity to fully implement the digital and technology related initiatives that had been earmarked for the 2019 financial year.

Business reorganisation to enhance efficiencies

We reviewed the structure of the Old Mutual Zimbabwe Limited Group and concluded that the interests of both shareholders and customers would be best served by restructuring the Group into a simpler and more optimal outfit.

As advised previously, we restructured the Old Mutual Zimbabwe Limited businesses into clusters based on the major lines of business. The clusters are Insurance, Banking, and Investments. This process also saw some subsidiaries dissolved and merged with others. Old Mutual Zimbabwe Limited remains the holding company of the subsidiaries operating in these clusters.

The regulatory and shareholder approvals necessary to carry out this business re-organisation were obtained at the beginning of 2019. The business re-organisation was completed in the second half of 2019. The expected benefits of the exercise include cost efficiencies and improved market responsiveness.

Financial performance

Inflation Accounting

On an inflation adjusted basis in terms of International Accounting Standard (IAS) 29, the Group had an inflation adjusted loss before tax of ZWL$2.7 billion in 2019 compared to an inflation adjusted profit before tax of ZWL$592.5 million in 2018. Inflation adjusted total assets declined by 42% from ZWL$27.5 billion in 2018 to ZWL$16.0 billion as the nominal growth in assets on the historical cost and fair value bases of accounting (250%) was exceeded by inflation for the 2019 full year of 521.2%. The inflation adjusted total equity of ZWL$2.3 billion was 55% lower than the inflation adjusted comparable of ZWL$5.1 billion mainly due to the impact of net asset growth lagging inflation.

Performance on the historical cost basis

On the historical cost basis profit before tax increased by 247% from ZWL$329.9 million in 2018 to ZWL$1.1 billion in 2019 mainly driven by growth in total revenue. Total revenue rose by 487% from ZWL$1.4 billion to ZWL$8.2 billion on the back of growth in investment gains, interest income as well as fees and commissions. Operating profit increased by 445% from ZWL$79.1 million to ZWL$431.6 million driven by profit growth in the life, banking, and short-term insurance businesses.

Net earned premiums (NEP) grew by 83% from ZWL$202.8 million to ZWL$371.4 million in total for the life and short-term insurance businesses due to a combination of client retention, increase in sums insured in response to high levels of inflation, US dollar denominated business written prior to the promulgation of SI142, and new ZWL$ business that was underwritten.

Operating profit for the life business was 407% 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 an operating profit compared to an operating loss in 2018 largely due to the impact of foreign currency translation gains on assets denominated in foreign currency.

The banking business recorded a profit growth of 345% at ZWL$216.3million, up from ZWL$48.6 million in 2018. This was mainly driven by growth in net interest income, non-funded income, and significant property fair value gains.

Funds under management (FUM) for the asset management business were up by 344% to ZWL$14 billion mainly due to positive investment performance and foreign currency translation gains. The asset classes that mainly contributed to the positive investment performance were listed equities, property, and investments denominated in foreign currency. However, the asset management business had an operating loss compared to an operating profit in 2018 due mainly to the impact of translation losses on liabilities denominated in foreign currency.

Operating and administration expenses increased by 299% to ZWL$364.8 million from ZWL$91.4 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.

Total assets increased by 250% from ZWL$4.4 billion as at 31 December 2018 to ZWL$15.4 billion driven by growth in investments and securities as well as loans and advances. Total equity increased by 159% from ZWL$825.4 million to ZWL$2.1 billion driven mainly by growth in profit.

Interpreting financial performance for 2019

The picture painted in the preceding paragraphs tells the story of a business whose core pillars and foundations remained in place, as evidenced by growth in total customer numbers from 1.2 million to 1.3 million, the diversified sources of revenue generated and positive operating margins in most business segments. However, the scale of inflation experienced in the economy as well as the magnitude of currency depreciation within a short period, severely undermined the ability of the business to deliver positive financial returns to shareholders in real terms.

CEO'S REVIEW (CONT'D)

This is reflected in two things; first, in most financial statement categories on the historical cost/fair value accounting basis our year on year nominal growth was below inflation, and second, in the losses and capital depletion reflected in the inflation adjusted results. With the business being mostly exposed to financial assets denominated in Zimbabwe dollars, significant loss of value in real terms was experienced by both shareholders and customers. This has been exacerbated by the effects of change in functional currency and other laws and regulations that constrained the ability of financial institutions to offer products denominated in a more stable currency, or to invest offshore. There remains the need to encourage foreign currency circulating in the informal market to flow into the formal economy to promote formal financial intermediation.

Corporate social responsibility initiatives

The Group continued to support the community through several initiatives. Some of the key initiatives supported in 2019 are shown below:

Education

- 2019 Mathematics Olympiad Competition.
- Financial Literacy Training.
- Zimbabwe Schools Quiz.

Sports

- Old Mutual sponsored runs – Harare Marathon, Vumba Half Marathon, Westgate Half Marathon and The Nkulumane Fun Run.
- Community Grassroots Rugby Development
- 2019 Tennis Futures Tournament.
- Teams that represented Zimbabwe at the Craven Week Rugby Tournament.
- Old Mutual Heath Streak Under-14 Cricket Cup.

Health

- We responded to the devastating effects of Cyclone Idai by setting up tents to shelter survivors and providing medical assistance in some of the affected areas.

Environment

- We partnered with Friends of The Environment (FOTE) with the objective of reforestation by having tree nurseries in various locations across the country. To date, we have 3 tree nurseries; Zimunya, Manicaland Province; Thekwane, Matebeleland South Province; and Siabuwa, Matebeleland North Province. These nurseries are expected to produce over 500 000 tree seedlings each, with a variety of tree species that range from exotic to indigenous.

Update on response to COVID-19

The global community is in the throes of a global pandemic caused by the onset and spread of the novel coronavirus, COVID-19. The government of Zimbabwe ordered a national lockdown which started on 30 March 2020 in order to combat the spread of COVID-19. This resulted in restrictions on non-essential movement, closure of non-essential businesses, stringent screening requirements, mandatory quarantine for citizens returning from outside Zimbabwe, and social distancing among other measures.

There has been a general decline in the level of business activity registered since the onset of the lockdown, although the full impact of COVID-19 on the business is yet to be ascertained. The business enabled some of its employees to work from home in order to continue providing services to customers during the lockdown period. The business has also fast-tracked efforts to enhance digital channels resulting in a successful launch of the mobile application of the general insurance business as well as the enhancement of the CABS USSD platform to include other products provided by the Group. We continue to encourage customers to access the Group's services on these digital platforms. However, for customers that need to physically access branches, measures have been put in place to ensure the safety of both customers and staff manning these branches. The measures in place include sanitisation of workspaces, procurement of adequate stock of personal protective equipment (PPE), screening protocols, and COVID-19 testing for all staff working from the office. As a responsible corporate organisation, the business is supporting the fight against COVID-19 in the country by providing free life cover as well as donating PPE to healthcare workers.

Focus areas for 2020

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

- Introduction of new products and distribution channels in response to economic and market trends;
- Preserving the capital of the business; and
- Transforming the business, in particular our technology offering, so that we position ourselves effectively into the future.

Appreciation

On behalf of management, I would like to thank our customers for their support in 2019 and the Group's employees for their efforts in serving our customers and shareholders despite the challenging operating environment. I would also like to thank our regulators for continued productive engagement over many areas of our business in 2019. May I also take this opportunity to thank my predecessor Mr Jonas Mushosho for his immense contribution to building the business as well as the foundation upon which we are inspired to continue this work into the future. I thank all colleagues across our business units for maintaining their focus on serving our customers better each day despite the challenges prevailing in the environment.

DIRECTORS' REPORT

Responsibility

The directors are responsible for the preparation and fair presentation of the Group and Company annual financial statements, comprising; the statement of financial position as at 31 December 2019; and the statements of profit or loss; comprehensive income; changes in equity and cash flows for the year then ended; and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and the requirements of the Companies Act (Chapter 24:03). In addition, the directors are responsible for preparing the directors' report.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records as well as an effective system of risk management. The directors have made an assessment of the ability of the Group and Company to continue as a going concern and have no reason to believe that the business will not be a going concern in the year ahead. The auditor is responsible for reporting on whether the financial statements are fairly presented in accordance with the applicable financial reporting framework.

Compliance with legislation

These financial statements which have been prepared on an inflation adjusted basis are based on the application of inflation indices on underlying accounting records which were maintained on the historical cost convention (except for fair value measurement where applicable) are in agreement with the underlying books and records. They have also been properly prepared in accordance with the accounting policies set out in note 2 and comply with the disclosure requirements of the Companies Act (Chapter 24:03) and the relevant regulations made thereunder; the Insurance Act (Chapter 24:07), the Pension and Provident Funds Act (Chapter 24.29), 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. While full compliance with IFRSs has been possible in previous reporting periods, only partial compliance was achieved for 2018, which has had a knock-on effect on the comparative information presented in the 2019 financial statements.

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

In our opinion, the requirement to comply with Statutory Instrument 33 of 2019 has created inconsistencies with IAS 21 as well as with the principles embedded in the IFRS Conceptual Framework as also enunciated in the guidance issued by the Public Accountants and Auditors Board on 21 March 2019. This resulted in accounting treatment being adopted in the 2018 financial statements and also in the part of the 2019 financial year covered by SI33, which is different from that which would have been adopted if the Group had been able to fully comply with IFRSs. In particular, the Group was compelled to use a functional currency and exchange rates during the relevant period via application of the law that was different to what would have been obtained if the directors had been free to apply the results of their own assessment of economic and market reality on the ground as required by IFRS. As such, in 2018, directors and management were unable to produce financial statements which in their view would be true and fair. In the Directors report for 2018, the directors advised users of the financial statements to exercise due caution in interpreting the financial statements, and this advice still stands with regards to the comparative financial information presented in the 2019 financial statements.

For 2019, the emergence of hyperinflation has resulted in the adoption of inflation adjusted accounts prepared in terms of International Accounting Standard 29 (IAS29) "Financial Reporting in Hyperinflationary Economies" as the primary basis of reporting. However, these inflation adjusted financial statements are to a great extent impacted by the inflation driven indexation of certain historical cost amounts in the prior period financial statements. In this regard, the factors carried over from 2018 as described above also impact on the comparative financial information for 2018 contained in the

DIRECTORS' REPORT (CONT'D)

current year inflation-adjusted financial statements prepared under IAS29. The impact of non-compliance with IAS21 is not considered material for the months of January and February 2019 which also fall under the period defined in SI33.

There has also been non-compliance with IFRS due to the decision by the directors to recognise a receivable under the 'legacy debt/blocked funds' arrangement announced by the RBZ in terms of Exchange Control Directive RU28 of 2019. While the arrangement does not represent a contractual obligation on the part of the RBZ, the directors believe that a constructive obligation exists based on a legitimate expectation that the RBZ will perform in terms of the arrangement as communicated to the Group.

The directors are not aware of other areas of non-compliance with IFRS in the 2019 financial statements. However, the directors would like to draw the attention of users to the financial statements to the fact that prevailing market conditions in Zimbabwe have required the use of more judgement than would normally be the case around areas such as property valuations, valuation of unlisted investments as well as the carrying value of certain receivables. In addition, there are a wide range of views in the market concerning economic variables such as inflation and exchange rates. While management believe that these factors have been sufficiently taken into account in the 2019 financial statements and that the required accounting judgements are appropriate, additional disclosures and sensitivities have been provided, and readers of the financial statements should pay close attention to these. Given the COVID-19 disease that has been declared a global pandemic by the World Health Organisation, the directors have found it prudent to add additional disclosure in the financial statements on the possible impact to the business as detailed in Note 64.3.

Capital

The issued share capital is made up of 249 035 156 "A" class shares of ZWL$0,0000032 each, 83 011 718 "B" class shares of ZWL$0,0000032 each, 1 redeemable preference share of Z$1.00, and 1 "A" redeemable preference share of ZWL$1.00. The shares are owned by Old Mutual Zimbabwe Holdco Limited (75%); as well as allocations to Indigenisation Trusts and various other shareholders (22.2%) and a strategic partner (2.8%). The 1 redeemable preference share issued is owned by Old Mutual (Zimbabwe) Dividend Access Trust and the 1 "A" redeemable preference share by OML (Zimbabwe) Dividend Access Trust.

Dividend

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

I. Preference dividend declared out of 2018 profits and paid during the year;
   April 2019 ZWL$11 696 275
II. Ordinary dividends declared out of 2018 profits and paid during the year;
   April 2019 ZWL$20 000 000
III. An interim preference dividend declared out of 2019 profits and paid during the year
   October 2019 ZWL$28 740 898

Directors

Mr.	J. !Gawaxab	(Chairman)
Mr.	D. Benecke	
Mr.	C. Chinaka	-Appointed 8 January 2020
Mr.	A. Daka	-Appointed 8 January 2020
Dr.	C. Dhliwayo	-Appointed 8 January 2020
Mr.	T. M. Johnson	-Retired 31 December 2019
Mr.	M. P. Mahlangu	-Retired 31 December 2019
Dr.	K. Mandevani	
Mr.	I. T. Mashinya*	-(Group Chief Operating Officer)
Mr	S. Matsekete*	-(Group Chief Executive Officer) Appointed 1 January 2020
Mr.	N. T. T. Mudekunye*	-(Group Finance Director)
Mr.	J. Mushosho#	
Mrs.	N. Samuriwo	-Appointed 8 January 2020
Dr.	L. L. Tsumba	-Resigned 15 October 2019
Mr.	I. G. Williamson	-Resigned 1 August 2019
Ms.	C. Ross	-Appointed 23 March 2020

*Denotes Executive Director
Retired as Group Chief Executive Officer on 31 December 2019.

As part of a restructuring exercise encompassing governance structures, the Company implemented the Old Mutual Limited Group Governance Framework which required directors who had served a continuous tenure of 9 years or more on the board or had attained the age of 70 and above to retire. Messrs. MP Mahlangu and TM Johnson retired in fulfillment of these requirements, while Mr. D Benecke retires at the end of 30 June 2020 for the same reasons. He remained on the board in the interim for purposes of finalising the 2019 annual financial statements in respect of which he played a crucial role as Chairman of the Audit Committee. Mr. J Mushosho has stepped down from the board following his retirement as Group Chief Executive Officer of the Company.

Dr. K Mandevani and Mr. IT Mashinya retire by rotation and being eligible, offer themselves for re-election. Dr. C. Dhliwayo, Ms. C. Ross, Messrs. C Chinaka and A Daka, and Mrs. N Samuriwo, retire in terms of Article 113 of the Company's Articles of Association and being eligible, offer themselves for re-election.

Far reaching amendments to the Banking Act (Chapter 24:20) were gazetted on 13 May 2016. This legislation affects Central Africa Building Society as well as Old Mutual Zimbabwe Limited particularly with regards to board structure and composition. The Group has made significant progress in instituting measures to achieve compliance with the Act with the remaining aspects expected in the course of this year. The annual financial statements for the year ended 31 December 2019 set out on pages 29 to 123 were approved by the Board of Directors on 30 May 2020 and are signed on its behalf by:

Director

Director

CORPORATE GOVERNANCE REPORT

Board and Board Committees

The Board provides oversight and strategic direction in respect of all the business operations that form part of Old Mutual Zimbabwe Limited (OMZIL), collectively referred to as the OMZIL Group. Part of its role is to ensure that each subsidiary company complies with its regulatory landscape, as some of the entities are separately regulated by the Reserve Bank of Zimbabwe (RBZ), the Insurance and Pensions Commission (IPEC), and the Securities and Exchange Commission of Zimbabwe (SECZ). Being the controlling company of the Central Africa Building Society, OMZIL is also regulated by the RBZ. OMZIL also subscribes to the rules of the Financial Securities Exchange (Finsec) given that 40% of its shares are listed on the Alternative Trading Platform (ATP) operated by Finsec.

As at 31 December 2019, the operating subsidiaries of OMZIL were:

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

The Board adheres to the principles of corporate governance derived from:

- The Companies Act (Chapter 24:03);
- The Banking Act [Chapter 24:20] and the Reserve Bank of Zimbabwe Corporate Governance Guideline;
- The Insurance and Pensions Commission Guideline of Governance and Risk Management;
- The Zimbabwe National Code on Corporate Governance
- The King IV Report on Corporate Governance, and
- The Old Mutual Group Governance framework.

The directors are aware that they may take independent professional advice at the Company's expense, if necessary, for the furtherance of their duties.

Board Composition, and Board Committees and their functions

For most of the year ended 31 December 2019, the Old Mutual Zimbabwe Limited (OMZIL) Board of Directors comprised of ten directors including the independent Board Chairperson. One of the directors resigned in September 2019 due to increased commitments at the South African holding company level. Some directors who were members of the OMZIL Board were also simultaneously, the Chairpersons of the Group's subsidiaries, namely, OMLAC, OMICO, and OMIG. While a new Chairperson for CABS was appointed during the year, he was not appointed to the OMZIL Board due to the need to maintain the independence requirements as prescribed under the Banking Act. The Board had three committees in place, that is; the Group Audit Committee, the Group Risk and Compliance Committee, and the Remuneration and Nominations Committee.

Group Audit Committee

The Group Audit Committee is responsible for reviewing the principles, policies, and practices adopted in the preparation of the OMZIL Group accounts and to ensure that the annual financial statements of the Group comply with all statutory, regulatory and internal governance requirements. The Chairperson of this Committee is an independent non-executive director, and the members of the Committee include the Chairpersons of the Audit committees, or the Audit, Risk and Compliance committees of the Group's subsidiaries.

In early 2020 the composition of the Audit Committee was revised to comply with the Independent requirements in terms of the Banking Act. As a result subsidiary audit committee members are no longer members of the Group Audit Committee or the Group Risk and Compliance Committee.

The Audit Committee was satisfied with the independence of the External Auditors, KPMG Chartered Accountants as well as their effectiveness in terms of their audit quality and expertise during the year. OMZIL has a separate engagement process for non-audit services, and this is overseen and approved by the Committee. The KPMG designated Audit Partner was appointed in 2018 in line with OMZIL's policy of rotating the designated audit partner after every 5 years.

The Significant Matters relating to the annual financial statements are covered in the Directors' Report which details OMZIL's compliance with the International Financial Reporting Standards (IFRS). Detailed accounting policies which have been applied in preparation of the annual financial statements are included in this annual report.

The Audit Committee was satisfied with the performance of the Group Finance Director and the Finance function and effectiveness of the Chief Audit Executive as well as the arrangements for Internal audit. The Committee was also happy with the effectiveness of the design and implementation of internal financial controls as OMZIL did not suffer any material financial loss, fraud, corruption or error due to significant weakness in the design, implementation or execution of internal financial controls during the year.

The arrangement in place for Combined Assurance is as covered under the Risk section of this report. The Audit Committee was satisfied with the level of effectiveness of Combined Assurance within OMZIL. All three lines of assurance meet regularly and coordinate their assurance activities to avoid duplication and also to ensure focus is directed to areas that present material risk exposures to the Group. Combined Assurance reports and minutes are tabled to the Group Risk & Compliance Committee; covering progress updates on the delivery of the combined assurance plan and findings and recommendations from the combined assurance activities. From 2020 to 2021, the focus will be on maturing the Combined Assurance to level 3 where the risk culture, including combined assurance, is fully embedded across the organisation, and assurance methodologies by the first and second lines of assurance will be enhanced to align

CORPORATE GOVERNANCE REPORT (CONT'D)

with the Group Internal Audit Methodology. The objective of the latter will be to reach a stage where Group Internal Audit can largely rely on the work done by the first and second lines of assurance in their audit activities. Training programs will be arranged during the course of 2020, for the first and second line, on the audit methodology.

Group Risk and Compliance Committee

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

Remuneration and Nominations Committee

The role of the Remuneration and Nominations Committee is to oversee the process appointment of directors to the OMZIL Board and the Boards of its subsidiary entities as well as ensuring that appropriate remuneration structures are applied for management and staff in the Group. The Committee is chaired by an independent non-executive director.

Director Training

During 2019, Anti Money Laundering and Combating Financing of Terrorism training was conducted for the directors in the various OMZIL Group subsidiaries. The training areas included stages of money laundering, reporting on suspicious transactions, and Know Your Customer regulations.

Group Restructure

At the end of 2018, the OMZIL Group embarked upon a restructuring designed to generate operating efficiencies by streamlining the group legal entity and operating structure. This was achieved through reducing the number of legal entities and grouping the business operations broadly into three clusters, namely, Insurance, Banking, and Wealth Management. In addition, the restructure was intended to ensure that compliance was achieved with various in-country regulatory requirements of the Banking Act and the Insurance and Pensions Commission (IPEC) Governance Directive.

This exercise was completed at the end of October 2019 and has resulted in a number of group entities with effect from 1 January 2020 either being divisionalised under OMLAC, CABS, and OMIG, being transferred to become subsidiaries of those companies, or being dissolved. The outcome is as follows:

- OMPIC becoming a division of OMLAC
- OMP becoming a division of OMIG
- CABSCUS becoming a division of CABS
- OMFIN becoming a subsidiary of CABS; and
- OMSS being dissolved and its functions either being decentralised or assumed by the holding company OMZIL.

The composition of the OMZIL and Subsidiary Company boards have also been changed taking into account the outcome of the legal entities restructure, the Group Governance Framework, and regulatory requirements. Implementation of these developments and requirements has resulted in the retirement of directors who were aged 70 years and above or whose tenure on the Group boards was in excess of 9 continuous years of service. The need to comply with new requirements around director independence as well as other governance requirements also resulted in changes in board composition. New committees have also been set up in line with regulatory requirements.

The new OMZIL Board is now in place and is reflected in the Directors' Report.

CORPORATE GOVERNANCE REPORT (CONT'D)

Board and Committee attendance

During the year ended 31 December 2019, the Board and its three committees met at least four times.

OMZIL Board of Directors

		Jan (Special)	Feb	May	Aug	Oct (Strategy Day)	Nov
1.	!Gawaxab J	P	P	A	P	P	P
2.	Mushosho J	P	P	P	P	P	P
3.	Tsumba LL, Dr	P	P	P	P	A	@
4.	Mandevani K, Dr	P	P	P	P	P	P
5.	Benecke D	P	P	P	P	P	P
6.	Johnson TM	P	P	P	A	P	P
7.	Mahlangu MP	P	P	P	P	P	P
8.	Williamson IG	P	P	A	A	*	*
9.	Mashinya IT	P	P	P	P	P	P
10.	Mudekunye NTT	P	P	P	P	P	P

Group Risk and Compliance Committee

		Feb	May	Aug	Nov
1.	Benecke D	P	P	P	P
2.	Frost N[S]	A	P	A	P
3.	Chitengu RCD[S]	P	P	P	A
4.	Mills A[S]	P	P	P	P
5.	Nkomo BL[S]	P	P	P	P
6.	Zamchiya B[S]	P	P	P	P
7.	Chipika J[S]	A	A	P	#

Group Audit Committee

		Jan	Feb	Mar	May	Aug	Nov
1.	Benecke D	P	P	P	P	P	P
2.	Frost N[S]	P	A	P	P	A	P
3.	Chitengu RCD[S]	P	P	A	P	P	P
4.	Mills A[S]	P	P	P	P	P	P
5.	Nkomo BL[S]	P	P	P	P	P	P
6.	Zamchiya B[S]	P	P	P	P	P	P

Remuneration and Nominations Committee

		Jan	Apr	Aug	Oct	Dec
1.	!Gawaxab J	P	P	P	P	P
2.	Johnson TM	P	P	A	P	P
3.	Mahlangu MP	P	P	P	P	P

Key

P - Present
A - Apology
S - Subsidiary Board & Audit, Risk and Compliance Committee member
* - Resigned effective September 2019
@ - Resigned effective October 2019
# - Resigned effective November 2019

ENTERPRISE RISK MANAGEMENT (CONT'D)

Chief Risk Officer's Statement

The year 2019 was characterized by a very challenging and uncertain macroeconomic and socio-political environment, which heightened OMZIL Group's exposure to most of the inherent risks. In the regulatory and compliance environment, there was a high number of policy pronouncements in the form of statutory instruments, and exchange control and other regulatory directives. Being compliant with all the requirements needed investments in time, changes in processes, and systems. Nonetheless, the Group was mostly compliant with legal and regulatory requirements, with exceptions escalated internally to oversight functions and with respective regulators kept informed.

In terms of the OMZIL risk universe, there was elevated exposure to external risks, comprising mainly of macro-economic, socio-political, competition, and emerging laws and regulations. There were impacts, mainly on business viability, liquidity and capital positions, and compliance status. Changes had to be made to the business strategy and to the risk strategy, in order to remain competitive and to preserve value for customers and shareholders. Product profiles and processes were reviewed to align with evolving customer preferences as well as macro-economic, regulatory and technological changes.

The outlook for 2020 is that macro-economic and environmental developments could continue to change the profile of some inherent Group risks. In response, the business will continue to enhance the implementation of forward-looking risk management practices to ensure that potential impacts on the business are adequately mitigated and that it provides optimal risk-return outcomes to its customers and shareholders. This will involve broadening the stress testing and scenario analysis process, with results feeding into financial forecasts, capital planning, liquidity management, and business continuity management. Risk appetite guidelines will be revisited in the context of the operating environment and risk limits and tolerance levels clearly articulated to ensure there is clear direction to employees on the permissible risk-taking activities.

Enterprise Risk Management Framework

The Enterprise-Wide Risk Management ['ERM'] framework comprises of the risk governance, risk strategy, risk universe, risk policies and processes, risk management system, risk resources, risk reporting, and combined assurance. The objective of the framework is to align strategy, capital, process, people, technology and knowledge in order to evaluate, exploit business opportunities, manage uncertainties and threats in a structured and disciplined manner, ensuring that risk and capital implications are considered when making strategic and operational decisions. The framework is designed to increase the understanding of the risks inherent in the business holistically so as to facilitate risk-based decision-making. It does not aim to eliminate risk from the business but rather to ensure that all risks are identified, treated in terms of risk appetite limits (i.e. accepted, avoided, reduced or transferred), assessed (quantitatively and qualitatively depending on the nature of the risk), reported and escalated to governance bodies, and effective mitigation plans put in place and monitored for implementation.

Risk Governance

The Board is ultimately responsible and accountable for ensuring that risk management and the internal control systems are sound, adequate, and effective. Old Mutual has a Group Governance Framework that defines how the Board executes its direction and oversight responsibilities and what it expects from subsidiary boards. The Board reviews the outcomes of the ERM process on an ongoing basis to deliver on its roles and responsibilities in risk management. It ensures that clearly defined ERM roles and responsibilities for the Group Chief Executive Officer, his management team, sub-committees and key functions are in place, aligning the interests of management with those of the investors through appropriate performance contracting and remuneration structures. The Board delegates its oversight and management responsibilities as per the three lines of assurance governance model covered in figure 2 below. The Group risk governance system takes into account regulatory and compliance requirements.

ENTERPRISE RISK MANAGEMENT (CONT'D)

Figure 1: Risk Governance System

OMZIL GROUP BOARD

Group Audit Committee (GAC)

Is charged with the oversight of financial reporting, system of internal controls, and disclosure. It also monitors the effectiveness and objectivity of internal and external auditors.

Group Risk & Compliance Committee (GRCC)

Reviews the principles, policies, and practices adopted across the Group. Responsible for the effectiveness of the systems of governance, risk management and internal control, and monitoring the effectiveness and objectivity of the second line.

Group Executive Committee (GEXCO)

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

Remuneration & Nomination Committee

Reviews and approves performance contracts and principles of incentive schemes to ensure that they do not have an adverse risk effect on staff working practices, reporting or decision making.

Group Capital Management Committee (GCMC)

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

Group Executive Risk Committee (GERC)

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

As part of the risk governance system, OMZIL uses the three lines of assurance approach to ERM. As depicted in the figure below, risk and control ownership lies with line 1, while line 2 is responsible for exercising oversight and providing risk advice to line 1, and line 3 for providing independent assurance to senior management, the Board, and to regulators on the adequacy and effectiveness of the risk and control environment within the Group.

ENTERPRISE RISK MANAGEMENT (CONT'D)

Figure 2: Three Lines of Assurance Model

Line 1 - Management (GCEO, BU Heads & All Employees)	**Line 2** - Oversight functions (Risk, Actuarial, Compliance, GFS)	**Line 3** - Internal and External Audit
• Control • Own • Design • Implement • Report	• Oversee • Challenge • Advise • Contribute • Analyse	• Assure • Independent • Objective • Add-value • Review

Risk Strategy

The Board and Executive management are responsible for setting the mission statement and providing the vision and long-term goals of the business. The ERM function, working with Executive Management and the Board, develops a risk strategy that encapsulates OMZIL's overall philosophy towards risk taking. There is a recognition that risk management should not focus purely on the downside risks i.e. loss-minimisation but optimise opportunities within a suitable risk appetite that would not compromise OMZIL's financial strength. Risk management is not viewed as a separate standalone process but rather as an integral part of the decision-making processes related to business, strategic, and financial management. The figure below shows the Group's risk management philosophy from a line 1 point of view.

Figure 3: Risk Management Philosophy:

OUR RISK MANAGEMENT PHILOSOPHY

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

ENTERPRISE RISK MANAGEMENT (CONT'D)

In addition to covering the risk management philosophy, the risk strategy also consists of OMZIL's guiding risk principles, its high-level risk appetite statements and more detailed risk preferences, tolerances, and limits. The tolerances and limits are expressed in the form of normal target ranges, early warning thresholds, or limits beyond which specific actions are triggered. These are subject to approval by the Board and are subsequently used in informing operational business decisions and strategic planning.

Risk Universe

OMZIL's risk universe comprises of the level 1, level 2, and level 3 risk categories. Level 1 risk categories are the principal risks faced by the business, while the levels 2 and 3 are sub-categories of the level 1 risks. The risk universe is presented in the following diagram, which also serves as the risk classification model. There are 10 level 1 inherent risks which are shown in the inner circle of the 'bow tie'. The level 2 and 3 risks categories are displayed in the outer circle.

Figure 4: Risk Classification Model

The risk classification model is also the basis for risk identification, setting of appetite statements, and risk policies. It also shows the causal categories, and the financial and non-financial impacts of the risks, in the event they materialise. The causal model is part of the risk methodology to ensure that the control environment sufficiently takes into account and addresses the causes of risks to minimise their impacts should they occur, and to ensure that appropriate mitigation measures are put in place to prevent their recurrence. The non-financial impact types reflect the key concerns for the business should risks materialise, which could be: the damage to OMZIL's reputation, its licence to operate (the risk of losing the licence), and its resilience and sustainability (the effect on continuity of operations).

ENTERPRISE RISK MANAGEMENT (CONT'D)

RISK POLICIES & PROCESSES

OMZIL's policy suite is based on the risk universe in that, risk policies are documented for the management of each of the principal level 1 risks, level 2, and some level 3 risks. Where there are no specific policies for the sub-risk categories, the risk policies for the principal risks would be applicable. There are 12 level 1 risk policies and the Code of Ethics:

1. **OMZIL Code of Ethics**
   This is an overarching behavioural Code which is applicable to all subsidiaries and all employees of the OMZIL Group. The OMZIL Chief Executive Officer owns this Code.

2. **OMZIL Level 1 Enterprise Risk Management policy**
   This policy sets out the principles for Enterprise Risk Management (ERM) and it sets the overarching context within which the requirements of all other risk policies of the OMZIL Risk Policy Suite must be considered and applied, including the prescription of standard risk classifications, processes, methodologies and tools. The OMZIL Chief Risk Officer owns this policy.

3. **OMZIL Level 1 Remuneration policy**
   This policy sets out the Remuneration principles for the OMZIL Group. The OMZIL Human Capital Executive owns this policy.

4. **OMZIL Level 1 Strategic, External & Business Risk policy**
   This policy sets out the principles for the management of Strategic, External, and Business risks as defined in the OMZIL Risk Classification Model. The OMZIL Group Finance Director owns this policy.

5. **OMZIL Level 1 Liquidity Risk policy**
   This policy sets out the principles for the management of Liquidity risk, which is defined as 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. The OMZIL Group Finance Director owns this policy.

6. **OMZIL Level 1 Market Risk policy**
   This policy sets out the principles for the management of market risk, which is defined as the risk of adverse changes on the balance sheet or on future earnings, whether directly or indirectly due to fluctuations in the market prices of financial instruments. The OMZIL Group Finance Director owns this policy.

7. **OMZIL Level 1 Credit Risk policy**
   This policy sets out the principles for the management of Credit risk, which is defined as the risk that an asset against a counterparty will not be repaid at the due and stipulated time. The OMZIL Group Finance Director owns this policy.

8. **OMZIL Level 1 Insurance Risk policy**
   This policy sets out the principles for the management of Insurance risk, which is defined as the risk of adverse losses due to inadequate underwriting, pricing, reserving assumptions and/or volatile claims experience. It includes life Insurance risks (mortality, disability, longevity, and life catastrophe risk) and non-life insurance risks (premium, reserving, and non-life catastrophe risk). It applies to all subsidiaries taking on life insurance or non-life Insurance risk. The OMZIL Group Finance Director owns this policy.

9. **OMZIL Level 1 Operational Risk policy**
   This policy sets out the principles for the management of Operational risk, which is defined as the risk of loss due to an inadequate or inefficient workforce, failure of processes or systems and/or the occurrence of external events. Operational risk is inherent in all products, activities, processes and systems. The OMZIL Chief Operating Officer owns this policy.

10. **OMZIL Level 1 Conduct Risk policy**
    This policy sets out the principles for the management of Conduct risk, which is defined as the risk arising from decisions or behaviours that may adversely impact fair customer outcomes. It is aligned to the financial services industry and regulatory objectives of Treating Customers Fairly (TCF). The OMZIL Chief Operating Officer owns this policy.

11. **OMZIL Level 1 Legal Risk policy**
    This policy sets out the principles for the management of Legal risk, which is defined as the risk of failure to comply with prevailing legal requirements and it includes requirements relating to contracting, competition, litigation, obtaining of legal advice, legal product risk, the appointment of external legal advisers, and regulatory engagement. The OMZIL Legal Advisor owns this policy.

12. **OMZIL Level 1 Regulatory Compliance Risk policy**
    This policy sets out the principles for the management of Regulatory Compliance risk, which is defined as the risk of breaching laws, regulations or regulatory directives. The OMZIL Chief Risk Officer owns this policy.

13. **OML Level 1 Tax Risk policy**
    This policy sets out the principles for the management of Tax risks, which is defined as the risk of breaching tax laws, regulations or regulatory directives. The OMZIL Group Finance Director owns this policy.

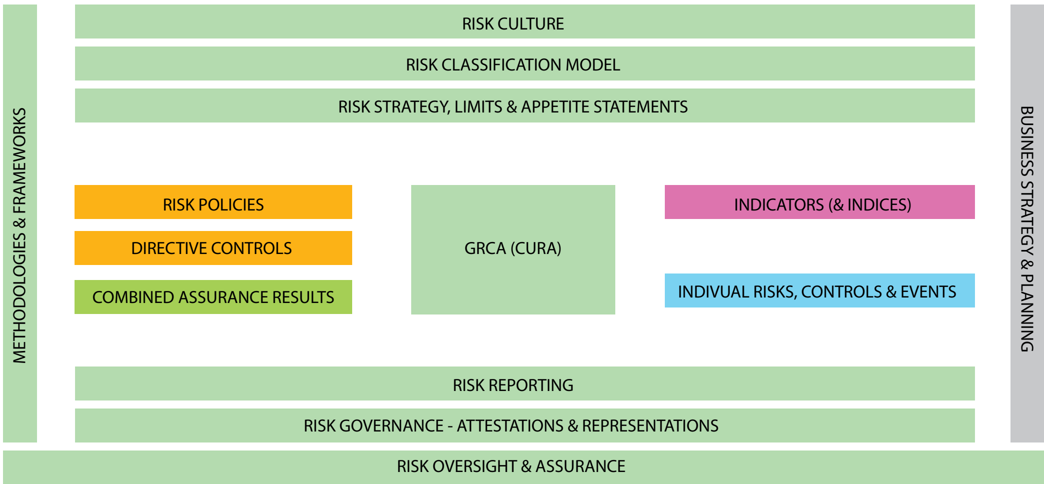
ENTERPRISE RISK MANAGEMENT (CONT'D)

Risk processes are the operational documents for the implementation of the mandatory policy requirements. These do not require approval by the Board, but are approved by the Executive Committee. Ownership of these processes is vested in line 1.

RISK MANAGEMENT SYSTEM

In the second quarter of 2019, OMZIL implemented a risk management system, the CURA. This system facilitates automation of the risk management processes, such as the risk and control self-assessments and internal risk event reporting and escalation. Recording of internal risk events is done on an on-going basis, while the minimum requirement for the risk and control self-assessments is quarterly. The figure below shows how the CURA fits into the risk management framework of OMZIL.

Figure 5: Risk Management System (CURA) & the Risk Management Framework



When fully implemented, the CURA is going to be used for all risk management processes as depicted in the figure above. Other assurance functions, Compliance, Data Controls & Governance, and Group Internal Audit shall also make use of their respective modules in the system, once rolled out. This will facilitate a single view of, and access to, all the risk and control information within OMZIL, in line with the combined assurance framework.

RISK REPORTING

Risk reporting is done to the management and board oversight committees, the OMZIL board of directors, and to the Old Mutual Rest of Africa ('RoA') oversight functions based in South Africa. Minimum frequency of reporting is as follows: monthly to the management committees and RoA, and quarterly to the board committees and the OMZIL Board. There are also reports and returns that are submitted to regulators in terms of the stipulated frequencies.

Responsibility for risk reporting is with both line 1 and line 2. Line 1 carries out its assessments of the risks with line 2 providing oversight. With the implementation of the CURA, risk reports can now be generated from the system and used for reporting to oversight committees. Risk reports cover top risks, their residual risk ratings, residual risk rating versus risk tolerance and commentaries by both line 1 and line 2 on the quarterly trends of the risks. The consolidated OMZIL report is derived from the subsidiary business unit submissions in CURA. Final reports are generated upon sign off by business unit Managing Directors and the Group Chief Executive Officer, which fosters ownership of the process.

ENTERPRISE RISK MANAGEMENT (CONT'D)

Risk reports are also supported by risk dashboards, which show key risk indicators, their actual positions versus the targets (appetite limits), and the tolerance levels. Quantitative risk metrics continue to be refined, and in 2020, further refinements will be made to the earnings at risk and solvency capital at risk metrics, and these shall be incorporated in risk reporting and business planning. The template of the dashboard which was in use in 2019 is shown below:

Risk Type	Appetite	Measures	Target	Key Risk Indicator (KRI)	Risk Tolerance Threshold			
					Blue	Green	Amber	Red
Business Planning Risk of Under performance	Moderate	Life Company sales (Net)	10%	Target against Actual	=>10%	0 to 10%	0 to-5%	<=-5%
		Non-Life sales	10%	Target against Actual	=>10%	0 to 10%	0 to-5%	<=-5%
		Headline Earnings (HE)	10%	Target against Actual	=>10%	0 to 10%	0 to-5%	<=-5%
		Expenses (Non-Commission)	10%	Target against Actual	=>10%	0 to 10%	0 to-5%	<=-5%
		Total Funds Under Management	10%	Target against Actual	=>10%	0 to 10%	0 to-5%	<=-5%
		Loans and Advances	10%	Target against Actual	=>10%	0 to 10%	0 to-5%	<=-5%
		Net Earned Premium (General Insurance)	10%	Target against Actual	=>10%	0 to 10%	0 to-5%	<=-5%
		NCCF	10%	Target against Actual	=>10%	0 to 10%	0 to-5%	<=-5%
Credit	High	NPL ratio	max 5%	Non-performing loans to total loans ratio against regulatory limit	<1.75	1.75%<4.5%	from 4.5% to 5.5%	>5.5%
		Total Loan Loss Provisions / Total Loans	min 3%	Loan loss provisions to total loans ratio against limit	>5%	>3.3%-5%	from 3% to 3.3%	<3%
		Write-offs / Total Loans	max 1%	Loans written-off to total loans ratio against limit	0%	<0.9%	from 0.9% to 1%	>1%
		Ten Largest exposures / Total Loans	max 40%	Top ten exposures to total loans ratio against limit	<30%	<36%	from 36% to 39.9%	>40%
		Rental Arrears	Max 15%	% Rental Arrears	<10%	10%-15%	Greater than 15%-20%	> 20%
		Void Level	Max 30%	% Void level	<24%	24%-26%	Greater than 26%-30%	>30%
		Rental Yield	Min 6%	Gross Yield	>6%	Greater than 5%-6%	3.5%-5%	< 3.5%
Liquidity	Low	30-day Behavioural Mismatch Ratio	min 0%	Behavioural Mismatch Ratio against limit	> 2.5%	From 0% to 2.5%	from 0% to -2.5%	<-2.5%
		Survival Horizon-Stressed behavioural (days)	min 18 days	Behavioural survival horizon against limit	> 24 days	From 20 days to 24 days	from 18 to 20 days	<18 days
		Liquid asset ratio	Reg min 30% Internal min 40%	Liquid asset ratio against limit	> 48%	From 40% to 48%	from 30% to 40%	<30%
		Top 10 depositors (excluding OM Group Funds)/ Total Depositors	max 50%	Top 10 depositors concentration against limit	< 36%	From 36% to 45%	from 45% to 50%	>50%
		Group Funds to Total Funds	Limit ≤ 40% Trigger point 36%	(Top 1 depositor / total deposits) X 100	< 28%	From 28% to 36%	from 36 to 40%	>40%
		Loans to Deposits ratio	max 75%	Loans to deposit ratio against limit	n/a	From 65% to 70%	from 70% to 75% OR From 60% to 65%	>75%
		Time deposits/Total deposits	max 70%	Time deposits to total deposits ratio against limit	< 50%	From 50% to 63%	from 63% to 70%	>70%
		Liquidity Coverage Ratio	min 100%	LCR against limit	>130%	From 110% to 130%	From 100% to 110%	<100%
		Net Stable Funding Ratio	min 100%	NSFR against limit	>132%	From 110% to 130%	From 100% to 110%	<100%

ENTERPRISE RISK MANAGEMENT (CONT'D)

Risk Type	Appetite	Measures	Target	Key Risk Indicator (KRI)	Risk Tolerance Threshold			
					Blue	Green	Amber	Red
Operational	Low	Audit Issues KPIs	Failed issue assurance = ≤ 5%	Failed Issue Assurance	n/a	0% - 5%	6% - 10%	Above 10%
			Overdue items = Zero (0)	Number of overdue items	n/a	Zero (0)	n/a	above Zero (0)
			On-time resolution = ≥75%	On-time resolution rate	n/a	75% and above	65% - 74%	below 65%
			Unsatisfactory or off-track audits = Zero (0)	Number of unsatisfactory audits	n/a	Zero (0)	n/a	above Zero (0)
			IBAM rate = ≥25%	IBAM rate	n/a	>27.5%	25% to 27.5%	below 25%
		System/Network uptime	% availability = 98%	System/ Network uptime	n/a	98% and above	n/a	below 98%
		Number of major risk events	≤ 3 per quarter	Number of Loss Events	n/a	3 or below per quarter	4 per quarter	5 and above per quarter
		Voluntary Turnover	≤ 10%	Group Turnover:	n/a	<10%	from 10% to 14%	>15%
				O & Above	n/a	<10%	from 10% to 14%	>15%
				Talent Pools (HIPO, Bubbling Under, Scarce skills and Critical skills)	n/a	<10%	from 10% to 14%	above 15%
		Number of industrial actions (3 months rolling) - Number of Hearing Cases	Five (5)	Disciplinary cases	n/a	<5	5 to 10	>10
		Number of Employee Theft/ Fraud Incidences	Zero (0)	Number of employee theft or fraud	n/a	Zero (0)	n/a	above Zero (0)
Compliance & Regulatory	Zero	Corrective order/ investigations	Zero (0)	Actual Vs Target	n/a	Zero (0)	n/a	above Zero (0)
		Regulatory Fines	Zero (0)	Actual Vs Target	n/a	Zero (0)	n/a	above Zero (0)
		Compliance gaps (actual or perceived)	Zero (0)	Actual Vs Target	n/a	Zero (0)	n/a	above Zero (0)
		Number of regulatory limit breaches	Zero (0)	Actual Vs Target	n/a	Zero (0)	n/a	above Zero (0)
Market	Moderate	Net Open Position	Max 20%	Actual Vs Target	<14%	14%-18%	18%-20%	>20%
		Bonus Smoothing Account (BSA) level	Internal min -12.5%	BSA level against limit	n/a	>25%	-12.5% to 25%	< -12.5%
		30-day contractual IR repricing gap	Max -35%	Actual vs Limit	>-25%	> -31.5%-25%	from -31.5% to -35%	≤-35%
Reputational	Zero	Net Promoter Score	65%	Actual Net Promoter Score vs Target	Above 65%	60-65%	40% - 59%	below 40%
		Customer Complaints Turnaround	10 working days	Customer complaints turanaround against target	Below 10 working days	10 working days	11-14 working days	Above 14 working days
		Claims Turnaround (Funeral)	96% in 24 hours	Claims turnaround against target	More than 96% in 24 hours	96% in 24 hours	81%-95% in 24 hours	80% and below in 24 hours

ENTERPRISE RISK MANAGEMENT (CONT'D)

Risk Type	Appetite	Measures	Target	Key Risk Indicator (KRI)	Risk Tolerance Threshold			
					Blue	Green	Amber	Red
Insurance (Life)	High	Life Liability - GLA Claims Ratio (disability & mortality)	65%	GLA Claims Ratio against plan	Below 50%	50% to 65%	65% < to 80%	above 80%
Insurance - Non-Life underwriting risk (premium and reserve risk)	High	Claims Ratio (% of net claims cost to net premium earned)	56% (Non Motor)	Overall non motor loss ratio against plan	55% and below	56% to 59%	60 to 65%	Above 65%
			75% (Motor)	Overall motor loss ratio against plan	74% and below	75% to 79%	80% to 90%	Above 90%

RISK PREFERENCES / APPETITE DEFINED

PREFERENCE LEVEL	PRACTICAL MEANING
HIGH	We readily accept and would like to strongly grow exposure to these risks, as managing them is a core competency and central to our business strategy. We would like to sell and retain as much of this business as possible, subject to such products meeting customer needs and affordability considerations and shareholders' expectation of return on capital deployed.
MODERATE	We seek to increase exposure to these risks, but on a controlled basis as they also represent opportunities that can contribute to our success; however, exposure to these risks will be limited through business processes due to concerns about risk manageability.
LOW	The Group has a limited appetite for these risks, as they are viewed as a marginal risk/return trade-off in relation to the mission; where they arise, extra measures will be taken to mitigate them or where appropriate pass them to third parties.
ZERO	The Group has no appetite for these risks, as they are not viewed as attractive and not part of the strategy for achieving the mission; but the Group does recognise that limited exposures may arise from time to time.

COMBINED ASSURANCE FRAMEWORK

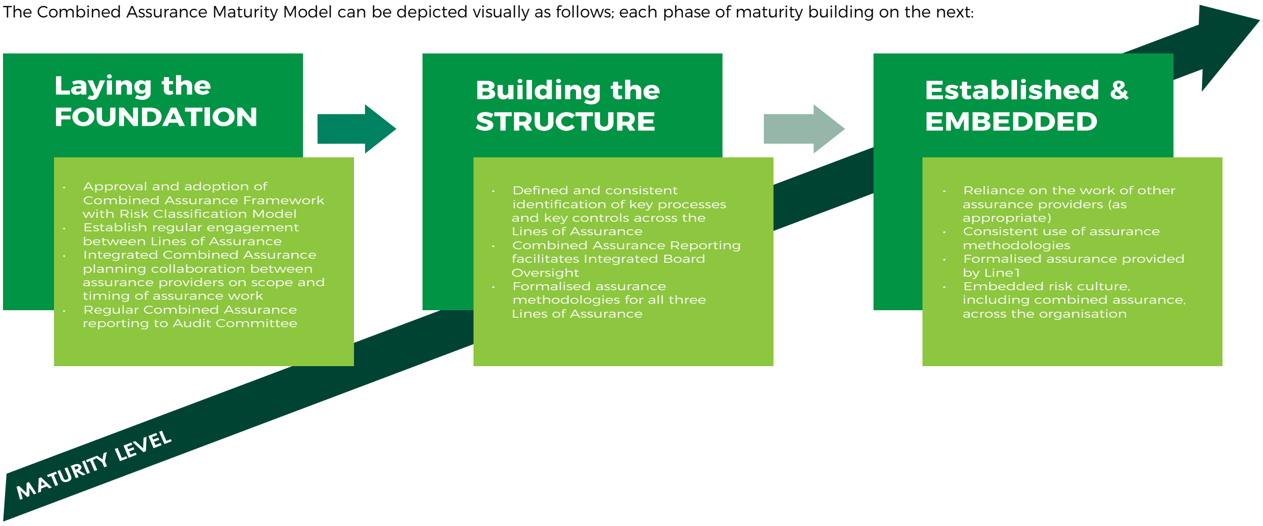
OMZIL adopted a combined assurance framework in 2018, with the strategy being integrating and coordinating assurance activities amongst the three lines of assurance across all levels of the Group. The focus is on increased collaboration and sharing of information as well as reducing duplication of activities.

Significant progress was made in 2019 in implementing the framework. The 2019 combined assurance plan was approved by the OMZIL Group Risk & Compliance Committee ('GRCC') in November 2018. Quarterly combined assurance forums were held during the year, with all assurance providers attending the meetings and reviewing delivery of activities against the plan. Risk profiling of the processes using the OMZIL risk classification model was done in one of the forums, and this was used as the basis for compiling the combined assurance plan. Reporting of the assurance activities undertaken and results thereof was done to the GRCC. The Group has therefore matured from the first stage, 'Laying the Foundation', of the Combined Assurance Maturity Model depicted in the figure below, and is now focusing on entrenching activities under the second stage, 'Building the Structure'.

ENTERPRISE RISK MANAGEMENT (CONT'D)

Figure 6: Combined Assurance Maturity Model

The Combined Assurance Maturity Model can be depicted visually as follows; each phase of maturity building on the next:



Emerging Risks

Given the outlook for 2020, emerging risks are as indicated below. The business will continue to scan the environment and respond swiftly to any adverse changes in the risk profiles of the inherent risks.

- **Currency Risk:** Total loss of ZWL$ value, with the continued depreciation of the local currency, and informal redollarisation taking place in the economy.
- **Environmental Risk**: Climate change events and the threat of new viruses, which will impact social and economic activities.
- **Operational Risk**: Outsourcing (3rd party): Viability of key 3rd parties or outsourced partners may be threatened by the worsening economic conditions and this may have a knock-on impact on the Group's business resilience. Reliance on third parties also increases exposure to cybercrime risk.
- **Business Model Risk:** Disruption of the current business model due to advancements in technology as well as socio-economic and demographic changes.
- **Geo-political risks**: The risk of global political and economic instability and its impact on developing economies like Zimbabwe and its neighbours.

RESULTS FROM OPERATIONS

In line with the rest of Old Mutual Limited Group, in addition to net profit after tax as per the Group statement of profit or loss (page 29) the Group also measures its performance based on results from operations.

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

Reconciliation of IFRS Profit Before Tax to Results from Operations Before Tax

	Inflation adjusted audited		Historical cost unaudited	
	2019 Group ZWLm	2018 Group ZWLm	2019 Group ZWLm	2018 Group ZWLm
(Loss)/profit before tax	(2 651.6)	592.5	1 144.9	329.9
Adjusting entries	**3 147.8**	**2.6**	**(713.3)**	**(250.8)**
Shareholder investment returns	(589.5)	(2 009.0)	(529.6)	(246.4)
Monetary loss; non-operating items	3 661.3	2 035.1	-	-
Policyholder tax	35.4	(23.5)	(201.4)	(4.4)
Restucturing costs	40.6	-	17.7	-
Results from operations	**496.2**	**595.1**	**431.6**	**79.1**

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Independent Auditors' Report

To the Shareholders of Old Mutual Zimbabwe Limited

Adverse Opinion

We have audited the inflation adjusted consolidated and separate financial statements of Old Mutual Zimbabwe Limited (the Group and Company), set out on pages 29 to 123, which comprise the inflation adjusted Group and Company statements of financial position as at 31 December 2019, and the inflation adjusted Group statement of profit or loss, the inflation adjusted Group statement of comprehensive income, the inflation adjusted Company statement of profit or loss and comprehensive income, the inflation adjusted Group and Company statements of changes in equity, and the inflation adjusted Group and Company statements of cash flows for the year then ended, and notes to the inflation adjusted financial statements, including a summary of significant accounting policies.

In our opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of our report, the inflation adjusted consolidated and separate financial statements do not present fairly, in all material respects, the consolidated and separate inflation adjusted financial position of Old Mutual Zimbabwe Limited as at 31 December 2019, and its consolidated and separate inflation adjusted financial performance and consolidated and separate inflation adjusted cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Zimbabwe (Chapter 24:03).

Basis for Adverse Opinion

Non-compliance with International Financial Reporting Standards IAS 21- The Effects of Changes in Foreign Exchange Rates (IAS 21) in the prior and current financial year and inappropriate application of IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors (IAS 8)

As described in note 2.3.1 to the inflation adjusted consolidated and separate financial statements, for the period 1 January 2019 to 22 February 2019, the Group and Company applied the United States dollar (US$) as its functional currency. In order to comply with Statutory Instrument 33 (S.I.33), issued on 22 February 2019, the Company and Group changed its functional currency to the Zimbabwe dollar (ZWL) with effect from 23 February 2019. S.I.33 precluded the use of any other currency other than USD as functional currency prior to 22 February 2019 and this impacted on the financial statements as at 31 December 2018. The inflation adjusted consolidated and separate financial statements are presented in Zimbabwe dollar, also referred to as the RTGS dollar in S.I.33.

The directors, based on their interpretation of IAS 21, acknowledged that there was a functional currency change in the prior year from the US$ to RTGS dollar, with effect from 1 October 2018, and that the exchange rate between the US$ and RTGS dollar was not 1:1 after 1 October 2018, However, the Company and Group only accounted for the change in functional currency prospectively from 23 February 2019, in compliance with S.1.33. This constitutes a departure from the requirements of IAS 21 due to the need to comply with local regulations as enunciated under S.I.33. An adverse opinion was issued in the prior year for the departure from IAS 21. The Company and Group have not restated the inflation adjusted consolidated and separate financial statements, as required by IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, to resolve the matters which resulted in the adverse opinion in the prior year relating to the non-compliance with IAS 21, due to the need to comply with S.I.33, and the difficulty in determining an appropriate exchange rate, and therefore the matter continued into 2019.

Due to the matters discussed above, we were unable to obtain sufficient appropriate audit evidence that the closing balances as at 31 December 2018 were free of material misstatement and have been brought forward correctly. We were unable to satisfy ourselves by alternative means concerning the opening balances. Since opening balances have a bearing into the determination of the financial performance and cash flows, we were unable to determine whether adjustments might have been necessary in respect of the movements in the Group statement of profit or loss, Group statement of comprehensive, income, Company statement of profit or loss and comprehensive income, the Group and Company statements of cash flows, and the Group and Company statements of changes in equity.

Hyperinflation reporting

In addition, as described in note 2.2 to the inflation adjusted consolidated and separate financial statements, Zimbabwe became a hyperinflationary economy with effect from 1 July 2019. IAS 29 Financial Reporting in Hyperinflationary Economies (IAS 29) has been applied to the 2018 comparatives with effect from 1 January 2018. IAS 29 has also been applied to the incorrect balances due to non-compliance with IAS 21 and IAS 8 as commented on above.

RBZ legacy debt asset

As described in note 25 to the inflation adjusted consolidated financial statements, included in other assets is a foreign currency denominated legacy debt asset amounting to ZWL$259.7 million (net of impairment of ZWL$230.4 million), related to the foreign liabilities of ZWL$423.0 million included in note 33 and ZWL$67.0 million included in note 34 to the inflation adjusted consolidated financial statements. These foreign currency denominated liabilities were registered with the Reserve Bank of Zimbabwe (RBZ) during the year, in line with the Monetary Policy statement made on 20 February 2019. The directors believe that the RBZ will assist the Group with sourcing foreign currency and settling the liabilities at a rate of US$1:1ZWL$. As at the date of this report, there is no legally binding instrument that had been issued by the RBZ that defines how this commitment will be implemented and the specific terms and conditions thereof in order to settle such foreign liabilities on a 1:1 basis. Consequently, we were unable to obtain sufficient appropriate audit evidence to support the recognition and measurement of the foreign currency denominated legacy debt asset in terms of IFRS.

Impact of manual translations for US dollar denominated short term insurance business on the classification of amounts in the statement of profit or loss

As detailed in note 2.3.3, for the general business of the Group, management manually converted transactions from the United States Dollar (US$) into the functional currency of Real Time Gross Settlement (RTGS) or ZWL$, between 22 February 2019 and 31 December 2019 using the average monthly rates instead of the spot rates as required by IAS 21. The current short term insurance management system could not automatically translate US$ business into the functional currency, hence, management processed US$ business in this insurance system and then manually, in an excel spreadsheet, applied the average rate as a representation of the month's transactions. Furthermore, during that period from February to December 2019, there were significant fluctuations in exchange rates between the ZWL and the US$. The use of an average exchange rate has some inherent limitations, given the significant fluctuations in the exchange rate, in terms of precision of the amounts recognised, which could result in a material misstatement between individual amounts in the statement of profit or loss, notably, the gross earned premiums, net claims incurred, outstanding claims included in insurance contract liabilities, and the corresponding net exchange gain recorded in other income.

The effects of the above departures from IFRS are material and pervasive to the inflation adjusted consolidated financial statements.

The impact of uncertainties due to the COVID-19 on our audit

Note 64.3 to the inflation adjusted consolidated and separate financial statements deals with subsequent events and specifically the possible effects of the future implications of COVID-19 on Old Mutual Zimbabwe Limited's Group and Company future prospects, performance, and cashflows. Management have also described how they plan to deal with these events and circumstances.

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

Key Audit Matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our adverse opinion thereon, and we do not provide a separate opinion on these matters. Except for the matters described in the Basis for Adverse Opinion section, we have determined that 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 Directors' report, Chairman's Statement, Group Chief Executive Officer's report, Corporate Governance Report, Enterprise Risk Management, Results from Operations and the unaudited financial information in the inflation adjusted consolidated and separate financial statements titled "Historical cost Unaudited", which we obtained prior to the date of this auditors' report, but does not include the consolidated and separate inflation adjusted financial statements and our auditors' report thereon.

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

In connection with our audit of the inflation adjusted consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the inflation adjusted consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we have obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, then we are required to report that fact. As described in the Basis for Adverse Opinion section above, the Group and Company should have accounted for the change in functional currency from US$ to RTGS in the prior year and should have translated its US$ transactions and balances to local currency 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 financial information in the inflation adjusted consolidated and separate financial statements titled "Historical", affected by the failure to comply with the requirements of IAS 21.

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

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

Auditors' Responsibilities for the Audit of the Inflation Adjusted Consolidated and Separate Financial Statements
Our objectives are to obtain reasonable assurance about whether the inflation adjusted consolidated and separate 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 inflation adjusted consolidated and separate financial statements.

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

Identify and assess the risks of material misstatement of the inflation adjusted consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

INDEPENDENT AUDITORS' REPORT (CONT'D)

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditors' report to the related disclosures in the inflation adjusted consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and / or the Company to cease to continue as a going concern.

Evaluate the overall presentation, structure, and content of the inflation adjusted consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the inflation adjusted consolidated financial statements. We are responsible for the direction, supervision, and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

KPMG Zimbabwe
Registered Accountants and Auditors
Chartered Accountants (Zimbabwe)

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

30 May 2020

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

GROUP STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Inflation adjusted audited 2019 Group ZWLm	Inflation adjusted audited 2018 Group ZWLm	Historical cost unaudited 2019 Group ZWLm	Historical cost unaudited 2018 Group ZWLm
Revenue					
Gross earned premiums	4	1 124.8	1 664.8	473.1	214.1
Outward reinsurance		(222.1)	(76.6)	(101.7)	(11.3)
Net earned premiums		**902.7**	**1 588.2**	**371.4**	**202.8**
Investment income (non banking)	5	7 959.0	6 713.0	7 280.8	1 001.9
Banking interest and similar income	6	485.4	880.0	190.9	108.9
Fee income, commissions, and income from service contracts	7	549.3	709.8	258.8	84.2
Other income	8	171.2	31.8	117.2	1.6
Total revenue		**10 067.6**	**9 922.8**	**8 219.1**	**1 399.4**
Expenses					
Claims and benefits (including change in insurance contract provisions)	9	(6 700.3)	(5 381.0)	(6 118.8)	(818.9)
Reinsurance recoveries		119.0	51.4	30.2	4.3
Net claims incurred		**(6 581.3)**	**(5 329.6)**	**(6 088.6)**	**(814.6)**
Change in provision for investment contract liabilities	10	(399.3)	(230.5)	(387.5)	(89.4)
Fees, commissions, and other acquisition costs		(314.5)	(332.7)	(115.3)	(33.4)
Banking interest expense and similar expenses	6	(172.0)	(192.7)	(71.6)	(24.2)
Impairment charges		(106.1)	(130.3)	(46.4)	(16.5)
Other operating and administration expenses	11	(810.0)	(716.6)	(364.8)	(91.4)
Net monetary adjustment		(4 336.0)	(2 397.9)	-	-
(Loss)/profit before tax		**(2 651.6)**	**592.5**	**1 144.9**	**329.9**
Income tax credit/(expense)	12	41.1	(165.4)	(220.3)	(29.2)
(Loss)/profit for the year		**(2 610.5)**	**427.1**	**924.6**	**300.7**
Attributable to non-controlling interests		(76.2)	8.2	44.7	10.6
Attributable to equity holders of parent company		(2 534.3)	418.9	879.9	290.1
		(2 610.5)	**427.1**	**924.6**	**300.7**

GROUP STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Inflation adjusted audited		Historical cost unaudited	
		2019 Group ZWLm	2018 Group ZWLm	2019 Group ZWLm	2018 Group ZWLm
(Loss)/profit for the year		**(2 610.5)**	**427.1**	**924.6**	**300.7**
Other comprehensive income					
Items that will not be reclassified to profit or loss (net of tax)					
Property revaluation		335.8	57.8	662.1	1.5
Shadow accounting	10.1	(228.6)	(3.7)	(228.6)	(0.6)
Total other comprehensive income		**107.2**	**54.1**	**433.5**	**0.9**
Total comprehensive income for the year		**(2 503.3)**	**481.2**	**1 358.1**	**301.6**
Total comprehensive income attributable to:					
Equity holders of the parent company		(2 427.1)	473.0	1 313.4	291.0
Non-controlling interests		(76.2)	8.2	44.7	10.6
		(2 503.3)	**481.2**	**1 358.1**	**301.6**
(Loss)/earnings per share					
Basic and diluted (cents)	13.1	(763.2)	126.1	265.0	87.3

COMPANY STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Inflation adjusted audited		Historical cost unaudited	
		2019 Company ZWLm	2018 Company ZWLm	2019 Company ZWLm	2018 Company ZWLm
Revenue					
Investment income	14	334.8	1 053.1	187.6	152.8
Other income	15	1.9	(0.4)	1.7	-
Total revenue		**336.7**	**1 052.7**	**189.3**	**152.8**
Expenses					
Other operating and administration expenses	16	(99.0)	(77.0)	(49.4)	(10.6)
Net monetary adjustment		(1 033.8)	(289.0)	-	-
(Loss)/profit before tax		**(796.1)**	**686.7**	**139.9**	**142.2**
Income tax credit/(expense)	17	13.3	(43.8)	(1.8)	(7.2)
(Loss)/profit and total comprehensive income for the year		**(782.8)**	**642.9**	**138.1**	**135.0**

GROUP STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Notes	Inflation adjusted audited 2019 Group ZWLm	Inflation adjusted audited 2018 Group ZWLm	Historical cost unaudited 2019 Group ZWLm	Historical cost unaudited 2018 Group ZWLm
Assets					
Investment property	18	4 422.3	2 578.2	4 422.3	411.5
Property and equipment	19	1 054.4	638.9	846.3	96.6
Intangible assets	20	64.9	73.9	9.4	8.0
Deferred acquisition costs		9.3	6.1	1.7	0.6
Reinsurer contracts	21	84.2	33.8	54.4	4.8
Investments and securities	22	6 126.8	17 252.2	6 126.8	2 795.3
Deferred tax assets	31	6.3	12.0	7.0	1.4
Current tax assets		14.3	7.5	14.3	0.6
Loans and advances	24	1 489.5	4 854.7	1 489.5	780.5
Other assets	25	994.3	1 056.7	694.7	135.6
Cash and cash equivalents	26	1 707.5	1 004.5	1 707.5	161.0
Total assets		**15 973.8**	**27 518.5**	**15 373.9**	**4 395.9**
Liabilities					
Insurance contract liabilities	27	8 450.7	12 784.8	8 301.8	2 049.9
Investment contract liabilities	28	591.2	1 298.0	591.2	208.9
Provisions	30	51.9	99.9	51.9	16.2
Deferred tax liabilities	31	299.4	363.1	308.8	58.0
Current tax payables		2.4	2.6	2.4	0.4
Amounts due to group companies	23	163.1	519.3	163.1	85.3
Amounts owed to bank depositors	32	2 561.6	6 338.2	2 561.6	1 006.9
Credit lines	33	897.6	331.2	897.6	53.3
Other payables	34	633.6	652.8	359.3	91.6
Total liabilities		**13 651.5**	**22 389.9**	**13 237.7**	**3 570.5**
Net assets		**2 322.3**	**5 128.6**	**2 136.2**	**825.4**
Shareholders' equity					
Share capital and premium	54	-	-	-	-
Non-distributable reserve		-	-	54.9	51.3
Revaluation reserve		-	-	453.1	19.6
Share based payment reserve		250.0	297.2	62.1	33.7
Regulatory provisions reserve		5.7	32.2	5.7	5.2
Currency conversion reserve		(51.2)	-	(13.3)	-
Retained earnings		2 069.4	4 652.4	1 511.3	690.9
Equity holders of the parent		**2 273.9**	**4 981.8**	**2 073.8**	**800.7**
Non-controlling interests		48.4	146.8	62.4	24.7
Total equity		**2 322.3**	**5 128.6**	**2 136.2**	**825.4**

Platsere to

DIRECTOR
30 May 2020

DIRECTOR
30 May 2020

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Notes	Inflation adjusted audited 2019 Company ZWLm	Inflation adjusted audited 2018 Company ZWLm	Historical cost unaudited 2019 Company ZWLm	Historical cost unaudited 2018 Company ZWLm
Assets					
Investment property	43	10.1	3.7	10.1	0.6
Investments in subsidiary companies	44	891.4	740.0	194.3	83.9
Property and equipment	45	3.1	0.3	1.4	0.1
Intangible assets		0.5	-	0.3	-
Investments and securities	46.1	299.1	1 708.1	299.1	274.9
Amounts due by group companies	47	14.3	113.6	14.3	18.3
Current tax receivable		0.9	3.9	0.9	0.6
Other assets	48	25.5	2.3	25.5	0.4
Cash and cash equivalents	49	32.1	131.5	32.1	21.2
Total assets		**1 277.0**	**2 703.4**	**578.0**	**400.0**
Liabilities					
Provisions	51	5.4	2.4	5.4	0.4
Deferred tax liability	52	4.1	18.4	3.7	3.0
Amounts due to group companies	47	94.4	420.0	94.4	67.6
Other payables	53	96.8	249.9	96.8	40.2
Total liabilities		**200.7**	**690.7**	**200.3**	**111.2**
Net assets		**1 076.3**	**2 012.7**	**377.7**	**288.8**
Shareholders' equity					
Share capital and premium	54	-	-	-	-
Non-distributable reserve		-	-	20.0	20.0
Share based payment reserve		537.0	515.0	66.1	59.3
Currency conversion reserve		21.1	-	3.8	-
Retained income		518.2	1 497.7	287.8	209.5
Total equity		**1 076.3**	**2 012.7**	**377.7**	**288.8**

DIRECTOR
30 May 2020

DIRECTOR
30 May 2020

GROUP STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

Inflation adjusted - audited	Notes	Share capital & premium ZWLm	Share based payment reserve ZWLm	Regulatory provisions reserve ZWLm	Currency conversion reserve ZWLm	Retained income ZWLm	Equity holders of the parent total ZWLm	Non-controlling interests ZWLm	Equity total ZWLm
2019									
Shareholders' equity at beginning of year		**-**	**297.2**	**32.2**	**-**	**4 652.4**	**4 981.8**	**146.8**	**5 128.6**
Impact on adoption of new currency		-	-	-	(51.2)	-	(51.2)	-	(51.2)
Transfer of regulatory impairment allowance		-	-	(26.5)	-	26.5	-	-	-
Loss for the financial year		-	-	-	-	(2 534.3)	(2 534.3)	(76.2)	(2 610.5)
Shadow accounting	10.1	-	-	-	-	(228.6)	(228.6)	-	(228.6)
Revaluation of property		-	-	-	-	335.8	335.8	-	335.8
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**(2 427.1)**	**(2 427.1)**	**(76.2)**	**(2 503.3)**
Movement in share based payment reserve			(47.2)		-	-	(47.2)	-	(47.2)
Acquisition of interest in subsidiary		-	-	-	-	0.3	0.3	(22.2)	(21.9)
Dividends declared			-	-	-	(182.7)	(182.7)	-	(182.7)
Transactions with shareholders		**-**	**(47.2)**	**-**	**-**	**(182.4)**	**(229.6)**	**(22.2)**	**(251.8)**
Shareholders' equity at end of year		**-**	**250.0**	**5.7**	**(51.2)**	**2 069.4**	**2 273.9**	**48.4**	**2 322.3**
2018									
Shareholders' equity at beginning of year		**-**	**286.8**	**158.5**	**-**	**4 513.5**	**4 958.8**	**163.6**	**5 122.4**
Impact of adopting IFRS 9 at 1 January 2018		-	-	-	-	(175.9)	(175.9)	(0.7)	(176.6)
Transfer of regulatory impairment allowance		-	-	(158.5)	-	158.5	-	-	-
Adjusted balance as at 1 January 2018		**-**	**286.8**	**-**	**-**	**4 496.1**	**4 782.9**	**162.9**	**4 945.8**
Profit for the financial year		-	-	-	-	418.9	418.9	8.2	427.1
Other comprehensive income									
Shadow accounting	10.1	-	-	-	-	(3.7)	(3.7)	-	(3.7)
Revaluation of property		-	-	-	-	57.8	57.8	-	57.8
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**473.0**	**473.0**	**8.2**	**481.2**
Transfer to reserve		-	-	32.2	-	(42.0)	(9.8)	-	(9.8)
Movement in share based payment reserve		-	4.9	-	-	-	4.9	-	4.9
Movement in treasury shares		-	5.5	-	-	-	5.5	-	5.5
Dividends declared		-	-	-	-	(274.7)	(274.7)	(24.3)	(299.0)
Transactions with shareholders		**-**	**10.4**	**32.2**	**-**	**(316.7)**	**(274.1)**	**(24.3)**	**(298.4)**
Shareholders' equity at end of year		**-**	**297.2**	**32.2**	**-**	**4 652.4**	**4 981.8**	**146.8**	**5 128.6**

GROUP STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

Historical cost - unaudited 2019	Notes	Share capital & premium ZWLm	Non-distributable reserve ZWLm	Revaluation reserve ZWLm	Share based payment reserve ZWLm	Regulatory provisions reserve ZWLm	Currency conversion reserve ZWLm	Retained income ZWLm	Equity holders of the parent total ZWLm	Non-controlling interests ZWLm	Equity total ZWLm
Shareholders' equity at beginning of year		**-**	**51.3**	**19.6**	**33.7**	**5.2**	**-**	**690.9**	**800.7**	**24.7**	**825.4**
Impact on adoption of new currency		-	-	-	-	-	(13.3)	-	(13.3)	-	(13.3)
Profit for the financial year		-	-	-	-	-	-	879.9	879.9	44.7	924.6
Shadow accounting	10.1	-	-	(228.6)	-	-	-	-	(228.6)	-	(228.6)
Revaluation of property		-	-	662.1	-	-	-	-	662.1	-	662.1
Total comprehensive income for the year		**-**	**-**	**433.5**	**-**	**-**	**-**	**879.9**	**1 313.4**	**44.7**	**1 358.1**
Movement in share based payment reserve		-	-	-	28.4	-	-	-	28.4	-	28 4
Transfer to reserve		-	3.6	-	-	0.5	-	(4.1)	-	-	-
Acquisition of interest in subsidiary		-		-	-	-	-	-	-	(7.0)	(7.0)
Dividends declared		-	-	-	-	-	-	(55.4)	(55.4)	-	(55.4)
Transactions with shareholders		**-**	**3.6**	**-**	**28.4**	**0.5**	**-**	**(59.5)**	**(27.0)**	**(7.0)**	**(34.0)**
Shareholders' equity at end of year		**-**	**54.9**	**453.1**	**62.1**	**5.7**	**(13.3)**	**1 511.3**	**2 073.8**	**62.4**	**2 136.2**
2018											
Shareholders' equity at beginning of year		**-**	**52.4**	**18.7**	**32.5**	**18.0**	**-**	**440.0**	**561.6**	**18.6**	**580.2**
Impact of adopting IFRS 9 at 1 January 2018		-	-	-	-	-	-	(20.0)	(20.0)	(0.1)	(20.1)
Transfer of regulatory impairment allowance		-	-	-	-	(18 0)	-	18.0	-	-	-
Adjusted balance as at 1 January 2018		**-**	**52.4**	**18 7**	**32 5**	**-**	**-**	**438.0**	**541.6**	**18 5**	**560 1**
Profit for the financial year		-	-	-	-	-	-	290.1	290.1	10.6	300.7
Shadow accounting	10.1	-	-	(0.6)	-	-	-	-	(0.6)	-	(0.6)
Revaluation of property		-	-	1.5	-	-	-	-	1.5	-	1.5
Total comprehensive income for the year		**-**	**-**	**0.9**	**-**	**-**	**-**	**290.1**	**291.0**	**10.6**	**301.6**
Transfer to reserve		-	(1.1)	-	-	5.2	-	(4.1)	-	-	-
Movement in share based payment reserve		-	-	-	0.6	-	-	-	0.6	-	0.6
Movement in treasury shares		-	-	-	0.6	-	-	-	0.6	-	0.6
Dividends declared		-	-	-	-	-	-	(33 1)	(33.1)	(4.4)	(37.5)
Transactions with shareholders		**-**	**(1.1)**	**-**	**1.2**	**5.2**	**-**	**(37.2)**	**(31.9)**	**(4.4)**	**(36.3)**
Shareholders' equity at end of year		**-**	**51.3**	**19.6**	**33.7**	**5.2**	**-**	**690.9**	**800.7**	**24.7**	**825.4**

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

Inflation adjusted - audited	Share capital & premium ZWLm	Non-distributable reserve ZWLm	Share based payment reserve ZWLm	Currency conversion reserve ZWLm	Retained income ZWLm	Equity total ZWLm
2019						
Shareholders' equity at beginning of year	**-**	**-**	**515.0**	**-**	**1 497.7**	**2 012.7**
Impact on adoption of new currency	-	-	-	21.1	-	21.1
Changes in equity arising in the year						
Loss for the financial year	-	-	-	-	(782.8)	(782.8)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	**-**	**-**	**-**	**-**	**(782.8)**	**(782.8)**
Movement in treasury shares	-	-	-	-	-	-
Movement in share based payment reserve	-	-	22.0	-	-	22.0
Dividends	-	-	-	-	(196.7)	(196.7)
Shareholders' equity at end of year	**-**	**-**	**537.0**	**21.1**	**518.2**	**1 076.3**
2018						
Shareholders' equity at beginning of year	**-**	**-**	**567.2**	**-**	**1 153.2**	**1 720.4**
IFRS 9 Adjustment	-	-	-	-	(0.2)	(0.2)
Adjusted balance as at 1 January 2018	**-**	**-**	**567.2**	**-**	**1 153.0**	**1 720.2**
Changes in equity arising in the year						
Profit for the financial year	-	-	-	-	642.9	642.9
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	**-**	**-**	**-**	**-**	**642.9**	**642.9**
Movement in share based payment reserve	-	-	(52.2)	-	-	(52.2)
Dividends declared					(298.2)	(298.2)
Shareholders' equity at end of year	**-**	**-**	**515.0**	**-**	**1 497.7**	**2 012.7**

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

Historical cost - unaudited	Share capital & premium ZWLm	Non-distributable reserve ZWLm	Share based payment reserve ZWLm	Currency conversion reserve ZWLm	Retained income ZWLm	Equity total ZWLm
2019						
Shareholders' equity at beginning of year	**-**	**20.0**	**59.3**	**-**	**209.5**	**288.8**
Impact on adoption of new currency	-	-	-	3.8	-	3.8
Changes in equity arising in the year						
Profit for the financial year	-	-	-	-	138.1	138.1
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	**-**	**-**	**-**	**-**	**138.1**	**138.1**
Movement in share based payment reserve			6.8			6.8
Dividends					(59.8)	(59.8)
Shareholders' equity at end of year	**-**	**20.0**	**66.1**	**3.8**	**287.8**	**377.7**
2018						
Shareholders' equity at beginning of year	**-**	**20.0**	**64.2**	**-**	**110.7**	**194.9**
IFRS 9 Adjustment	-	-	-	-	(0.1)	(0.1)
Adjusted balance as at 1 January 2018	**-**	**20.0**	**64.2**	**-**	**110.6**	**194.8**
Changes in equity arising in the year						
Profit for the financial year	-	-	-	-	135.0	135.0
Other comprehensive income						
Total comprehensive income	**-**	**-**	**-**	**-**	**135.0**	**135.0**
Movement in treasury shares	-	-	(5.5)	-	-	(5.5)
Movement in share based payment reserve	-	-	0.6	-	-	0.6
Dividends					(36.1)	(36.1)
Shareholders' equity at end of year	**-**	**20.0**	**59.3**	**-**	**209.5**	**288.8**

GROUP STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

		Inflation adjusted audited		Historical cost unaudited	
	Notes	2019 Group ZWLm	2018 Group ZWLm	2019 Group ZWLm	2018 Group ZWLm
Cash flows from operating activities					
(Loss)/profit before tax		(2 651.6)	592.5	1 144.9	329.9
Non-cash movements and adjustments to profit before tax	59.1	(263.3)	(1 523.4)	(219.2)	(110.7)
Changes in working capital	59.2	5 093.1	2 223.4	1 425.8	132.9
Taxation paid	59.3	93.1	(135.2)	(50.7)	(25.6)
Net cash from operating activities		**2 271.3**	**1 157.3**	**2 300.8**	**326.5**
Cash flows from investing activities					
Acquisition of financial assets		(3 804.0)	(1 974.6)	(1 656.4)	(303.8)
Proceeds from disposal/maturity of financial assets		2 578.9	427.9	1 016.9	116.3
Acquisition of investment properties		(163.6)	(21.4)	(103.5)	(127.0)
Acquisition of intangibles, property and equipment		(224.5)	(134.4)	(83.0)	(17.9)
Proceeds from disposal of intangibles, property and equipment		35.8	0.1	5.7	0.1
Net cash used in investing activities		**(1 577.4)**	**(1 702.4)**	**(820.3)**	**(332.3)**
Cash flows from financing activities					
Dividends paid	59.4	(102.5)	(146.6)	(40.5)	(23.8)
Net cash used in financing activities		**(102.5)**	**(146.6)**	**(40.5)**	**(23.8)**
Net increase/(decrease) in cash and cash equivalents		**591.4**	**(691.7)**	**1 440.0**	**(29.6)**
Net foreign exchange differences on cash and cash equivalents		**111.6**	**16.5**	**106.5**	**0.3**
Cash and cash equivalents at the beginning of the year		**1 004.5**	**1 679.7**	**161.0**	**190.3**
Cash and cash equivalents at the end of the year		**1 707.5**	**1 004.5**	**1 707.5**	**161.0**

COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Inflation adjusted audited		Historical cost unaudited	
		2019 Company ZWLm	2018 Company ZWLm	2019 Company ZWLm	2018 Company ZWLm
Cash flows from operating activities					
(Loss)/profit before tax		(796.1)	686.7	139.9	142.2
Non-cash movements and adjustments to profit before tax	60.1	294.4	(424.9)	(167.5)	(122.4)
Changes in working capital	60.2	390.2	417.8	7.6	24.5
Taxation paid	60.3	(24.7)	(44.7)	(1.4)	(6.6)
Net cash from operating activities		**(136.2)**	**634.9**	**(21.4)**	**37.7**
Cash flows from investing activities					
Acquisition of financial assets		(27.9)	(370.0)	(8.6)	(40.0)
Disposal of financial assets		334.1	-	190.5	41.1
Proceeds from disposal of property and equipment		0.3	-	-	-
Increase in investments in subsidiaries		(151.3)	(21.7)	(110.3)	(2.5)
Acquisition of property and equipment		(3.2)	(0.5)	(1.6)	(0.1)
Net cash used in/from investing activities		**152.0**	**(392.2)**	**70.0**	**(1.5)**
Cashflows from financing activities					
Treasury shares sold		21.4	-	6.7	-
Dividends paid	60.4	(136.6)	(140.5)	(44.4)	(18.3)
Net cash used in financing activities		**(115.2)**	**(140.5)**	**(37.7)**	**(18.3)**
Net increase/(decrease) in cash and cash equivalents		**(99.4)**	**102.2**	**10.9**	**17.9**
Cash and cash equivalents at the beginning of the year		**131.5**	**29.3**	**21.2**	**3.3**
Cash and cash equivalents at the end of the year		**32.1**	**131.5**	**32.1**	**21.2**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

1. General Information

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

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

At the end of 2018 the OMZIL Group embarked upon a restructuring programme. The restructure was designed to generate operating efficiencies by streamlining the group legal entity and operating structure through cutting down on the number of legal entities, and grouping the business operations broadly into three clusters, namely, Insurance, Banking, and Wealth Management. In addition, the restructure was intended to ensure that compliance was achieved with various in-country regulatory requirements as captured in the Banking Amendment Act and the Insurance and Pensions Commission (IPEC) Governance Directive.

This exercise was completed at the end of October 2019 and has resulted in a number of group entities with effect from 1 January 2020 either being divisionalised under OMLAC, CABS and OMIG, being transferred to become subsidiaries of those companies, or being dissolved. The outcome is as follows:

- OMPIC becoming a division of OMLAC
- OMP becoming a division of OMIG
- CABSCUS becoming a division of CABS
- OMFIN becoming a subsidiary of CABS; and
- OMSS being dissolved and its functions either being decentralised or assumed by the holding company OMZIL.

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

2. Accounting Policies

2.1 Statement of compliance

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) and in accordance with the requirements of the Companies Act (Chapter 24:03). The Group is also regulated by the Insurance Act (Chapter 24:07), the Pension and Provident Funds Act (Chapter 24:09), the Building Societies Act (Chapter 24:02) , the Asset Management Act (Chapter 24:26), the Securities Act (Chapter 24:25), the Collective Investment Schemes Act (Chapter 24:19), and the Micro Finance Act (Chapter 24:29). IFRSs comprise standards adopted by the International Accounting Standards Board (IASB) and interpretations developed by the International Financial Reporting Interpretations Committee (IFRIC) or by the former Standing Interpretations Committee (SIC).

While full compliance with IFRSs has been possible in previous reporting periods, the comparative financial information for 2018 only achieved partial compliance with IFRSs as explained in detail in note 2.3.1 below. There also has been non-compliance in 2019 as detailed in note 2.3.3 below.

2. Accounting Policies (cont'd)

2.2 Basis of preparation

The financial statements provide information about the financial position, results of operations, and changes in the financial position of the Group. They are based on the statutory records that are maintained under the historical cost convention with the exception of investments and securities, investment properties as well as owner occupied properties which are included at valuation as described in note 2.9 and 2.13 below; insurance contract provisions and provisions for investment contracts with discretionary participating features which are calculated on a Financial Soundness Valuation Basis as per note 2.6 below. These are then restated to take into account the effects of inflation in accordance with the International Accounting Standard 29 (IAS 29) "Financial Reporting in Hyperinflationary Economies".

Accordingly, the inflation adjusted financial statements represent the principal financial statements of the company and the Group. IAS 29 discourages the presentation of historical cost financial statements when inflation adjusted financial statements are presented, however, these have been presented as supplementary information to the restated financial statements.

IAS 29, "Financial Reporting in Hyperinflationary Economies", requires that the financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the reporting date and that corresponding figures for previous periods be restated in the same terms.

The restatement of the historical cost numbers is based on the conversion factors derived from the consumer price index (CPI) issued by the Zimbabwe Central Statistical Office (C.S.O). The indices and conversion factors used to restate the accompanying financial statements as at 31 December 2019 are given below.

Dates	Indices	Conversion Factors
31/12/2019	551.82	1.0000
31/12/2018	88.81	6.2135
31/12/2017	62.50	8.8291

The main procedures applied for the above-mentioned restatement are as follows:

i. All corresponding figures as of and for the year ended 31 December 2018 are restated as follows;
   a. Monetary assets and liabilities and items that are carried at amounts that were current at 31 December 2018 are restated by applying the change in the index from 31 December 2018 to 31 December 2019;
   b. Non-monetary assets and liabilities that were not carried at amounts current at 31 December 2018 and components of shareholders equity are restated by applying the change in the index from the date of the transaction or if applicable from the date of their most recent revaluation to 31 December 2019 or if the transaction date was before 1 January 2018, they are restated from 1 January 2018 being the date of initial application of IAS 29.
   c. Profit or loss items/transactions, except the depreciation and amortisation charges, are restated by applying the change in the index from the date of the transaction to 31 December 2019. Depreciation and amortisation amounts are based on restated carrying amounts of the underlying assets.
   d. Deferred tax is calculated on restated carrying amounts.

ii. Monetary assets and liabilities that are carried at amounts current at balance sheet date are not re-stated because they are already expressed in terms of the monetary unit current at the balance sheet date.

iii. Non-monetary assets and liabilities that are not carried at amounts current at the balance sheet date and components of shareholders equity are restated by applying the change in the index from the date of the transaction or if applicable from the date of their most recent revaluation to 31 December 2019. An impairment loss has been recognised in profit or loss if the remeasured amount of a non-monetary item exceeds its estimated recoverable amount.

iv. Property, plant, and equipment is restated by applying the change in the index from the date of purchase to 31 December 2019. Depreciation amounts are based on restated costs. Owner occupied buildings are revalued annually at the balance sheet date, and therefore being carried at amounts current at the balance sheet date, are not restated. The depreciation amounts are based on the opening restated amounts.

v. Deferred tax is calculated on restated carrying amounts,

vi. Profit or loss items/transactions, except the depreciation and amortisation charges explained above, are restated by applying the change in the index from the date of the transaction to 31 December 2019.

vii. The effect of inflation on the net monetary position of the entity is included in the income statement as loss or gain on monetary position.

viii. All items in the cash flow statement are expressed in terms of the measuring unit current at the balance sheet date.

2. Accounting Policies (cont'd)

2.3 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 judgement or assessments. The areas of the Group's business that typically require such estimates are life insurance contract provisions, determination of the fair value for financial assets and liabilities, and investment properties. For part of the year ended 31 December 2019, the determination of foreign currency has been a key judgement area. Insurance contract accounting and key assumptions made in determining insurance contract provisions are discussed in more detail in note 2.6.

2.3.1 Functional currency

The financial statements are prepared in compliance 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.

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 (ZWL$) as currency in Zimbabwe. Subsequent to 22 February 2019, the RTGS dollar is now referred to as a Zimbabwe dollar (ZWL$). For the purposes of presentation, the 2018 comparatives are shown as ZWL$. It is the Group's view that the prescribed parity in value between local currency and the USD did not accurately reflect underlying market economic conditions for 2018.

In the Directors' opinion therefore, the requirement to comply with Statutory Instrument 33 of 2019 impacted on the 2018 financial statements by creating inconsistencies with IAS 21 as well as with the principles embedded in the IFRS Conceptual Framework as also enunciated in the guidance issued by the Public Accountants and Auditors Board on 21 March 2019. This resulted in accounting treatment being adopted in the 2018 financial statements, particularly concerning functional currency applied in the preparation of the financial statements, and the exchange rates applied in converting foreign currency denominated balances, which was different from that which would have been adopted if the group had been able to fully comply with IFRSs. This has had a knock on impact on fair presentation in the comparative (prior year) financial information presented in the 2019 financial statements. While for the 2019 financial year, SI33 also applied up to 22 February 2019, the impact of foreign denominated transactions occurring over this period is not considered material and does not, in the opinion of directors, impact on the fair presentation of the statement of comprehensive income for 2019. The exchange differences that arose on translating foreign currency denominated assets and liabilities on the date of change in the Group's functional currency were accounted for through the currency conversion reserve. The reserve is not available for distribution as profits.

In addition, it should be noted that in terms of International Accounting Standard (IAS) 29 "Financial Reporting in Hyperinflation Economies" inflation adjusted financial statements form the primary financial statements of an entity. However, the comparative inflation adjusted financial information included in the financial statements is arrived at by applying an inflation index to historically recorded financial information. Resultantly, the comparative financial information presented in terms of IAS 29 has also been impacted by non-compliance with IAS21 in the prior year.

2. Accounting Policies (cont'd)

2.3 Critical accounting estimates and judgements (cont'd)

2.3.2 Foreign denominated Legacy debts /Blocked funds

In June 2019, the Reserve bank of Zimbabwe (the "RBZ") invited all parties with Legacy Debts to apply for registration in order to guarantee settlement of these debts at the rate of 1:1. On 27 and 28 June 2019, CABS paid ZWL$30.34m to the RBZ to match their foreign obligation of US$30.34m. 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 an amount in USD equivalent to the debt registered at a future date now exists. The carrying value of the financial instrument reflects management's assessment of the present value of the expected net cashflows to be received under this arrangement. The RBZ has stated its intention to honour its commitment and has provided liquidity to support obligations that CABS has settled to date.

2.3.2.1 Carrying value of obligations to related parties in the OML Group

Included in the statement of financial position under 'Amounts due to group companies' are amounts owing to related parties as at 31 December 2019 which were accounted for in ZWL$ at the value of the matching portfolio of assets where the funds had been invested, pending finalisation of the legacy debt process. Approval for the registration of these obligations as legacy debt amounting to USD82 million was received subsequent to year end. The matter is detailed in Note 25.2.1.

2.3.3 Translation of USD transactions in the General Insurance business

For the 2019 financial year, the United States Dollar denominated transactions in the General Insurance business, OMICO, were translated using the monthly average official interbank rates and the closing rate for the Statement of Comprehensive Income and Statement of Financial Position transactions respectively. The current insurance management system did not have sufficient multi-currency capability and the ability to break down batch totals of transactions for the application of spot rates, and it is for this practical reason that management adopted the use of monthly averages in translating the United States Dollar Transactions.

While IAS21 permits the use of an average exchange rate instead of the spot rate in instances where it is not practicable to use spot rates, the Directors note the limitation of the use of an average rate in the Zimbabwe context with regard to the precision of an average when exchange rates fluctuate significantly during the period.

However, it is the Directors' view that the fluctuations did not have a material effect on the financial statements, as for 6 months in 2019, exchange rates did not fluctuate significantly within the month with the extent of movements between the opening and closing rates within the month being less than 10%. As a result, the difference between using a spot rate and the average rate was not significant.

The risk in the General Insurance business for USD policies was largely reinsured with only a maximum of 25% of risk being retained within the business. In addition, following the promulgation of Statutory Instrument 142 of 2019 (SI142) in June 2019 which restricted the use of the USD for domestic transactions, the level of USD policies written by the business fell significantly. Furthermore, USD business was only 1% of net premiums in 2019 while USD net claims were 3% of net claims.

The table below outlines the proportion of the USD business for premiums, claims and foreign exchange differences:

	Gross Amount USDm	Reinsurance USDm	OMICO Net USDm	Inflation adjusted OMICO Net ZWLm	Inflation adjusted Total Group-Net ZWLm	Group %
Net premiums	7.4	(6.3)	1.1	17.2	902.7	2%
Claims paid	(1.0)	0.5	(0.5)	(8.7)	(693.7)	1%
Claims incurred not paid	(1.5)	1.4	(0.1)	(0.4)	(7.1)	6%
Total Claims	(2.5)	1.9	(0.6)	(9.1)	(700.8)	1%
Foreign exchange gains and losses	-	-	-	(7.4)	111.6	-7%

2. Accounting Policies (cont'd)

2.3 Critical accounting estimates and judgements (cont'd)

2.3.4 Other critical estimates and judgements

The fair values of investment properties, financial assets as well as liabilities are classified and accounted for in accordance with the policies set out in section 2.9 and 2.13 below. They are valued on the basis of listed market prices in so far as this is possible. If prices are not readily determinable, then fair value is based either on internal valuation models or management estimates of amounts that could be realised under current market conditions. The translation of the foreign currency denominated assets and liabilities to local currency is based on the year-end exchange rate while transactions are translated at the average exchange rate for the reporting period.

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

The Group has investment linked insurance funds which include investments in which the Group has more than 20% disclosed on Note 22.5. These funds are backed by investment contracts with discretionary participating features and meet the following characteristics:

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

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

Valuations of housing projects

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

Valuation of Treasury bills

Financial instruments comprise of treasury bills instruments. The valuation of treasury bills on initial recognition, and the subsequent measurement thereof, has been identified as a complex area due to the fact that there are varying views in the banking sector on the correct accounting treatment of these treasury bills and due to the absence of an active market with sufficient trades to inform the fair value of the treasury bills. The treasury bills are disclosed in note 22.6 and are recorded at fair value, and some are at amortised cost.

2.4. Scope of consolidation

2.4.1. Subsidiary undertakings

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

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

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

2. Accounting Policies (cont'd)

2.4. Scope of consolidation (cont'd)

2.4.1. Subsidiary undertakings (cont'd)

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

2.4.2. Structured Entities

In structured entities voting or similar rights are not the predominant factor in deciding who controls the entity but rather the Group's exposure to the variability of returns from these entities, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. The Group considers the existence and effect of potential voting rights currently exercisable or convertible when assessing whether it has control. Entities in which the Group holds half or less of the voting rights but are controlled by the Group retaining majority of the risks or benefits are also included in the Group accounts. The Group remains exposed to the variability of returns from the performance of the other entity. The Group considers evidence from its holding of debt or equity instruments as well as other forms of involvement such as provision of funding, liquidity support, credit enhancement, and guarantees to the other entity. The Group financial statements include the assets, liabilities, and results of the Group together with subsidiary undertakings controlled by the Group.

The Group acts as fund manager to a number of Investment funds. Determining whether the Group controls such an investment fund usually focuses on the assessment of decision-making rights as fund manager, the investor's rights to remove the fund manager, and the aggregate economic interests of the Group in the fund in the form of interest held and exposure to variable returns.

In most instances, the Group's decision-making authority, in its capacity as fund manager, with regard to these funds is regarded to be well-defined. Discretion is exercised when decisions regarding the relevant activities of these funds are being made. For funds managed by the Group where the investors have the right to remove the Group as fund manager without cause, the fees earned by the Group, are considered to be market-related. These agreements include only terms, conditions or amounts that are customarily present in arrangements for similar services and level of skills negotiated on an arm's length basis. The Group has concluded that it acts as agent on behalf of the investors in all instances.

The Group is considered to be acting as principal where the Group is the fund manager and is able to make the investment decisions on behalf of the unit holders, earn a variable fee, and there are no kick-out rights that would remove the Group as fund manager.

2.4.3. Loss of Control

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

2.5 Revenue

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

2.6 Insurance and investment contracts

2.6.1 Classification of contracts

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

2. Accounting Policies (cont'd)

2.6 Insurance and investment contracts (cont'd)

2.6.1 Classification of contracts (cont'd)

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

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

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

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

2.6.2. Premiums on contracts

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

2.6.3. Revenue on investment management service contracts

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

2.6.4 Claims on contracts

Claims and benefits incurred under insurance contracts and investment contracts with a discretionary participating feature include maturities, annuities, surrenders, pension commutations, withdrawal benefits, and death and disability payments and are recognised in profit or loss. Maturity and annuity claims are recorded as they fall due for payment. Death and disability claims and surrenders are accounted for when notified. Reinsurance recoveries are accounted for in the same period as the related claim.

Amounts paid under investment contracts other than those with a discretionary participating feature are recorded as deductions from investment contract liabilities. Claims incurred in respect of short-term insurance general business consist of claims and claims handling expenses paid during the financial year, together with the movement in the provision for outstanding claims.

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

2.6.5 Insurance contract and investment contracts liabilities

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

2. Accounting Policies (cont'd)

2.6 Insurance and investment contracts (cont'd)

2.6.5 Insurance contract and investment contracts liabilities (cont'd)

Provisions for investment contracts with a discretionary participating feature are also computed using FSV method. Surplus allocated to policyholders but not yet distributed (i.e. bonus smoothing reserve) related to these contracts is included as a carrying value of liabilities. Investment options and guaranteed payments are computed on the prospective deposit method, which produces reserves equal to the present value of future benefit payments.

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

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

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

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

2.6.6 Investment contract liabilities

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

2.6.7 Acquisition costs on long-term insurance

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

2.6.8 Deferred acquisition costs in respect of investment management service contracts

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

2.7 Intangible assets

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

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

2. Accounting Policies (cont'd)

2.7 Intangible assets (cont'd)

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

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

2.8 Investment in subsidiary companies

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

2.9 Investment property

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

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

An investment property shall be derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from disposal.

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

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

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

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

2.10 Property and equipment

Owned assets

Owner-occupied property is recognised at revalued amounts, being the fair value at the date of the revaluation less subsequent accumulated depreciation and accumulated impairment losses. Equipment, principally computer equipment, motor vehicles, fixtures and furniture, are recognised at cost less accumulated depreciation and impairment losses. Property under development is valued at cost.

Subsequent expenditure

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

Revaluation of owner-occupied property

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

2. Accounting Policies (cont'd)

2.10 Property and equipment (cont'd)

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

Derecognition

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

Depreciation

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

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

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

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

2.11 Taxation

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

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

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

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

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

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

2. Accounting Policies (cont'd)

2.12 Reinsurance

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

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

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

2.13 Financial instruments

Recognition and derecognition

Initial recognition of financial assets

Under IFRS 9: Financial Instruments or 'IFRS 9', there are three measurement classifications as follows:
- Amortised cost;
- Fair Value through Other Comprehensive Income (FVOCI) which may include debt or equity instruments; or
- Fair Value through Profit and Loss (FVTPL).

The classification of financial assets for the Group is based on whether the financial assets are equity instruments, debt instruments held or derivative assets, and this is in line with the requirements of IFRS 9. Equity instruments held for trading purposes 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. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not accounted for separately. Instead, the hybrid financial instrument as a whole is assessed for classification.

A debt instrument is classified as a financial asset at amortised cost if it meets both of the following conditions (and is not designated as at FVTPL):
- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI if it meets both of the following conditions (and is not designated as at FVTPL):
- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

Initial recognition of financial liabilities

On initial recognition, financial liabilities are measured at fair value plus, 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.

2. Accounting Policies (cont'd)

2.13 Financial instruments (cont'd)

Subsequent measurement of financial assets

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

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

Subsequent measurement of financial liabilities

Subsequent to initial recognition, all financial liabilities at FVOCI and FVTPL are measured at fair value, except that any instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably measured is stated at cost. Fair value movements attributable to changes in the credit risk of a financial liability designated at FVTPL is recorded in other comprehensive income and not recycled to profit or loss. The balance of the fair value movement is recorded in profit or loss. Other financial liabilities are measured at amortised cost.

Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to the cashflows from the financial asset expire, or it transfers those rights in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Derecognition of financial liabilities

The Group derecognises a financial liability when the contractual obligations are discharged or cancelled or expire. The Group also derecognises the financial liability when its terms are modified and the cashflows of the modified liability are substantially different, in which case a new financial liability based on the new terms is recognised at fair value.
On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Business model assessment

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

Banking business

The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets.
Indicators of what the business model is:

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the business's stated objective for managing the financial assets is achieved and how cash flows are realised.

Debt instruments within the banking business are carried at amortised cost.

2. Accounting Policies (cont'd)

2.13 Financial instruments (cont'd)

Insurance business

The business holds a portfolio of long-term fixed rate public sector securities, debentures, and short term fixed deposits in the money market. Assessment determined that the contractual terms of these interest bearing securities give rise to cashflows on specified dates that are solely payments of principal and interest on principal amount outstanding. The business elected to irrevocably designate interest bearing securities to be measured at fair value through profit or loss in order to reduce the recognition inconsistency that would otherwise arise from measuring financial assets with policyholder liabilities or recognising the gains and losses on them on different bases.

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

Rest of Group

The other businesses hold their interest bearing securities (debentures, fixed deposits in money markets, and public sector securities) to maturity for the purpose of collecting contractual cashflows. The cashflows of these investments meet the SPPI (solely payments of principal and interest on principal amount outstanding) test and are classified at amortised cost. Equity investments (both listed and unlisted) and unit trusts investments are measured at fair value through profit or loss. These businesses did not hold financial assets at fair value through other comprehensive income at the reporting date.

Impairment of financial assets

The Group adopted the Expected Credit Loss (ECL) model and this applies to financial assets measured at amortised cost (for example mandatory reserve deposits with central banks, reinsurers' share of policyholder liabilities, loans and advances, trade and other receivables, cash and cash equivalents, and corporate debt securities held by the Group) as well as financial assets measured at FVOCI, but not to investments in equity instruments.

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

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

Financial assets measured at armotised cost and FVOCI

In determining the ECL allowances for financial assets, the following significant judgements and estimates were considered.

- In the absence of sufficient depth of data and the sophistication of credit risk management systems and protocols, management applies expert judgement within a governance framework to determine the required parameters. The expert judgement process is based on available internal and external information. Due to differences in availability of data and maturity of credit risk management across the Group, different approaches are used to determine the key parameters.
- Judgement is applied in identifying the qualitative and quantitative triggers and thresholds used to identify significant increases in credit risk since initial recognition of the financial assets. Depending on the availability of reasonable and supportable information without undue cost or effort, significant increases in credit risk is identified through, amongst others, increases in behaviour scores, arrears aging, and portfolio assessments.
- In some instances. the 12-month PDs are calculated by a behaviour scoring model that takes into account internal and external information, where available. The 'behaviour PDs' are linked to empirical default rates. A specific change in the behaviour score (and associated PD) indicates that the credit risk has increased significantly since initial recognition. Identifying the specific change in the PD that would trigger a significant increase in credit risk includes a degree of judgement. The behaviour scorecard is monitored and is recalibrated if necessary. Translating 12-months PDs into lifetime PDs requires management judgement and is based on the timing of defaults observed

2. Accounting Policies (cont'd)

2.13 Financial instruments (cont'd)

historically. In low default commercial and corporate portfolios PDs are calculated using a combination of internal ratings, default experience and PD floors based on sovereign credit ratings for the jurisdiction.

- Various arrear aging thresholds are also used to determine whether a significant increase in credit risk took place since initial recognition. Judgement is applied to determine the appropriate arrears threshold for different financial assets. The Group also makes use of the rebuttable presumption that a significant increase in credit risk has taken place when a financial asset is 30 days past due or one payment in arrears.
- The Group applies judgement in identifying default and credit-impaired financial assets. In making this judgement, the Group considers the arrears category where the balance has been allocated to, whether the balance is in legal review, debt review or under administration or expert judgement. Financial assets are credit impaired when one or more events with a detrimental impact on the expected cash flows have taken place.
- A key judgement in determining the LGDs is the time period that the cash flows must be estimated for. The time period is estimated based on historical data that can be volatile. When the cash flows are too volatile, the time period is capped to limit volatility. LGDs are influenced by estimates of the amounts to be recovered from the realisation of collateral and the estimated costs to realise the collateral.
- The Group applies judgement in selecting the following macroeconomic factors: CPI inflation and unemployment rate. Management applied judgement in determining the number of scenarios to be used, the probability assigned to each scenario and the time period used to estimate the impact of forward-looking information of the ECL losses. By nature, the estimation of the values of macroeconomic factors in the near future is judgemental and subject to uncertainty.
- In the absence of a reliable correlation between macroeconomic factors and ECL losses, the Group applies expert judgement to decide whether a management overlay provision should be included in the measurement of ECL losses. After considering available information and qualitative risk factors within a governed process, the Group concluded that a management overlay provision will not be included in the measurement of ECL losses.

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

The ECL loss amount depends on the specific stage that the financial instrument has been allocated 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: the portion of the lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date (stage 1); and
- Lifetime ECLs: ECLs that result from all possible default events over the expected life of a financial instrument (stage 2 and 3).

The Reserve Bank of Zimbabwe (RBZ) also requires the Group to provide for provisions for loan losses rather than impairment losses as determined in accordance with International Accounting Standard (IFRS 9). Where the provision as per RBZ guidelines is higher than the IFRS 9 impairment losses, the excess is treated as an appropriation of equity. The excess is transferred between the Regulatory provision reserve and retained earnings and unwinds when the IFRS impairment is higher than the regulatory provision as in accordance with the provisions of the Banking Regulations, 2000, Statutory Instrument 205 of 2000.

Group's assessment

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

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

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

2. Accounting Policies (cont'd)

2.13 Financial instruments (cont'd)

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

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

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

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

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

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk. The ECL calculation of a financial instrument takes into account both the contractual and available behavioural repayment patterns over the relevant estimation period. A financial asset is in default when the financial asset is credit-impaired or if the Basel definition of default is met. Where applicable, the rebuttable presumption that default does not occur later than when a financial asset is 90 days past due is applied.

Measurement of expected credit losses

ECLs are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset. For presentation the ECL allowances are deducted from the gross carrying amount of the assets. ECLs are presented separately in the consolidated income statement.

Significant judgements and estimates

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

- The Group applies judgement in determining whether a significant increase in credit risk took place since initial recognition of financial assets at amortised cost. Judgement was applied in identifying the qualitative and quantitative triggers and thresholds used to identify significant increases in credit risk since initial recognition of the financial assets. Depending on the availability of reasonable and supportable information, without undue cost or effort, significant increases in credit risk is identified through increases in behaviour risk, arrears aging, and portfolio assessments. The Group makes use of the rebuttable presumption that a significant increase in credit risk has taken place when a financial asset is 30 days past due or one payment in arrears. The assessments are carried out on a regular basis as part of the credit risk management activities of the Group.
- The Group applies judgement in identifying default and credit-impaired financial assets. The Group considers the arrears category where the balance has been allocated to or whether the balance is in legal review, debt review or under administration. Balances are considered to be in default when the balances have been past due for 90 days or more or have been identified to be in default after applying expert judgement. Financial assets are credit impaired when one or more events with a detrimental impact on the expected cash flows have taken place.
- The calculation of the ECL balance is primarily influenced by the stage allocation of the balance and the risk parameters. The Group makes use of estimates of PDs, LGDs, and EADs to calculate the ECL balance for financial assets at amortised cost. Depending on the relevant information available, PDs are based on a behavioural scoring model and historic default rate curves or are determined through internally developed statistical models. LGDs are derived from a default recovery time series model that takes recency of payments into account or through internally developed statistical models. EADs are determined with reference to expected amortisation schedules and taking into account credit conversion factors as applicable for undrawn or revolving facilities.
- The ability to include forward-looking information in the measurement of ECL balances is dependent on the existence of reliable and quantifiable correlation between forward-looking factors and changes in the ECL balance. When such correlations do not exist, and where applicable, management applies expert judgement to determine an overlay provision to incorporate best estimates of the impact of forward-looking information. Any overlay provision is based on available information and qualitative risk factors within a governed process.

2. Accounting Policies (cont'd)

2.14 Foreign currency translation

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

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

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

Sensitivities on the exchange rate are disclosed under Note 63.

2.15 Employee benefits

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

(i) Post-employment benefits

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

(ii) Termination benefits

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

(iii) Short-term benefits

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

(iv) Other long-term employee benefits

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

2. Accounting Policies (cont'd)

2.16 Provisions

Staff related provisions mainly comprise of bonus provisions, leave pay provision, and cash settled share based payments provisions. Other provisions are any provisions not related to staff and are generally individually immaterial. Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will occur and where a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in profit or loss net of any reimbursement. Where the effect of discounting is material, provisions are discounted. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Future operating costs or losses are not provided for.

2.17 Share-based payments

Equity-settled share-based payment transactions

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

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

Cash-settled share-based payment transactions

The services received in cash-settled share-based payment transactions with employees and the liability to pay for those services, are recognised at fair value as the employee renders services. Until the liability is settled, the fair value of the liability is re-measured at each reporting date and at the date of settlement, with any changes in fair value recognised in profit or loss for the period.

The fair value of the liability is measured at the fair value of the awards or options by applying standard option pricing models, taking into account terms and conditions on which the share awards or options were granted, and the extent to which the employees have rendered services to date.

2.18 Leases

The Group assesses whether a contract is a lease in scope of IFRS 16: Leases by determining whether the contract gives it the right to use a specified underlying physical asset for a lease term greater than twelve months, unless the underlying asset is of low value. Where the Group is a lessee and the lease is deemed in scope, it recognises a liability equal to the present value of lease payments over the lease term; discounted using the incremental borrowing rate applicable in the economic environment of the lease. The lease liability is recognised in 'Other liabilities'. A corresponding right-of-use asset equal to the liability, adjusted for any lease payments made at or before the commencement date, is recognised in 'Property, plant, and equipment'. The lease term includes any extension options contained in the contract that the Group is reasonably certain it will exercise.

The Group subsequently depreciates the right-of-use asset using the straight-line method over the lease term and measures the lease liability using the effective interest method. Depreciation on the asset is recognised in 'Depreciation and amortisation', and interest on the lease liability is recognised in 'Interest expense'.

2.19 Impairment of non-financial assets

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

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

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

2. Accounting Policies (cont'd)

2.20 Sale and repurchase agreements

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

2.21 Dividends

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

2.22 Inventory

Inventory comprises largely of costs for the construction of houses for sale under housing projects. Inventory is measured at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated selling expenses. The cost of inventories is based on the first in first out principle and includes borrowing costs capitalised in accordance with the Group's accounting policies, and expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Additional disclosure in respect of inventory are included in note 25.1.

2.23 Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operational decisions. The Group has related party relationships with its subsidiaries, fellow subsidiaries of Old Mutual Limited, company directors, other key shareholders and key management personnel. Transactions and balances are reflected in note 38.

2.24 Share capital

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

2.25 Non-distributable reserve

When the Zimbabwean economy dollarised in 2009, a Financial Reporting Guidance was used to determine a foreign currency opening statement of financial position on the date of change in functional currency from ZWL$ to US$. The Group used the Guidance to translate the financial statements at the normalisation date to US$ to be used as the deemed costs in the opening statements of financial position at 1 January 2009. The surplus on the restatement of the assets and liabilities was credited to non-distributable reserves in equity. The reserve is not available for distribution to shareholders.

2.26 Segment reporting

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

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

2. Accounting Policies (cont'd)

2.27 Forthcoming requirements

Future amendments not early adopted in the 2019 annual financial statements

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out as follows:

IFRS 17 Insurance Contracts (effective for accounting periods beginning on or after 1 January 2023)

IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, (however, the IASB has made a tentative decision to defer the effective date by two years to 1 January 2023, subject to due process). The IASB issued IFRS 17 'Insurance Contracts' in May 2017 as a replacement for IFRS 4 'Insurance Contracts'. The Group will apply the new standard from the effective date. The new rules will affect the financial statements and key performance indicators of the Group on insurance contracts (such as term and life insurance, life annuities and disability insurance) or investment contracts with discretionary participation features (such as with-profit annuities and investments).

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

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

2.28 New accounting standards adopted

On 1 January 2019, the Group adopted IFRS 16 Leases. IFRS 16 replaced IAS 17 Leases. IFRS 16 introduced a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17 Leases. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Group has elected to adopt the modified retrospective approach and has not restated comparative information. The Group took advantage of the practical expedients as allowed by IFRS 16 on transition, therefore the Group did not record a lease liability or right-of-use asset for leases with a remaining term of less than 12 months as at 1 January 2019. On 1 January 2019, the Group recognised a lease liability, being the remaining lease payments, including extensions options where renewal is reasonably certain, discounted using the Group's incremental borrowing rate at 1 January 2019. The corresponding right-of-use asset recognised is the amount of the lease liability adjusted for prepaid or accrued lease payments related the leases. This resulted in recognition of a right of use asset of ZWL$3.6 million and corresponding lease liability of the same amount, with no adjustment to retained earnings. The comparative information is not restated and hence it is as previously reported, under IAS 17 and related interpretations. The right of use asset has been presented as part of property, plant and equipment whereas the lease liability has been included in other liabilities.

2.29 Comparative figures

As much as possible, comparative figures are reclassified in line with current year presentation. Also refer to 2.3.1. to further understand the impact of the functional currency change on comparative figures.

3 Segment information - Inflation adjusted - audited

A1 Statement of profit or loss - segment information for the year ended 31 Dec 2019

	Life Assurance ZWLm	General Insurance ZWLm	Banking & Lending ZWLm	Asset Management ZWLm	Holding Co & Other ZWLm	Consolidation Adjustments ZWLm	Total ZWLm
Revenue							
Gross earned premiums	806.2	387.7	-	-	-	(69.1)	1 124.8
Outward reinsurance	(15.4)	(206.7)	-	-	-	-	(222.1)
Net earned premiums	790.8	181.0	-	-	-	(69.1)	902.7
Investment income (non banking)	7 349.0	287.2	-	1.1	740.3	(418.6)	7 959.0
Banking interest and similar income	-	-	485.4	-	-	-	485.4
Fee income, commissions, and income from service contracts	26.3	-	434.2	160.3	88.5	(160.0)	549.3
Other income	11.5	51.9	115.0	1.3	3.7	(12.2)	171.2
Total revenue	**8 177.6**	**520.1**	**1 034.6**	**162.7**	**832.5**	**(659.9)**	**10 067.6**
							-
Expenses							-
Claims and benefits (including change in insurance contract provisions)	(6 485.8)	(219.5)	-	-	-	5.0	(6 700.3)
Reinsurance recoveries	3.9	115.1	-	-	-	-	119.0
Net claims incurred	(6 481.9)	(104.4)	-	-	-	5.0	(6 581.3)
Change in provision for investment contract liabilities	(399.3)	-	-	-	-	-	(399.3)
Fees, commissions, and other acquisition costs	(73.9)	(51.8)	(202.6)	-	(2.9)	16.7	(314.5)
Banking interest payable and similar expenses	-	-	(199.2)	-	-	27.2	(172.0)
Impairment charges	-	-	(106.1)	-	-	-	(106.1)
Other operating and administration expenses	(188.8)	(37.3)	(461.3)	(113.8)	(468.4)	459.6	(810.0)
Net monetary changes	(2 977.7)	(515.5)	(237.5)	(79.9)	(1 305.3)	779.9	(4 336.0)
Profit before tax	**(1 944.0)**	**(188.9)**	**(172.1)**	**(31.0)**	**(944.1)**	**628.5**	**(2 651.6)**
Income tax expense/(credit)	53.1	(4.4)	(0.6)	(12.6)	6.6	(1.0)	41.1
Profit for the year	**(1 890.9)**	**(193.3)**	**(172.7)**	**(43.6)**	**(937.5)**	**627.5**	**(2 610.5)**

A2 Statement of profit or loss - segment information for the year ended 31 Dec 2018

	Life Assurance ZWLm	General Insurance ZWLm	Banking & Lending ZWLm	Asset Management ZWLm	Holding Co & Other ZWLm	Consolidation Adjustments ZWLm	Total ZWLm
Revenue							
Gross earned premiums	1 445.0	257.5	-	-	-	(37.7)	1 664.8
Outward reinsurance	(22.1)	(54.5)	-	-	-	-	(76.6)
Net earned premiums	1 422.9	203.0	-	-	-	(37.7)	1 588.2
Investment income (non banking)	5 943.3	133.7	-	2.8	1 832.6	(1 199.4)	6 713.0
Banking interest and similar income	-	-	880.0	-	-	-	880.0
Fee income, commissions, and income from service contracts	47.1	-	549.3	211.2	126.6	(224.4)	709.8
Other income	0.2	13.4	53.0	0.3	4.2	(39.3)	31.8
Total revenue	**7 413.5**	**350.1**	**1 482.3**	**214.3**	**1 963.4**	**(1 500.8)**	**9 922.8**
							-
Expenses							-
Claims and benefits (including change in insurance contract provisions)	(5 215.7)	(172.7)	-	-	-	7.4	(5 381.0)
Reinsurance recoveries	13.7	37.7	-	-	-	-	51.4
Net claims incurred	(5 202.0)	(135.0)	-	-	-	7.4	(5 329.6)
Change in provision for investment contract liabilities	(230.5)	-	-	-	-	-	(230.5)
Fees, commissions, and other acquisition costs	(98.0)	(38.1)	(214.1)	-	(3.4)	20.9	(332.7)
Banking interest payable and similar expenses	-	-	(266.5)	-	-	73.8	(192.7)
Impairment charges	-	-	(130.3)	-	-	-	(130.3)
Other operating and administration expenses	(167.2)	(46.0)	(463.4)	(88.0)	(684.3)	732.3	(716.6
Net monetary changes	(1 233.7)	(105.6)	(246.5)	(55.1)	(535.2)	(221.8)	(2 397.9)
Profit before tax	**482.1**	**25.4**	**161.5**	**71.2**	**740.5**	**(888.2)**	**592.5**
Income tax expense/(credit)	(79.7)	(5.5)	(0.4)	(31.4)	(52.5)	4.1	(165.4)
Profit for the year	**402.4**	**19.9**	**161.1**	**39.8**	**688.0**	**(884.1)**	**427.1**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 2019

3. Segment information - Historical cost - unaudited	Life Assurance ZWLm	General Insurance ZWLm	Banking & Lending ZWLm	Asset Management ZWLm	Holding Co & Other ZWLm	Consolidation Adjustments ZWLm	Total ZWLm
B1 Statement of profit or loss - segment information for the year ended 31 Dec 2019							
Revenue							
Gross earned premiums	331.3	161.2	-	-	-	19.4	473.1
Outward reinsurance	(6.4)	(95.3)	-	-	-	-	(101.7)
Net earned premiums	324.9	65.9	-	-	-	19.4	371.4
Investment income (non banking)	6 887.8	113.9	-	0.3	509.2	(230.4)	7 280.8
Banking interest and similar income	-	-	190.9	-	-	-	190.9
Fee income, commissions, and income from service contracts	10.5	-	226.6	61.6	23.6	(63.5)	258.8
Other income	11.0	-	213.0	(20.5)	20.2	(106.5)	117.2
Total revenue	**7 234.2**	**179.8**	**630.5**	**41.4**	**553.0**	**(419.8)**	**8 219.1**
Expenses							
Claims and benefits (including change in insurance contract provisions)	(6 055.0)	(66.0)	-	-	-	2.2	(6 118.8)
Reinsurance recoveries	1.1	29.1	-	-	-	-	30.2
Net claims incurred	(6 053.9)	(36.9)	-	-	-	2.2	(6 088.6)
Change in provision for investment contract liabilities	(387.5)	-	-	-	-	-	(387.5)
Fees, commissions, and other acquisition costs	(26.9)	-	(99.1)	(1.3)	-	11.9	(115.3)
Banking interest payable and similar expenses	-	-	(81.2)	-	-	9.6	(71.6)
Impairment charges	-	-	(46.4)	-	-	-	(46.4)
Other operating and administration expenses	(84.9)	(34.6)	(187.5)	(45.3)	(302.7)	290.2	(364.8)
						-	
Profit before tax	**681.0**	**108.3**	**216.3**	**(5.2)**	**250.3**	**(105.8)**	**1 144.9**
Income tax expense/(credit)	(212.8)	(0.6)	(0.1)	(1.4)	(7.3)	1.9	(220.3)
Profit for the year	**468.2**	**107.7**	**216.2**	**(6.6)**	**243.0**	**(103.9)**	**924.6**
B2 Statement of profit or loss - segment information for the year ended 31 Dec 2018							
Revenue							
Gross earned premiums	176.9	41.4	-	-	-	(4.2)	214.1
Outward reinsurance	(2.7)	(8.6)	-	-	-	-	(11.3)
Net earned premiums	174.2	32.8	-	-	-	(4.2)	202.8
Investment income (non banking)	927.6	22.1	-	0.3	261.7	(209.8)	1 001.9
Banking interest and similar income	-	-	108.9	-	-	-	108.9
Fee income, commissions, and income from service contracts	6.0	-	66.9	26.1	15.6	(30.4)	84.2
Other income	0.1	0.1	2.8	0.9	5.1	(7.4)	1.6
Total revenue	**1 107.9**	**55.0**	**178.6**	**27.3**	**282.4**	**(251.8)**	**1 399.4**
							-
Expenses							-
Claims and benefits (including change in insurance contract provisions)	(795.5)	(24.3)	-	-	-	0.9	(818.9)
Reinsurance recoveries	1.7	2.6	-	-	-	-	4.3
Net claims incurred	(793.8)	(21.7)	-	-	-	0.9	(814.6)
	-	-	-	-	-	-	-
Change in provision for investment contract liabilities	(89.4)	-	-	-	-	-	(89.4)
Fees, commissions, and other acquisition costs	(14.2)	(4.5)	(26.2)	(0.4)	-	11.9	(33.4)
Banking interest payable and similar expenses	-	-	(32.5)	-	-	8.3	(24.2)
Credit losses and impairment charges	-	-	(16.5)	-	-	-	(16.5)
Other operating and administration expenses	(18.2)	(7.0)	(54.8)	(10.7)	(121.5)	120.8	(91.4)
Profit before tax	**192.3**	**21.8**	**48.6**	**16.2**	**160.9**	**(109.9)**	**329.9**
Income tax expense/(credit)	(16.7)	(0.2)	0.2	(4.8)	(8.4)	0.7	(29.2)
Profit for the year	**175.6**	**21.6**	**48.8**	**11.4**	**152.5**	**(109.2)**	**300.7**

3. Segment information - Inflation adjusted - audited

C1 Statement of financial position - segment information as at 31 Dec 2019

	Life Assurance ZWLm	General Insurance ZWLm	Banking & Lending ZWLm	Asset Management ZWLm	Holding Co & Other ZWLm	Consolidation Adjustments ZWLm	Total ZWLm
Assets							
Investment property	4 177.2	7.2	227.9	-	10.0	-	4 422.3
Property and equipment	288.2	17.5	728.8	16.4	8.0	(4.5)	1 054.4
Intangible assets	-	-	58.5	5.8	0.6	-	64.9
Deferred acquisition costs	-	9.3	-	-	-	-	9.3
Reinsurer contracts	-	84.2	-	-	-	-	84.2
Investments and securities	5 360.6	130.1	386.5	41.2	1 746.0	(1 537.6)	6 126.8
Deferred tax assets	-	-	-	6.0	0.3	-	6.3
Current tax receivable	-	12.4	-	0.4	1.5	-	14.3
Loans and advances	-	-	1 492.8	-	-	(3.3)	1 489.5
Other assets	108.2	23.5	812.3	21.5	82.2	(53.4)	994.3
Cash and cash equivalents	251.2	50.9	1 409.9	10.2	53.7	(68.4)	1 707.5
Total assets	**10 185.4**	**335.1**	**5 116.7**	**101.5**	**1 902.3**	**(1 667.2)**	**15 973.8**
Liabilities							
Insurance contract liabilities	8 297.3	153.4	-	-	-	-	8 450.7
Investment contract liabilities	591.2	-	-	-	-	-	591.2
Provisions	8.3	0.9	24.7	5.6	12.4	-	51.9
Deferred tax liabilities	259.4	3.3	38.3	0.7	8.5	(10.8)	299.4
Current tax payables	2.2	-	-	0.1	0.1	-	2.4
Amounts due to group companies	54.7	1.8	0.4	3.8	155.6	(53.2)	163.1
Amounts owed to bank depositors	-	-	2 740.8	-	-	(179.2)	2 561.6
Credit lines	-	-	902.9	-	-	(5.3)	897.6
Other liabilities	34.2	47.4	244.7	35.7	409.6	(138.0)	633.6
Total liabilities	**9 247.3**	**206.8**	**3 951.8**	**45.9**	**586.2**	**(386.5)**	**13 651.5**
Net assets	**938.1**	**128.3**	**1 164.9**	**55.6**	**1 316.1**	**(1 280.7)**	**2 322.3**
Shareholders' equity							
Share capital and premium	265.9	0.1	351.2	54.9	104.8	(776.9)	-
Share option reserve	33.5	11.8	51.3	19.9	225.2	(91.7)	250.0
Regulatory provisions reserve	-	-	5.7	-	-	-	5.7
Currency conversion reserve	74.3	12.0	(188.2)	0.3	50.4	-	(51.2)
Retained earnings	564.4	104.4	944.9	(19.5)	935.7	(460.5)	2 069.4
Equity holders of the parent	**938.1**	**128.3**	**1 164.9**	**55.6**	**1 316.1**	**(1 329.1)**	**2 273.9**
Non-controlling interests	-	-	-	-	-	48.4	48.4
Total equity	**938.1**	**128.3**	**1 164.9**	**55.6**	**1 316.1**	**(1 280.7)**	**2 322.3**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 2019

3 Segment information - Inflation adjusted - audited	Life Assurance ZWLm	General Insurance ZWLm	Banking & Lending ZWLm	Asset Management ZWLm	Holding Co & Other ZWLm	Consolidation Adjustments ZWLm	Total ZWLm
C2 Statement of financial position - segment information as at 31 Dec 2018							
Assets							
Investment property	2 404.3	24.2	146.0	-	3.7	-	2 578.2
Property and equipment	184.4	4.4	433.5	4.9	11.7	-	638.9
Intangible assets	-	-	65.7	6.8	1.4	-	73.9
Deferred acquisition costs	-	6.1	-	-	-	-	6.1
Reinsurer contracts	-	33.8	-	-	-	-	33.8
Investments and securities	14 158.6	269.9	2 307.9	40.3	2 845.6	(2 370.1)	17 252.2
Deferred tax assets	-	9.5	-	2.2	0.3	-	12.0
Current tax receivable	0.9	-	-	-	6.6	-	7.5
Loans and advances	-	-	4 854.7	-	-	-	4 854.7
Other assets	277.1	33.5	696.6	39.2	260.1	(249.8)	1 056.7
Cash and cash equivalents	134.6	54.5	809.1	9.6	165.4	(168.7)	1 004.5
Total assets	**17 159.9**	**435.9**	**9 313.5**	**103.0**	**3 294.8**	**(2 788.6)**	**27 518.5**
Liabilities							
Insurance contract liabilities	12 653.9	130.9	-	-	-	-	12 784.8
Investment contract liabilities	1 298.0	-	-	-	-	-	1 298.0
Provisions	6.5	1.3	31.0	8.4	52.7	-	99.9
Deferred tax liabilities	322.4	-	21.2	0.5	29.2	(10.2)	363.1
Current tax payables	0.5	-	-	2.0	-	0.1	2.6
Amounts due to group companies	32.3	1.8	0.1	0.3	734.8	(250.0)	519.3
Amounts owed to bank depositors	-	-	7 334.2	-	-	(996.0)	6 338.2
Credit lines	-	-	331.2	-	-	-	331.2
Other liabilities	91.6	1.3	312.1	32.6	990.8	(775.6)	652.8
Total liabilities	**14 405.2**	**135.3**	**8 029.8**	**43.8**	**1 807.5**	**(2 031.7)**	**22 389.9**
Net assets	**2 754.7**	**300.6**	**1 283.7**	**59.2**	**1 487.3**	**(756.9)**	**5 128.6**
Shareholders' equity							
Share capital and premium	265.9	0.1	335.3	7.6	58.2	(667.1)	-
Share option reserve	33.5	11.8	51.1	19.8	225.9	(44.9)	297.2
Regulatory provisions reserve	-	-	32.2	-	-	-	32.2
Retained earnings	2 455.3	288.7	865.1	31.8	1 203.2	(191.7)	4 652.4
Equity holders of the parent	**2 754.7**	**300.6**	**1 283.7**	**59.2**	**1 487.3**	**(903.7)**	**4 981.8**
Non-controlling interests	-	-	-	-	-	146.8	146.8
Total equity	**2 754.7**	**300.6**	**1 283.7**	**59.2**	**1 487.3**	**(756.9)**	**5 128.6**

3 Segment information - Historical - unaudited	Life Assurance ZWLm	General Insurance ZWLm	Banking & Lending ZWLm	Asset Management ZWLm	Holding Co & Other ZWLm	Consolidation Adjustments ZWLm	Total ZWLm
D1 Statement of financial position - segment information as at 31 Dec 2019							
Assets							
Investment property	4 177.2	7.2	227.9	-	10.0	-	4 422.3
Property and equipment	264.0	4.9	574.5	5.1	1.4	(3.6)	846.3
Intangible assets	-	-	8.1	1.0	0.3	-	9.4
Deferred acquisition costs	-	1.7	-	-	-	-	1.7
Reinsurer contracts	-	54.4	-	-	-	-	54.4
Investments and securities	5 360.6	130.1	386.5	41.2	1 048.9	(840.5)	6 126.8
Deferred tax assets	-	-	-	6.9	0.1	-	7.0
Current tax receivable	-	12.4	-	0.4	1.5	-	14.3
Loans and advances	-	-	1 492.8	-	-	(3.3)	1 489.5
Other assets	54.6	23.4	574.1	19.4	75.0	(51.8)	694.7
Cash and cash equivalents	251.2	50.9	1 409.9	10.2	53.7	(68.4)	1 707.5
Total assets	**10 107.6**	**285.0**	**4 673.8**	**84.2**	**1 190.9**	**(967.6)**	**15 373.9**
Liabilities							
Insurance contract liabilities	8 237.1	64.7	-	-	-	-	8 301.8
Investment contract liabilities	591.2	-	-	-	-	-	591.2
Provisions	8.3	0.9	24.7	5.6	12.4	-	51.9
Deferred tax liabilities	256.5	9.7	37.7	0.1	8.1	(3.3)	308.8
Current tax payables	2.3	-	-	0.1	-	-	2.4
Amounts due to group companies	53.2	1.7	0.4	3.8	155.6	(51.6)	163.1
Amounts owed to bank depositors	-	-	2 740.8	-	-	(179.2)	2 561.6
Credit lines	-	-	902.9	-	-	(5.3)	897.6
Other liabilities	33.2	47.4	149.4	34.1	409.6	(314.4)	359.3
Total liabilities	**9 181.8**	**124.4**	**3 855.9**	**43.7**	**585.7**	**(553.8)**	**13 237.7**
Net assets	**925.8**	**160.6**	**817.9**	**40.5**	**605.2**	**(413.8)**	**2 136.2**
Shareholders' equity							
Share capital and premium	30.1	-	47.0	41.3	58.1	(176.5)	-
Non-distributable reserve	29.8	2.1	1.5	0.7	21.4	(0.6)	54.9
Revaluation reserve	-	-	453.1	-	-	-	453.1
Share option reserve	3.8	1.3	5.8	2.3	71.8	(22.9)	62.1
Regulatory provisions reserve	-	-	5.7	-	-	-	5.7
Currency conversion reserve	15.5	2.2	(37.5)	(2.6)	9.1	-	(13.3)
Retained earnings	846.6	155.0	342.3	(1.2)	444.8	(276.2)	1 511.3
Equity holders of the parent	**925.8**	**160.6**	**817.9**	**40.5**	**605.2**	**(476.2)**	**2 073.8**
Non-controlling interests	-	-	-	-	-	62.4	62.4
Total equity	**925.8**	**160.6**	**817.9**	**40.5**	**605.2**	**(413.8)**	**2 136.2**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 2019

3 Segment information - Historical - unaudited	Life Assurance ZWLm	General Insurance ZWLm	Banking & Lending ZWLm	Asset Management ZWLm	Holding Co & Other ZWLm	Consolidation Adjustments ZWLm	Total ZWLm
D2 Statement of financial position - segment information as at 31 Dec 2018							
Assets							
Investment property	386.9	0.4	23.5	-	0.7	-	411.5
Property and equipment	28.8	0.5	63.3	1.2	2.8	-	96.6
Intangible assets	-	-	7.9	0.1	-	-	8.0
Deferred acquisition costs	-	0.6	-	-	-	-	0.6
Reinsurer contracts	-	4.8	-	-	-	-	4.8
Investments and securities	2 278.6	48.0	381.1	6.5	554.0	(472.9)	2 795.3
Deferred tax assets	-	-	-	0.2	0.5	0.7	1.4
Current tax receivable	0.2	-	0.1	-	0.3	-	0.6
Loans and advances	-	-	780.5	-	-	-	780.5
Other assets	40.0	7.1	80.2	5.7	3.4	(0.8)	135.6
Cash and cash equivalents	21.7	8.8	130.2	2.9	25.9	(28.5)	161.0
Total assets	**2 756.2**	**70.2**	**1 466.8**	**16.6**	**587.6**	**(501.5)**	**4 395.9**
Liabilities							
Insurance contract liabilities	2 032.2	17.7	-	-	-	-	2 049.9
Investment contract liabilities	208.9	-	-	-	-	-	208.9
Provisions	0.9	0.1	5.1	1.6	8.5	-	16.2
Deferred tax liabilities	52.1	-	3.3	-	4.1	(1.5)	58.0
Current tax payables	0.1	-	-	0.3	-	-	0.4
Amounts due to group companies	4.8	0.3	-	-	81.7	(1.5)	85.3
Amounts owed to bank depositors	-	-	1 167.2	-	-	(160.3)	1 006.9
Credit lines	-	-	53.3	-	-	-	53.3
Other liabilities	15.2	0.9	41.3	5.3	156.9	(128.0)	91.6
Total liabilities	**2 314.2**	**19.0**	**1 270.2**	**7.2**	**251.2**	**(291.3)**	**3 570.5**
Net assets	**442.0**	**51.2**	**196.6**	**9.4**	**336.4**	**(210.2)**	**825.4**
Shareholders' equity							
Share capital and premium	30.1	-	38.0	0.5	4.4	(73.0)	-
Non-distributable reserve	29.8	2.1	1.4	0.7	21.4	(4.1)	51.3
Revaluation reserve	-	-	19.0	-	-	0.6	19.6
Share option reserve	3.8	1.3	5.8	2.2	65.0	(44.4)	33.7
Regulatory provisions reserve	-	-	5.2	-	-	-	5.2
Retained earnings	378.3	47.8	127.2	6.0	245.6	(114.0)	690.9
Equity holders of the parent	**442.0**	**51.2**	**196.6**	**9.4**	**336.4**	**(234.9)**	**800.7**
Non-controlling interests	-	-	-	-	-	24.7	24.7
Total equity	**442.0**	**51.2**	**196.6**	**9.4**	**336.4**	**(210.2)**	**825.4**

	Inflation adjusted audited		Historical cost unaudited	
	Group 2019 ZWLm	**Group 2018 ZWLm**	**Group 2019 ZWLm**	**Group 2018 ZWLm**
4 Gross earned premiums				
Gross premiums				
Single	9.9	26.7	4.1	3.2
Recurring	56.3	184.3	23.1	22.6
Individual business	**66.2**	**211.0**	**27.2**	**25.8**
Single	271.9	474.2	111.7	58.1
Recurring	468.1	759.9	192.4	90.8
Group business	**740.0**	**1 234.1**	**304.1**	**148.9**
				-
General insurance	**318.6**	**219.7**	**141.8**	**39.4**
Total gross premiums	**1 124.8**	**1 664.8**	**473.1**	**214.1**
Comprising:				
Insurance contracts	208.6	414.9	78.8	51.6
Investment contracts with discretionary participating features	597.6	1 030.2	252.5	123.1
General insurance	318.6	219.7	141.8	39.4
Total gross earned premiums	**1 124.8**	**1 664.8**	**473.1**	**214.1**
5 Investment income (non banking)				
Dividend income				
Financial assets at fair value through profit or loss	431.4	219.9	181.1	49.6
Interest income				
Cash and cash equivalents	75.5	10.6	20.8	10.2
Net rental income				
Investment property	79.0	29.6	20.8	12.6
Realised gains and losses				
Financial assets at fair value through profit or loss	620.6	149.5	305.6	43.9
Unrealised gains and losses				
Investment property	3 904.1	41.3	3 904.1	4.6
Financial assets at fair value through profit or loss	2 848.4	6 262.1	2 848.4	881.0
	6 752.5	6 303.4	6 752.5	885.6
Total investment returns included in statement of profit or loss	**7 959.0**	**6 713.0**	**7 280.8**	**1 001.9**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2019

	Inflation adjusted audited		Historical cost unaudited	
	Group 2019 ZWLm	Group 2018 ZWLm	Group 2019 ZWLm	Group 2018 ZWLm
6 Banking interest and similar income				
Interest and similar income				
Investments	59.5	158.6	19.6	19.7
Loans and advances	425.9	721.4	171.3	89.2
Total interest and similar income	**485.4**	**880.0**	**190.9**	**108.9**
Comprising:				
Financial assets at amortised cost	485.4	880.0	190.9	108.9
Interest Expense:				
Credit lines	(86.0)	(32.3)	(42.5)	(4.0)
Money market deposits	(81.4)	(152.4)	(27.6)	(19.2)
Savings and term deposits	(4.6)	(8.0)	(1.5)	(1.0)
Total interest expense	**(172.0)**	**(192.7)**	**(71.6)**	**(24.2)**
Comprising:				
Financial liabilities at amortised cost	(172.0)	(192.7)	(71.6)	(24.2)
Net interest income	**313.4**	**687.3**	**119.3**	**84.7**
7 Fee income, commissions, and income from service contracts				
Banking operations:				
Commissions	200.0	227.2	101.8	27.8
Service fees	93.4	123.9	43.5	15.0
Administration fees	139.2	197.4	63.8	24.1
Total fee income and commission from banking operations	432.6	548.5	209.1	66.9
Long term business	26.4	47.1	10.6	6.0
Asset management business	90.3	114.2	39.1	11.3
	549.3	**709.8**	**258.8**	**84.2**

The fee and commission presented include income of ZWL$432m million (2018: ZWL$548 million) related to financial assets and financial liabilities not measured at FVTPL. These figures excluded amounts incorporated in determining the effective interest rate on such financial assets and financial liabilities.

Asset management fees included fees earned by the Group on trust and fiduciary activities in which the Group holds or invests assets on behalf of its customers.

	Inflation adjusted audited		Historical cost unaudited	
	Group 2019 ZWLm	Group 2018 ZWLm	Group 2019 ZWLm	Group 2018 ZWLm
8 Other income				
Exchange gains	106.5	16.5	106.5	0.3
Profit on sale of assets	-	3.4	-	0.8
Other	64.7	11.9	10.7	0.5
	171.2	**31.8**	**117.2**	**1.6**

	Inflation adjusted audited		Historical cost unaudited	
	Group 2019 ZWLm	Group 2018 ZWLm	Group 2019 ZWLm	Group 2018 ZWLm
9 Claims and benefits				
Claims and benefits (including change in insurance contract provisions):				
Increase in insurance contract provisions	5 786.9	4 363.8	5 674.1	692.6
Gross claims expenses (refer to analysis in note 9.1 below)	700.8	1 015.8	232.1	125.8
Shadow accounting to revaluation reserve (see note 10.1 below)	212.6	1.4	212.6	0.5
	6 700.3	**5 381.0**	**6 118.8**	**818.9**
9.1 Analysis of claims expenses				
Individual business	**13.8**	**20.5**	**8.3**	**6.9**
Death and disability benefits	3.7	6.7	1.1	3.2
Maturity benefits	4.9	3.7	3.5	0.5
Surrenders	5.2	10.1	3.7	3.2
Group business	**467.5**	**822.6**	**160.0**	**95.5**
Death and disability benefits	170.8	184.2	18.9	14.0
Pension commutations. maturities, and withdrawal benefits	158.9	499.7	92.1	56.5
Annuities	98.3	108.7	37.0	15.5
Surrenders	39.5	30.0	12.0	9.5
General insurance	**219.5**	**172.7**	**63.8**	**23.4**
Total claims and benefits	**700.8**	**1 015.8**	**232.6**	**125.8**
Comprising:			-	
Insurance contracts	49.7	92.8	19.9	15.5
Investment contracts with discretionary participating features	431.6	750.3	148.4	86.9
General insurance	219.5	172.7	63.8	23.4
Total claims and benefits payable	**700.8**	**1 015.8**	**232.1**	**125.8**
10 Change in provision for investment contract liabilities				
Investment contracts				
Increase in investment contract liabilities	383.3	228.2	371.5	89.3
Shadow accounting to revaluation reserve (see note 10.1 below)	16.0	2.3	16.0	0.1
	399.3	**230.5**	**387.5**	**89.4**
10.1 Shadow accounting				
Insurance contracts	212.6	1.4	212.6	0.5
Investment contracts	16.0	2.3	16.0	0.1
Total	**228.6**	**3.7**	**228.6**	**0.6**

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 property that have a direct effect on the measurement of the related insurance assets and liabilities.

		Inflation adjusted audited		Historical cost unaudited	
		Group 2019 ZWLm	Group 2018 ZWLm	Group 2019 ZWLm	Group 2018 ZWLm
11	**Other operating and administration expenses**				
	Administrative expenses	162.9	47.7	73.3	9.0
	Office space costs	22.4	42.8	16.6	7.8
	Fees and levies	29.9	17.7	26.7	2.9
	Donations	7.1	6.2	2.9	1.0
	Insurance	14.4	7.3	10.0	1.0
	Actuarial and consultancy fees	16.9	14.2	5.4	2.0
	Advertising and marketing	17.5	21.3	11.6	3.4
	Software licensing	40.0	25.6	28.8	4.2
	Depreciation and amortisation	144.5	140.5	17.2	10.5
		455.6	**323.3**	**192.5**	**41.8**
	Auditors' remuneration				
	Statutory audit services - current year	15.3	7.9	15.3	0.8
	Staff costs				
	Wages and salaries	245.3	281.2	81.2	34.1
	Retirement defined contribution obligations	9.7	24.0	3.6	3.6
	Social security costs	3.5	4.3	1.2	0.9
	Bonus and incentive remuneration	29.4	36.3	29.4	4.7
	Share based payments	5.6	3.9	5.6	0.6
	Other staff costs	16.9	29.9	13.2	3.9
		310.4	**379.6**	**134.2**	**47.8**
	Other	28.7	5.8	22.8	1.0
		810.0	**716.6**	**364.8**	**91.4**
12	**Income tax expense**				
	Normal income tax - Current tax expense				
	Shareholders	(118.0)	34.6	15.4	11.8
	Policyholders	8.1	3.9	7.5	0.8
		(109.9)	38.5	22.9	12.6
	Deferred tax				
	Deferred tax expense/(income) relating to the origination and reversal of temporary difference	68.8	126.9	197.4	16.9
	Recognition of previously unrecognised deferred tax assets	-	-	-	(0.3)
	Total deferred tax	**68.8**	**126.9**	**197.4**	**16.6**
	Deferred tax				
	Shareholders	112.3	107.3	3.6	13.0
	Policyholders	(43.5)	19.6	193.8	3.6
		68.8	126.9	197.4	16.6
	Total	**(41.1)**	**165.4**	**220.3**	**29.2**
	Reconciliation of the effective tax rate	%	%	%	%
	Standard rate of taxation	25.8	25.8	25.8	25.8
	Adjusted for:				
		(27.4)	2.1	(6.6)	(17.0)
	Exempt income: interest income and dividends	(115.7)	(787.9)	(23.2)	(67.7)
	Disallowable expenses: entertainment expenses, management fees and unrealised losses	88.3	790.0	16.6	50.7
	Effective tax rate	**(1.6)**	**27.9**	**19.2**	**8.8**
	Tax on other comprehensive income				
	Property revaluation	(4.3)	(1.5)	(10.8)	(3.3)
		(4.3)	**(1.5)**	**(10.8)**	**(3.3)**

13 Earnings and dividends per share

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

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

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

		Inflation adjusted audited		Historical cost unaudited	
		Group 2019 ZWLm	Group 2018 ZWLm	Group 2019 ZWLm	Group 2018 ZWLm
13.1	**Basic and diluted (cents)**	**(763.2)**	**126.1**	**265.0**	**87.3**
	Earnings				
	Basic and diluted earnings attributable to equity holders of the parent (ZWL$)	(2 534.3)	418.9	879.9	290.1
	Number of shares used in calculations (weighted)				
	Number of shares	332 046 874	332 046 874	332 046 874	332 046 874
13.2	**Dividend per share**				
	April 2018 - 2017 Final Ordinary Dividend paid 3.01c per share	-	85.2	-	10.0
	April 2018 - 2017 Special Ordinary Dividend 3.01c per share	-	85.2	-	10.0
	April 2018 - 2017 Final Preference Dividend 1.09c per share	-	30.9	-	3.6
	October 2018 - 2018 Interim Ordinary Dividend 1.51c per share	-	42.6	-	5.0
	October 2018 - 2018 Interim Preference Dividend 2.25c per share	-	63.6	-	7.5
	April 2019 - 2018 Final Ordinary Dividend 6.02c per share	46.8	-	20.0	-
	April 2019 - 2018 Final Preference Dividend 3.52c per share	27.4	-	11.7	-
	October 2019 - 2019 Interim Preference Dividend 8.66c	67.3	-	28.7	-
	Dividends paid for the period	**141.5**	**307.5**	**60.4**	**36.1**

The total dividend paid to ordinary equity holders is calculated using the number of shares in issue at the record date less own shares held in Indegenisation share trusts.

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	Inflation adjusted audited		Historical cost unaudited	
	Company 2019 ZWLm	Company 2018 ZWLm	Company 2019 ZWLm	Company 2018 ZWLm
14 Investment income				
Dividend income				
Financial assets at fair value through profit or loss	48.0	407.3	12.6	49.8
Interest income				
Cash and cash equivalents	7.6	10.6	2.3	1.3
Realised gains and losses				
Financial assets at fair value through profit or loss	247.5	93.7	141.0	14.5
Unrealised gains and losses				
Financial assets at fair value through profit or loss	22.2	540.9	22.2	87.1
Investment property	9.5	0.6	9.5	0.1
	31.7	541.5	31.7	87.2
Total investment income included in income statement	**334.8**	**1 053.1**	**187.6**	**152.8**
15 Other income				
Directors' fees received	0.4	0.3	0.1	-
Other	1.5	(0.7)	1.6	-
	1.9	**(0.4)**	**1.7**	**-**
16 Other operating and administration expenses				
Administrative expenses	69.1	53.6	32.5	7.7
Asset management expenses	8.0	12.7	2.5	1.5
Depreciation of property, plant, and equipment	0.5	0.3	0.3	0.1
	77.6	66.6	35.3	9.3
Auditors' remuneration				
Statutory audit services - current year	3.2	0.6	3.2	0.1
Staff costs				
Wages and salaries	4.0	1.9	2.3	0.2
Retirement obligations	0.3	0.1	0.2	-
Bonus and incentive remuneration	3.5	2.2	3.5	0.3
Share based payments	-	0.6	-	0.1
Other staff costs	10.4	5.0	4.9	0.6
	18.2	9.8	10.9	1.2
Total other operating and administration expenses	**99.0**	**77.0**	**49.4**	**10.6**

	Inflation adjusted audited		Historical cost unaudited	
	Company 2019 ZWLm	Company 2018 ZWLm	Company 2019 ZWLm	Company 2018 ZWLm
17 Income tax expense				
Normal income tax				
Deferred tax	(14.3)	5.7	0.7	0.9
Current taxation	1.0	38.1	1.1	6.3
Total taxation charge	**(13.3)**	**43.8**	**1.8**	**7.2**
Reconciliation of taxation rate on profit before tax				
	%	%	%	%
Standard rate of taxation	**25.8**	**25.8**	**25.8**	**25.8**
Adjusted for:	**(27.5)**	**(19.4)**	**(24.5)**	**(20.7)**
Exempt income: interest income and dividends	(35.5)	(28.0)	(26.4)	(22.7)
Disallowable expenses: entertainment expensess, management fees and unrealised losses	8.0	8.6	1.9	2.0
Effective tax rate	**(1.7)**	**6.4**	**1.3**	**5.1**

	Inflation adjusted audited		Historical cost unaudited	
	Group 2019 ZWLm	Group 2018 ZWLm	Group 2019 ZWLm	Group 2018 ZWLm
18 Investment property				
Carrying amount at beginning of year	2 578.2	3 577.2	411.5	405.2
Additions	164.9	86.7	104.0	10.6
Disposal	(1.2)	(65.3)	(0.5)	(8.0)
Fair value of property under development	8.0	-	3.2	-
Gain/(loss) from fair value adjustments	3 904.1	41.3	3 904.1	3.7
Inflation adjustment	(2 231.7)	(1 061.7)	-	-
Carrying amount at end of year	**4 422.3**	**2 578.2**	**4 422.3**	**411.5**
Comprising:				
Freehold property	**4 422.3**	**2 578.2**	**4 422.3**	**411.5**
The fair value of freehold property leased to third parties under operating leases	**2 660.9**	**2 040.2**	**2.660.9**	**328.5**
Rental income from investment property	208.5	188.2	79.6	33.6
Direct operating expenses arising from rented-out investment property	(129.5)	(158.6)	(58.8)	(21.0)
	79.0	**29.6**	**20.8**	**12.6**

The carrying amount of investment property as well as owner-occupied property is the fair value of property as determined annually by internal professional valuers, having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued. The recorded values are tested by comparing with values determined by independent external valuers for a sample of properties accounting for at least 65% of the total value of the property portfolio, or for at least the top twenty five buildings by value. For the year ended 31 December 2019, valuations were carried out based on US dollar-based parameters and not on ZWL$. The USD valuation was converted at the interbank rate at the reporting date which was ZWL$16.77: US$1. In accordance with International Valuation Standards (IVS), the valuation methodology used was, the income method for income generating properties whilst the Direct Comparison/Market Approach has been applied for landholdings and residential properties.

We used a two stage Discounted Cash Flow Method (DCF) for income earning properties. The methodology changed from Direct Capitalisation because this method assumed stable cash flows into perpetuity. However, this is not applicable to our environment anymore due to high inflation and currency depreciation with normalisation of rental yields taking place after year 8.

18 Investment property (cont'd)

The Property Market has remained subdued characterised by following;

- Thin asset market transactions. In view of this, we have maintained the previous cap rates used during USD era.
- On the space market, rentals have struggled to keep pace with inflation due to the volatility of the new currency. We have had 10 months of RTGS rental income evidence, which reasonably supports valuation by converting these to USD at the interbank rate, in accordance with International Standards, and which shows falling rentals in USD terms.

The Group's current lease arrangements, which are entered into on an arm's length basis and which are comparable to those for similar properties in the same location, are taken into account. Investment properties were fair valued using yield rates of between 7% and 13.00% (2018:7.00 % and 12.00%) and rental rates of between ZWL$0.20 and ZWL$30.00 (2018:ZWL0.50 and ZWL$20.00) per square metre. Additions to investment property include land acquired in Victoria Falls, Ngezi, Hwange and the recently completed Eastgate Market.

As security for a credit line from Trade and Development Bank (note 33), CABS registered a bond of US$7 million over a property, and issued powers of attorney to register bonds (in the event of default) over other properties with a total value of US$30.2million as at 31 December 2019 (both investment properties and owner-occupied properties).

Investment property valuation

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

Type of property	Valuation approach	Value	Key unobservable inputs	Inter-relationship between unobservable inputs and key fair value measurement
Office, Retail, and Industrial Properties	• Income capitalisation	ZWL$3,342.5m	Rental income per square meter and capitalisation rates (see above) Vacancies	The estimated fair value would increase if: > net rental income increased > capitalisation rates decreased. > vacancies decreased • The estimated fair value would decrease if the unobservable inputs changed the other way
Residential property	• Direct Comparison/ Market Approach	ZWL$3.95m	Price for comparable properties.	• The estimated fair value would increase if prices for comparable properties increased.
Land	• Direct Comparison/ Market Approach	ZWL$1,076m	Price for comparable properties	• The estimated fair value would increase if prices for comparable properties increased.

Sensitivity analysis	2019 ZWLm Fair Value movement	2018 ZWLm Fair Value movement
An increase of 1% in discount rates would decrease the fair value by:	(534.8)	(32.6)
A decrease of 1% in discount rates would increase the fair value by:	735.4	40.1
A 50% change in market rentals per m2 would vary the fair value by:	1 671.3	175.3
A 50% change in land value per m2 would vary the fair value by:	537.9	30.4

19 Group Property and equipment - Inflation Adjusted - audited

	Land & buildings ZWLm	Motor vehicles ZWLm	Computer equipment ZWLm	Fixtures & fittings ZWLm	Right of use asset ZWLm	Total 2019 ZWLm
Carrying amount at beginning of year (1 January 2019)	407.3	40.5	147.9	43.2	-	638.9
Additions	18.6	36.2	150.2	3.5	8.9	217.4
Revaluation	353.3	-	-	-	-	353.3
Disposals	-	(1.2)	(6.1)	(28.5)	-	(35.8)
Depreciation	(11.3)	(11.9)	(92.6)	(0.7)	(2.9)	(119.4)
Carrying amount at end of year	**767.9**	**63.6**	**199.4**	**17.5**	**6.0**	**1 054.4**
Cost/Valuation	768.1	101.7	413.4	18.7	8.5	1 310.4
Accumulated depreciation	(0.2)	(38.1)	(214.0)	(1.2)	(2.5)	(256.0)
Carrying amount at end of year **(31 December 2019)**	**767.9**	**63.6**	**199.4**	**17.5**	**6.0**	**1 054.4**
Carrying amount at beginning of year (1 January 2018)	407.6	34.5	91.4	33.0	-	566.5
Additions	1.3	12.8	94.3	13.0	-	121.4
Revaluation surplus	60.9	-	-	-	-	60.9
Disposals	-	(0.1)	-	-	-	(0.1)
Depreciation	(62.5)	(6.7)	(37.8)	(2.8)	-	(109.8)
Carrying amount at end of year	**407.3**	**40.5**	**147.9**	**43.2**		**638.9**
Cost/Valuation	409.0	71.0	311.4	46.5	-	837.9
Accumulated depreciation	(1.7)	(30.5)	(163.5)	(3.3)	-	(199.0)
Carrying amount at end of year **(31 December 2018)**	**407.3**	**40.5**	**147.9**	**43.2**	**-**	**638.9**

Group Property and equipment - Historical cost (unaudited)

	Land & buildings ZWLm	Motor vehicles ZWLm	Computer equipment ZWLm	Fixtures & fittings ZWLm	Right of use asset ZWLm	Total 2019 ZWLm
Carrying amount at beginning of year (1 January 2019)	68.5	5.1	19.3	3.7	-	96.6
Additions	8.6	17.2	45.9	0.5	7.2	79.4
Revaluation	693.0	-	-	-	-	693.0
Transfer from WIP	-	-	-	-	-	-
Disposals	-	(2.2)	(1.4)	(0.2)	(1.9)	(5.7)
Depreciation	(2.2)	(3.3)	(9.2)	(0.6)	(1.7)	(17.0)
Carrying amount at end of year	**767.9**	**16.8**	**54.6**	**3.4**	**3.6**	**846.3**
				-		
Cost/Valuation	768.0	22.4	82.5	4.4	5.3	882.6
Accumulated depreciation	(0.1)	(5.6)	(27.9)	(1.0)	(1.7)	(36.3)
Carrying amount at end of year (31 December 2019)	**767.9**	**16.8**	**54.6**	**3.4**	**3.6**	**846.3**

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19 Group Property and equipment - Historical cost (unaudited)

	Land & buildings ZWLm	Motor vehicles ZWLm	Computer equipment ZWLm	Fixtures & fittings ZWLm	Right of use asset ZWLm	Total 2019 ZWLm
Carrying amount at beginning of year (1 January 2018)	67.8	3.9	10.4	3.7		85.8
Additions	1.6	1.5	14.4	0.3		17.8
Revaluation surplus	0.1	-	-	-		0.1
Transfer from WIP	-	-	-	-		-
Disposals	-	-	-	-		-
Depreciation	(1.0)	(0.3)	(5.5)	(0.3)		(7.1)
Carrying amount at end of year	**68.5**	**5.1**	**19.3**	**3.7**		**96.6**
Cost/Valuation	70.2	10.2	42.6	4.7		127.7
Accumulated depreciation	(1.7)	(5.1)	(23.3)	(1.0)		(31.1)
Carrying amount at end of year (31 December 2018)	**68.5**	**5.1**	**19.3**	**3.7**		**96.6**

The carrying amount of owner-occupied property is the fair value of property as determined annually by internal professional valuers, having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued. Fair values are determined by having regard to recent market transactions for similar properties in the same location as the Group's owner-occupied property every three months (see note 18). The last valuation date was 31 December 2019.

The valuation techniques and significant unobservable inputs used in measuring the fair values of owner-occupied properties are consistent with those applied to investment properties at the reporting date. Had the land and buildings been recognised under the cost model, the carrying amount would have been ZWL$63.6m as at 31 December 2019.

	Inflation adjusted audited		Historical cost unaudited	
	Group 2019 ZWLm	Group 2018 ZWLm	Group 2019 ZWLm	Group 2018 ZWLm
20 Intangible assets				
Carrying amount at beginning of year (1 January 2019)	73.9	91.5	8.0	10.5
Additions	16.1	13.1	3.7	1.1
Amortisation	(25.1)	(30.7)	(2.3)	(3.6)
Carrying amount at end of year	**64.9**	**73.9**	**9.4**	**8.0**
			-	
Cost/Valuation	229.6	224.1	29.3	26.2
Accumulated amortisation	(164.7)	(150.2)	(19.9)	(18.2)
Carrying amount at end of year **(31 December 2019)**	**64.9**	**73.9**	**9.4**	**8.0**
Intangible assets comprise of right of use licenses and system development costs.				
21 Reinsurer contracts				
Provision for unearned premiums	49.0	14.5	19.2	1.7
Outstanding claims	35.2	19.3	35.2	3.1
Balance at end of year	**84.2**	**33.8**	**54.4**	**4.8**
21.1 Provision for unearned premiums				
Opening balance	14.5	11.5	1.7	1.3
Movement in unearned premium reserve	34.5	3.0	17.5	0.4
Closing balance	**49.0**	**14.5**	**19.2**	**1.7**
21.2 Outstanding claims				
Balance at the beginning of the year	19.3	12.3	3.1	2.0
Claims incurred and changes in previous estimates	243.6	18.2	105.9	2.9
Claims paid	(227.7)	(11.2)	(73.8)	(1.8)
Balance at the end of the year	**35.2**	**19.3**	**35.2**	**3.1**

22. Investments and securities

	Inflation adjusted audited		Historical cost unaudited	
	Group 2019 ZWLm	Group 2018 ZWLm	Group 2019 ZWLm	Group 2018 ZWLm
22.1 Analysis of investments				
Equity securities - listed	4 711.0	13 184.4	4 711.0	2 162.3
- unlisted	614.1	586.7	614.1	97.7
Total Equities (see note 22.3 below)	5 325.1	13 771.1	5 325.1	2 260.0
Unit trust investments	11.5	86.8	11.5	13.9
Public sector securities	11.8	499.1	11.8	80.3
Treasury bills (see note 22.6 below)	136.6	1 542.2	136.6	248.2
Deposits and money market securities	641.8	1 353.0	641.8	192.9
	6 126.8	**17 252.2**	**6 126.8**	**2 795.3**

22.2 Impairment on Treasury bills, Deposits, and Money Market Securities

	12-month ECL not credit impaired ZWLm	Life time ECL not credit impaired ZWLm	Life time ECL credit impaired ZWLm	Total ZWLm
Interest bearing securities				
Loss allowance analysis				
Gross carrying amount on 1 January 2019	(18.1)	-	-	(18.1)
New investment securities- purchased	(5.2)	-	-	(5.2)
Investment securities that have matured	16.3	-	-	16.3
Balance as at 31 December 2019	**(7.0)**	**-**	**-**	**(7.0)**
Gross carrying amount on 1 January 2018	(17.1)	-	-	(17.1)
New investment securities- purchased	(4.6)	-	-	(4.6)
Investment securities that have matured	3.6	-	-	3.6
Balance as at 31 December 2018	**(18.1)**	**-**	**-**	**(18.1)**

	Inflation adjusted audited		Historical cost unaudited	
	Group 2019 ZWLm	Group 2018 ZWLm	Group 2019 ZWLm	Group 2018 ZWLm
22.3 Spread of equity securities by sector				
Commodities	344.6	2 289.1	344.6	375.7
Consumer	1 301.0	5 088.9	1 301.0	835.2
Financial	3 246.3	1 933.4	3 246.3	317.3
Property	43.9	269.2	43.9	44.2
Manufacturing	324.8	3 863.4	324.8	634.0
Mining	64.5	327.1	64.5	53.6
	5 325.1	**13 771.1**	**5 325.1**	**2 260.0**
22.4 Movements of investment and securities				
Opening balance	17 252.2	14 172.0	2 795.3	1 610.5
Fair value movements through profit or loss	2 848.4	6 262.1	2 848.4	881.0
Additions	3 804.0	1 974.6	1 656.3	314.1
Disposals	(1 585.8)	(61.2)	(690.5)	(9.0)
Maturities	(1 108.7)	(7.8)	(482.7)	(1.3)
Inflation adjustment	(15 083.3)	(5 087.5)	-	-
Closing balances	**6 126.8**	**17 252.2**	**6 126.8**	**2 795.3**

22 Investments and securities (cont'd)

22.5 Investment in unlisted equities above 20% shareholding

Company/Fund	% holding	2019 - Inflation adjusted Value ZWLm	2018 Inflation adjusted Value ZWLm	2018 Historical Cost Value ZWLm
Takura Fund II (Limited Partner) "B Shares" (held by Shareholders and OMLAC Main Fund)	40%	322.7	186.1	30.0
Africa Takura Ventures-Fund 1 "M Shares" (held by Shareholders and OMLAC Main Fund)	26%	0.1	-	-
Nedbank Zimbabwe	21%	26.9	77.8	12.5
Lake Harvest Aquaculture (held by Shareholders and OMLAC Main Fund)	26%	3.6	1.9	0.3
Lobels Holdings Limited (held by OMLAC Main Fund)	49%	143.5	237.8	38.3
Manica Board and Doors (MBD) (held by OMLAC Main Fund)	55%	11.5	10.7	1.7
Kupinga Renewable Energy (held by OMLAC Main Fund)	40%	31.1	3.0	0.5
Closefin	21%	18.1	-	-
Plaza Bakery (held by OMLAC Main Fund)	49%	4.1	-	-
Zimcampus preference shares	35%	22.2	-	-
Solgas ordinary shares (held by OMLAC Main Fund)	49%	4.0	-	-
Solgas preference shares (held by OMLAC Main fund)	100%	3.2	-	-
Richaw Solar Tech ordinary shares (held by OMLAC Main Fund)	49%	3.3	-	-
Richaw Solar Tech preference shares (held by OMLAC Main Funnd)	64%	0.1	-	-
Harava Solar Park (held by OMLAC Main Fund)	27%	2.5	-	-
Takura Fund III (Limited Partner) "D Shares" (held by Shareholders and OMLAC Main Fund)	74%	17.2	-	-
		614.1	**517.3**	**83.3**

Investment in unlisted equities above 20% shareholding.

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 the percentage holding in each entity. The above investments which originate from the investments of policyholder funds, with the exception of the investment in Nedbank Zimbabwe, are invested into investment linked insurance funds and funds which operate like unit trusts, which are managed on a fair value basis. These funds back investment contracts with discretionary participating features and investment contracts accounted for in terms of IFRS 9.

Therefore, the Group has not consolidated policyholder investments but fair valued as per IFRS 9. Nedbank Zimbabwe shares held by OMZIL should ordinarily be equity accounted but were fair valued as per IFRS 9, as there was immaterial difference between equity accounting and fair valuing the investments in Nedbank.

22.6 Treasury bills maturity analysis

	Inflation adjusted audited Group 2019 ZWLm	Inflation adjusted audited Group 2018 ZWLm	Historical cost unaudited Group 2019 ZWLm	Historical cost unaudited Group 2018 ZWLm
On demand to 3 months	8.2	141.6	8.2	93.3
3 months to 12 months	122.9	1 246.4	122.9	48.4
1 year to 5 years	5.5	154.2	5.5	106.5
Total	**136.6**	**1 542.2**	**136.6**	**248.2**

In the absence of an active bond market and formal auction for government securities, treasury bills fair value computations have become difficult in the Zimbabwean market. Treasury bills which in other markets provide guidance to fixed income investors through a yield curve are currently being issued through private placements while in the secondary market the same paper is trading at heterogeneous yields. Given the challenges mentioned above, a number of factors had to be considered in coming up with what would be considered fair discount rates for the treasury bills designated at fair value as disclosed in the table below:

Type of asset	Valuation technique	Key inputs	Range
Treasury bills	Discounted Cash flow (DCF)	• Interest/coupon rates of recent bond issues • Money market rates and direction • Inflation expectations (especially for instruments above 5 years) • Bonds of similar characteristics (coupon rate and maturity date) were treated as the same security and a single discount rate was applied	14% - 17% 8% -15% 5.5% - 7%

23 Amounts due by or (to) group companies

	2019 ZWLm Amounts due by	2019 ZWLm Amounts due (to)	2019 ZWLm Net Balance	2018 ZWLm Amounts due by	2018 ZWLm Amounts due (to)	2018 ZWLm Net balance
Inflation adjusted - Audited						
Old Mutual Limited (South Africa) and its subsidiaries outside Zimbabwe	-	(163.1)	(163.1)	7.5	(526.8)	(519.3)
	-	**(163.1)**	**(163.1)**	**7.5**	**(526.8)**	**(519.3)**
Historical Cost - Unaudited						
Old Mutual Limited (South Africa) and its subsidiaries outside Zimbabwe	-	(163.1)	(163.1)	1.1	(86.5)	(85.3)
	-	**(163.1)**	**(163.1)**	**1.1**	**(86.5)**	**(85.3)**

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

24 Loans and advances

	Inflation adjusted audited		Historical cost unaudited	
	Group 2019 ZWLm	Group 2018 ZWLm	Group 2019 ZWLm	Group 2018 ZWLm
Concentration - gross loans and advances				
Housing	233.0	1 617.2	233.0	254.3
Unsecured personal loans	218.8	1 177.0	218.8	222.0
Commercial and industrial	1 095.7	2 284.4	1 095.7	341.0
Gross loans and advances	**1 547.5**	**5 078.6**	**1 547.5**	**817.3**
Less provision for impairment	(58.0)	(223.9)	(58.0)	(36.8)
Net loans and advances	**1 489.5**	**4 854.7**	**1 489.5**	**780.5**
Maturity analysis - gross and loans advances				
On demand to 3 months	198.2	754.4	198.2	128.0
3 months to 12 months	408.4	1 502.1	408.4	253.0
1 year to 5 years	896.9	2 294.7	896.9	287.6
Over 5 years	44.0	527.4	44.0	148.7
	1 547.5	**5 078.6**	**1 547.5**	**817.3**
Non performing loans	**31.5**	**292.3**	**31.5**	**47.0**
30 to 60 days past due	4.4	362.7	4.4	53.4
61 to 90 days past due	46.1	254.0	46.1	40.9
	50.5	**616.7**	**50.5**	**94.3**

24.1 Sectoral analysis of loans and advances

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

	Inflation adjusted audited		Historical cost unaudited	
	Group 2019 ZWLm	Group 2018 ZWLm	Group 2019 ZWLm	Group 2018 ZWLm
Sector				
Trade and services	299.2	172.0	299.2	27.7
Energy and minerals	63.5	129.2	63.5	20.8
Agriculture	10.9	976.4	10.9	157.2
Construction and property	101.0	1 621.7	101.0	261.0
Light and heavy industry	404.2	371.9	404.2	59.9
Unsecured personal loans	484.7	1 212.3	484.7	195.1
Transport and distribution	18.2	413.4	18.2	66.5
State and state enterprises	165.8	181.7	165.8	29.1
Total gross loans	**1 547.5**	**5 078.6**	**1 547.5**	**817.3**

24 Loans and advances (cont'd)

24.2 Impairment and credit quality analysis

2019 Inflation adjusted (audited)

	Subject to 12 month ECL		Subject to lifetime ECL				Total	
			Not credit impaired		Credit impaired (excluding purchased / originated)			
	Gross carrying amount	Allowance for ECL	Gross carrying amount	Allowance for ECL	Gross carrying amount	Allowance for ECL	Gross carrying amount	Allowance for ECL
As at 1 January 2019	4 215.9	(54.1)	542.8	(43.7)	319.9	(126.1)	5 078.6	(223.9)
Inflation adjustment and write offs	(4 507.3)	96.7	(445.2)	29.8	(258.0)	109.9	(5 210.5)	236.4
	1 723.9	(84.5)	(18.2)	12.4	(26.3)	1.6	1 679.4	(70.5)
Originations, purchases, and interest accruals	2 320.2	(84.8)	-	-	-	-	2 320.2	(84.8)
Repayments & other derecognitions, excluding write-offs	(570.0)	(5.7)	(39.1)	4.5	(31.7)	9.1	(640.8)	7.9
Transfer to 12 month ECL	116.6	(0.8)	(106.5)	12.4	(10.1)	1.8	-	13.4
Transfer to lifetime ECL (not credit impaired)	(128.3)	2.6	131.9	(4.3)	(3.6)	1.0	-	(0.7)
Transfer to lifetime ECL (credit impaired)	(14.6)	2.2	(4.5)	0.2	19.1	(9.7)	-	(7.3)
Changes to model & risk parameters used for ECL calculation	-	2.0	-	(0.4)	-	(0.6)	-	1.0
As at 31 December 2019	1 432.5	(41.9)	79.4	(1.5)	35.6	(14.6)	1 547.5	(58.0)

2018 Inflation adjusted (audited)

	Subject to 12 month ECL		Subject to lifetime ECL				Total	
			Not credit impaired		Credit impaired (excluding purchased / originated)			
	Gross carrying amount	Allowance for ECL	Gross carrying amount	Allowance for ECL	Gross carrying amount	Allowance for ECL	Gross carrying amount	Allowance for ECL
As at 1 January 2018	5 191.9	(96.6)	404.2	(25.8)	451.8	(182.1)	6 047.9	(304.5)
Inflation adjustment and write offs	(5 549.4)	(70.8)	(1 969.4)	190.2	(281.0)	173.3	(7 799.8)	292.7
	4 573.4	113.3	2 108.0	(208.1)	149.1	(117.3)	6 830.5	(212.1)
Originations, purchases, and interest accruals	20 009.6	(806.8)	-	-	-	-	20 009.6	(806.8)
Repayments & other derecognitions, excluding write-offs	(11 281.4)	378.7	(1 117.3)	12.8	(780.4)	270.5	(13 179.1)	662.0
Transfer to 12 month ECL	998.5	(16.0)	(809.4)	15.9	(189.1)	39.9	-	39.8
Transfer to lifetime ECL (not credit impaired)	(4 471.6)	157.5	4 497.0	(346.4)	(25.4)	5.2	-	(183.7)
Transfer to lifetime ECL (credit impaired)	(681.7)	385.2	(462.3)	31.1	1 144.0	(842.7)	-	(426.4)
Changes to model & risk parameters used for ECL calculation	-	14.7	-	78.5	-	409.8	-	503.0
As at 31 December 2018	4 215.9	(54.1)	542.8	(43.7)	319.9	(126.1)	5 078.6	(223.9)

24 Loans and advances (cont'd)

24.2 Impairment and credit quality analysis (cont'd)

2019 Historical Cost (unaudited)

	Subject to 12 month ECL		Subject to lifetime ECL				Total	
			Not credit impaired		Credit impaired (excluding purchased / originated)			
	Gross carrying amount	Allowance for ECL	Gross carrying amount	Allowance for ECL	Gross carrying amount	Allowance for ECL	Gross carrying amount	Allowance for ECL
As at 1 January 2019	677.6	(9.5)	87.4	(7.0)	52.3	(20.3)	817.3	(36.8)
	754.9	(32.4)	(8.0)	5.5	(11.4)	1.1	735.5	(25.8)
Originations, purchases and interest accruals	1 016.5	(41.6)	-	-	-	-	1.016.5	(41.6)
Repayments & other derecognitions, excluding write-offs	(250.2)	6.7	(17.0)	2.0	(13.8)	4.4	(281.0)	13.0
Transfer to 12 month ECL	50.8	(0.4)	(46.4)	5.4	(4.4)	0.8	-	5.8
Transfer to lifetime ECL (not credit impaired)	(55.9)	1.1	57.4	(1.8)	(1.5)	0.4	-	(0.3)
Transfer to lifetime ECL (credit impaired)	(6.3)	1.0	(2.0)	0.1	8.3	(4.2)	-	(3.1)
Changes to model & risk parameters used for ECL calculation	-	0.8	-	(0.2)	-	(0.2)	-	0.4
Write-offs	-	-	-	-	(5.3)	4.6	(5.3)	4.6
As at 31 December 2019	1 432.5	(41.9)	79.4	(1.5)	35.6	(14.6)	1 547.5	(58.0)

2018 Historical cost (unaudited)

	Subject to 12 month ECL		Subject to lifetime ECL				Total	
			Not credit impaired		Credit impaired (excluding purchased / originated)			
	Gross carrying amount	Allowance for ECL	Gross carrying amount	Allowance for ECL	Gross carrying amount	Allowance for ECL	Gross carrying amount	Allowance for ECL
As at 1 January 2018	587.5	(10.9)	45.8	(2.9)	51.5	(20.6)	684.8	(34.4)
	90.1	1.4	41.6	(4.1)	3.4	(2.3)	135.1	(5.0)
Originations, purchases, and interest accruals	394.6	(15.9)	-	-	-	-	394.6	(15.9)
Repayments & other derecognitions, excluding write-offs	(222.6)	6.7	(22.0)	0.3	(15.4)	5.3	(260.0)	12.2
Transfer to 12 month ECL	19.7	(0.3)	(16.0)	0.3	(3.7)	0.8	-	0.8
Transfer to lifetime ECL (not credit impaired)	(88.2)	3.1	88.7	(6.8)	(0.5)	0.1	-	(3.6)
Transfer to lifetime ECL (credit impaired)	(13.4)	7.5	(9.1)	0.6	23.0	(16.6)	0.5	(8.4)
Changes to model & risk parameters used for ECL calculation	-	0.3	-	1.5	-	8.1	-	9.9
Write-offs	-	-	-	-	(2.6)	2.6	(2.6)	2.6
As at 31 December 2018	677.6	(9.5)	87.4	(7.0)	52.3	(20.3)	817.3	(36.8)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2019

		Inflation adjusted audited		Historical cost unaudited	
		Group 2019 ZWLm	Group 2018 ZWLm	Group 2019 ZWLm	Group 2018 ZWLm
25	**Other assets**				
	Accrued interest and rent	7.8	109.5	7.8	17.6
	Agent debtors and prepayments	224.6	311.4	58.4	35.8
	Inventory - Capitalised project costs (see note 25.1 below)	160.5	314.5	61.3	37.3
	Banking settlement and other clearing accounts	247.5	78.9	247.5	12.7
	RBZ Legacy Debt (see note 25.2 below)	259.7	-	259.7	-
	Trade debtors	53.4	65.6	53.4	10.6
	Other	40.8	176.8	6.6	21.6
		994.3	**1 056.7**	**694.7**	**135.6**
25.1	**Inventory - Capitalised project costs**				
	Opening balance	274.5	404.9	37.3	54.3
	Additions	36.5	47.1	34.6	6.2
	Cost of Sales	(81.5)	(132.1)	(10.6)	(20.8)
	Write down	(69.0)	(5.4)	-	(2.4)
		160.5	**314.5**	**61.3**	**37.3**
25.2	**RBZ Legacy Debt**				
	Principal Amount	29.2	-	29.2	-
	Fair value gain	460.9	-	460.9	-
	Gross amount owing	490.1	-	490.1	-
	Provision	(230.4)	-	(230.4)	-
	Total	**259.7**	**-**	**259.7**	**-**

On the 24th of June 2019, the Government issued Statutory Instrument 142 (SI 142) which was followed up by the Reserve Bank of Zimbabwe's ("RBZ") Exchange Control Directive RU/102 of 2019 which directed authorised dealers to transfer to the RBZ, Zimbabwe Dollar balances at an exchange rate of ZWL$1:US$1 in relation to foreign currency legacy debts to be registered with the RBZ. CABS made applications relating to all its foreign currency obligations in relation to loan repayments for offshore lines of credit and foreign suppliers of goods and services. CABS recognised a foreign currency denominated asset in respect of the funds transferred to the RBZ as a legitimate expectation to receive foreign currency had been created. 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.

25.2.1 Legacy Debts registration process

	2019 Approved USDm	Application outcome pending USDm	2018 Approved USDm	Application outcome pending USDm
External lines of credit	25.2	-	-	-
Amounts owing to related parties	-	89.3	-	-
Amounts owing to 3rd parties	-	4.0	-	-
	25.2	**93.3**	**-**	**-**

During 2019 the Group applied for various external obligations to be registered with the RBZ as legacy debts in line with the guidelines issued by the RBZ in June 2019. These external obligations include amounts incurred in USD between 2012 and 2018 to providers of offshore lines of credit as well as related parties within the wider Old Mutual Limited group.

Subsequent to year-end, of the amounts for which registration was outstanding, a total of USD82 million was approved and the equivalent in local currency of ZWL$82 million paid over to the RBZ. The remaining balance of USD11 million was still under consideration by the RBZ.

Management remain optimistic that the completion of the legacy debt registration process and other management actions around preserving the asset base of the Group will mitigate the risk of unmatched foreign currency exposures on the financial position of the Group.

Group foreign liabilities, where the registration process with the RBZ was completed before 31 December 2019, have been translated using the closing USD interbank rate, and a receivable has been recognised, reflecting management's assessment of the present value of the cashflows to be received from the RBZ under the arrangement. No legacy debt receivable has been recognised with respect to foreign liabilities owing to related parties in the Old Mutual Limited Group as the registration process was not complete before 31 December 2019.

25 Other assets (cont'd)

25.2 Legacy Debts (cont'd)

Included in the statement of financial position under 'Amounts due to group companies' are amounts owing to related parties which were accounted for at the value of the matching portfolio of assets where the funds had been invested pending finalisation of the legacy debt process. If these amounts had been accounted for at the 31 December 2019 closing interbank rate of USD1:ZWL$16.77, then the impact on the financial statements would have been a reduction of profit and net assets by ZWL$1,372m.

26 Cash and cash equivalents

	Inflation adjusted audited		Historical cost unaudited	
	Group 2019 ZWLm	Group 2018 ZWLm	Group 2019 ZWLm	Group 2018 ZWLm
Cash at bank and on hand	1 707.5	1 004.5	1 707.5	161.0
	1 707.5	**1 004.5**	**1 707.5**	**161.0**

The Group tested for impairment on cash and cash equivalents, considering forward looking information and credit risk of counterparties, and concluded that the risk was low and impairment was not material.

27 Insurance contract liabilities

	Inflation adjusted audited		Historical cost unaudited	
	Group 2019 ZWLm	Group 2018 ZWLm	Group 2019 ZWLm	Group 2018 ZWLm
Outstanding claims	7.1	17.6	7.1	2.8
Future policyholders' benefits (see analysis of movement in provision below)	8 443.6	12 767.2	8 294.7	2 047.1
	8 450.7	**12 784.8**	**8 301.8**	**2 049.9**
27.1 Future policyholders' benefits				
Balance at beginning of year	12 767.2	8 307.5	2 047.1	1 352.7
Inflows				-
Premium income	902.7	1 588.2	371.4	202.8
Investment income	7 369.5	4 147.9	6 231.2	667.0
Fee and other income	34.1	37.1	9.8	6.0
Outflows				-
Claims and policy benefits	(700.8)	(1 015.8)	(232.1)	(125.8)
Operating expenses	(264.4)	(188.2)	(106.2)	(31.2)
Taxation			-	-
Current tax	(9.0)	(5.2)	(7.5)	(0.8)
Deferred tax	(27.7)	(6.2)	-	(3.6)
Inflation adjustment	(11 609.0)	(18.8)	-	-
Transfer to operating profit	(19.0)	(79.3)	(19.0)	(20.0)
Balance at end of year	**8 443.6**	**12 767.2**	**8 294.7**	**2 047.1**
27.2 Outstanding claims				
Balance at beginning of year	17.6	17.8	2.8	3.3
New Claims	569.6	307.4	172.5	49.5
Payments	(580.1)	(307.6)	(168.2)	(50.0)
Balance at end of year	**7.1**	**17.6**	**7.1**	**2.8**
28 Investment contract liabilities				
Liabilities at fair value through profit or loss	**591.2**	**1 298.0**	**591.2**	**208.9**
Movement in liabilities fair valued through profit or loss				
Balance at beginning of year	1 298.0	750.3	208.9	120.8
New contributions received	9.7	15.8	3.6	2.2
Withdrawals	(66.9)	(25.9)	(24.8)	(3.6)
Fair value movements	(649.6)	557.8	403.5	89.5
Balance at end of year	**591.2**	**1 298.0**	**591.2**	**208.9**

29 Share-based payments

29.1 Indigenisation Transactions

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

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

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

Participants took 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 were recognised over the respective vesting periods. All shares that were issued under this trust vested in 2016 and there are currently no shares outstanding to staff.

OMZIL Management Incentive Share Scheme
This scheme operates for the benefit of management and its primary purpose is to attract, reward, and retain senior and middle management. Awards will be made annually on agreed terms and conditions with a vesting period of three years. Participants receive dividends from the date of the award. Staff joining the Group after the allocation date also participate in the scheme. There are currently no shares outstanding to staff.

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

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

Strategic Partner
The Strategic partner is Stiefel Investments (Private) Limited (Stiefel), an investment holding company and provider of advisory services. The beneficiary persons behind Stiefel are Messrs L.E.M. Ngwerume and Todd Moyo, and Mrs Tracey Mutaviri. Mr Ngwerume is a former Group Chief Executive Officer of OMZIL while Mrs Mutaviri is a non-executive director of CABS. The purchase consideration of the shares was $13 016 238 for 11 621 641 issued and fully paid up 'B class' shares at a price of $ 1.12 per share. The amount funded (finance assisted) by the Group was $12 755 913 after a 2% down payment of $260 324 paid by Steifel.

Costs associated with Indigenisation transactions	Group 2019 ZWLm	Group 2018 ZWLm
Employee Share Scheme	-	-
Management Incentive Scheme	0.1	0.6
	0.1	**0.6**

OMZIL Management Incentive Scheme	Number of shares	Number of shares
Opening balance of shares	1 601 743	2 555 753
Issued during the year	-	-
Exercised during the year	(1 601 743)	(895 981)
Forfeited	-	(58 029)
Closing balance of shares	**-**	**1 601 743**

Shares exercised during the year were exercised at an average price of ZWL$0.82 (2018: ZWL$1.09). The expected vesting periods for shares outstanding as at end of year are as follows:

2019	**-**	**1 601 743**

The shares are listed on the Finsec Alternative Trading platform"(ATP)". The ATP price as at 31 December 2019 was ZWL$12.00 (2018: ZWL$4.95).

29 Share-based payments (cont'd)

29.2 Share-based payments reserve

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

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

29.3 Cash-settled share-based employee compensation plans

Broad Based Employee Share Plan (BBESP)

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

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

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

Broad Based Employee Share Plan (BBESP)	**Group 2019 ZWLm**	**Group 2018 ZWLm**
The balance of the liability at the end of reporting period was as below:		
Broad Based Employee Share Plan	6.2	0,1
	6.2	**0,1**

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

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

Deferred delivery entitlements	**2019 No of shares**	**2018 No of shares**
Outstanding, at beginning of year	346 333	-
Issued during the year	127 739	346 333
Vested during the year	(23 273)	-
Forfeited during the year	(52 152)	-
Outstanding, at end of year	398 647	346 333

30 Provisions

	Employee related provisions ZWLm	Other ZWLm	Total ZWLm
Inflation adjusted - audited			
2019			
Balance at beginning of year	36.0	63.9	99.9
Amount utilised	(15.5)	(87.5)	(103.0)
Charge	24.2	30.8	55.0
Balance at end of year	**44.7**	**7.2**	**51.9**
2018			
Balance at beginning of year	35.1	53.8	88.9
Amount utilised	(29.1)	(10.3)	(39.4)
Released	(6.0)	-	(6.0)
Charge	36.0	20.4	56.4
Balance at end of year	**36.0**	**63.9**	**99.9**
Historical Cost - unaudited			
2019			
Balance at beginning of year	5.7	10.5	16.2
Amount utilised	(3.6)	(15.7)	(19.3)
Charge	42.6	12.4	55.0
Balance at end of year	**44.7**	**7.2**	**51.9**
2018			
Balance at beginning of year	5.6	8.7	14.3
Amount utilised	(6.1)	(1.3)	(7.4)
Released	(0.7)	-	(0.7)
Charge	6.9	3.1	10.0
Balance at end of year	**5.7**	**10.5**	**16.2**

31 Deferred tax - Inflation adjusted - audited

		At beginning 2018 ZWLm	Charge to equity ZWLm	Income statement charge ZWLm	At end 2019 ZWLm
Deferred tax liability					
Shareholders		146.2	(126.8)	106.6	126.0
Policyholders		216.9	-	(43.5)	173.4
		363.1	**(126.8)**	**63.1**	**299.4**
Deferred tax asset					
Shareholders		(12.0)	-	5.7	(6.3)
		(12.0)	**-**	**5.7**	**(6.3)**
Aggregate deferred tax		**351.1**	**(126.8)**	**68.8**	**293.1**
Analysis of deferred tax	Wear and tear				270,8
	Capital gains				22,3
	Assessed loss				-
					293,1

31 Deferred tax - Inflation adjusted - audited (cont'd)

		At beginning 2018 ZWLm	Charge to equity ZWLm	Income statement charge ZWLm	At end 2018 ZWLm
Deferred tax liability					
Shareholders		29.8	3.0	113.4	146.2
Policyholders		197.3	-	19.6	216.9
		227.1	**3.0**	**133.0**	**363.1**
Deferred tax asset					
Shareholders		(5.9)	-	(6.1)	(12.0)
		(5.9)	**-**	**(6.1)**	**(12.0)**
Aggregate deferred tax		**221.2**	**3.0**	**126.9**	**351.1**
Analysis of deferred tax	Wear and tear				335.6
	Capital gains				15.5
	Assessed loss				-
					351.1

		At beginning 2019 ZWLm	Charge to equity ZWLm	Income statement charge ZWLm	At end 2019 ZWLm
Deferred tax - Historical cost					
Deferred tax liability					
Shareholders		**27.9**	**47.8**	**9.2**	**84.9**
Policyholders		**30.1**		**193.8**	**223.9**
		58.0	**47.8**	**203.0**	**308.8**
Deferred tax asset					
Shareholders		**(1.4)**	**-**	**(5.6)**	**(7.0)**
Policyholders		**-**	**-**	**-**	**-**
		(1.4)	**-**	**(5.6)**	**(7.0)**
Aggregate deferred tax		**56.6**	**47.8**	**197.4**	**301.8**
Analysis of deferred tax	**Wear and tear**				**168.3**
	Capital gains				**123.3**
	Assessed loss				**10.2**
					301.8

		At beginning 2018 ZWLm	Charge to equity ZWLm	Income statement charge ZWLm	At end 2018 ZWLm
Shareholders		15.6	(1.1)	13.4	27.9
Policyholders		26.5		3.6	30.1
		42.1	**(1.1)**	**17.0**	**58.0**
Deferred tax asset					
Shareholders		(0.9)	-	(0.5)	(1.4)
Policyholders		-	-	-	-
		(0.9)	**-**	**(0.5)**	**(1.4)**
Aggregate deferred tax		**41.2**	**(1.1)**	**16.5**	**56.6**
Analysis of deferred tax	Wear and tear				38.3
	Capital gains				18.3
	Assessed loss				-
					56.6

32 Amounts owed to bank depositors

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

	Inflation adjusted audited		Historical cost unaudited	
	Group 2019 ZWLm	Group 2018 ZWLm	Group 2019 ZWLm	Group 2018 ZWLm
Money market deposits	443.7	2 949.7	443.7	461.5
Term deposits	0.2	4.4	0.2	0.7
Savings deposits	2 117.7	3 384.1	2 117.7	544.7
	2 561.6	**6 338.2**	**2 561.6**	**1 006.9**
Maturity analysis				
On demand to 3 months	2 224.0	5 205.3	2 224.0	826.6
3 months to a year	230.5	348.4	230.5	55.4
1 year to 5 year	38.2	343.5	38.2	54.7
Over 5 years	68.9	441.0	68.9	70.2
	2 561.6	**6 338.2**	**2 561.6**	**1 006.9**
Concentration - value				
Financial institutions	699.9	2 693.7	699.9	427.9
Companies	1 376.3	3 036.0	1 376.3	482.3
Individuals	485.4	608.5	485.4	96.7
	2 561.6	**6 338.2**	**2 561.6**	**1 006.9**
Concentration - percentage				
Financial institutions	27.3%	42.5%	27.3%	42.5%
Companies	53.8%	47.9%	53.8%	47.9%
Individuals	18.9%	9.6%	18.9%	9.6%
	100.0%	**100.0%**	**100.0%**	**100.0%**

	Inflation adjusted audited		Historical cost unaudited	
	Group 2019 ZWLm	Group 2018 ZWLm	Group 2019 ZWLm	Group 2018 ZWLm
33 Credit lines				
Trade and Development Bank loan	358.1	121.9	358.1	19.6
Shelter Afrique	104.9	49.7	104.9	8.0
AFDB Loan	434.6	159.6	434.6	25.7
Balance at end of the year	**897.6**	**331.2**	**897.6**	**53.3**
Maturity analysis				
On demand to 3 months	139.8	28.5	139.8	4.6
3 months to 1 year	214.3	68.0	214.3	10.9
1 year to 5 years	543.5	234.7	543.5	37.8
	897.6	**331.2**	**897.6**	**53.3**

The Trade and Development Bank loan is repayable over 3 years, the AFDB loan over 4 years, and the Shelter Afrique loan over 10 years. The Trade and Development Bank loan was obtained in October 2017, the Shelter Afrique loans in 2014, and the AFDB loan in September 2018 . As security for the Trade and Development Bank loan, the Group registered bonds of US$7 million and issued powers of attorney to register bonds (in the event of default) over properties with a total value of US$30.2million as at 31 December 2019 (both investment properties and owner occupied properties).

34 Other payables

	Inflation adjusted audited		Historical cost unaudited	
	Group 2019 ZWLm	Group 2018 ZWLm	Group 2019 ZWLm	Group 2018 ZWLm
Accruals and deferred income	185.3	294.2	26.1	36.0
Trade creditors	147.1	93.9	147.1	15.1
VAT payable	0.5	2.2	0.5	0.4
Foreign Creditors	62.5	-	62.5	-
Dividend payable	25.4	157.8	25.4	25.4
Kurera-Ukondla fund	7.7	48.1	7.7	7.7
Other liabilities (including settlement control accounts)	205.1	56.6	90.0	7.0
	633.6	**652.8**	**359.3**	**91.6**

35 Contingent liabilities

Commission of Inquiry

A commission of inquiry established by the Zimbabwean Government concluded its inquiry into the loss in value for certain policyholders and beneficiaries upon the conversion of pension and insurance benefits after the dollarisation 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. The process has not officially commenced as of June 2020. As such, we are not currently able to establish what impact the commission's findings will have on Old Mutual Zimbabwe and its subsidiary, Old Mutual Life Assurance Company Zimbabwe Limited.

36 Post employment benefits obligations

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

The Old Mutual Staff Pension Fund

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

National Social Security Authority Scheme

This scheme was promulgated under the National Social Security Authority Act 1989. The Group's obligation under the scheme is limited to specific contributions as legislated from time to time and is presently ZWL$49 per month per employee. The Group agreed to keep the employee contributions at ZWL$6 per month and pay any contributions above ZWL$6 on behalf of the employees.

Old Mutual Post Retirement Medical Aid Subsidy Fund

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

	Group 2019 ZWLm	Group 2018 ZWLm	Group 2019 ZWLm	Group 2018 ZWLm
Contributions recognised as an expense for the year				
- Old Mutual Staff Pension Fund	8,3	24.8	3,6	3,6
- National Social Security Authority Scheme	2,7	6.1	1,2	0,9
- Post retirement medical aid	2,3	5.2	1,0	0,8

37 Capital commitments

	Group 2019 ZWLm	Group 2018 ZWLm	Group 2019 ZWLm	Group 2018 ZWLm
Authorised	**262.7**	**384.5**	**262.7**	**61.8**

The Group is committed to incur capital expenditure and the commitments are expected to be settled in the year 2020.

	Group 2019 ZWLm	Group 2018 ZWLm	Group 2019 ZWLm	Group 2018 ZWLm
For advances				
Aggregate commitments due under advances granted but not yet disbursed	**62.1**	**75.3**	**62.1**	**12.1**

38 Related party disclosures

Holding company and fellow subsidiaries and associates.

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

Other Group companies consist of fellow subsidiaries and associates.

Transactions and balances with holding company and fellow subsidiaries

	Group 2019 ZWLm	Group 2018 ZWLm
Fellow related parties		
Old Mutual Life Assurance Company (South Africa) Limited		
Amounts due to as at 31 December	(66.8)	(4.0)
Old Mutual Zimbabwe Holdco Limited		
Amounts due to as at 31 December	(46.3)	(31.4)
Old Mutual Finance (U.K) Plc		
Amounts due to as at 31 December	(50.0)	(50.0)

Loans due by or to subsidiaries and other group companies

Old Mutual Finance (U.K) Plc took over the amount previously owing to Old Mutual Netherlands. Loans due by or to subsidiaries or other group companies within Zimbabwe accrue interest at market related interest rates, and the amounts are repayable on demand.

All the Group's principal subsidiaries together with loans due by or to them are listed in note 44 and 47.

Capital advances and amounts due by or to group companies are disclosed in note 47.

Key management personnel

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

Key management personnel remuneration and other compensation		
Short-term employee benefits	51.1	4.5
Share based payments	0.2	0.7
Post-employment benefits	0.9	0.3
	52.2	**5.5**

39 Unconsolidated structured entity

During 2012, Kurera-Ukondla Youth Fund was formed as part of conforming with the Indigenisation and Economic Empowerment Act for the sole benefit of the Youth of Zimbabwe. OMZIL appoints Trustees who are responsible for overseeing the trust's activities. OMZIL has no interest in the profits or losses of the fund; all income and assets belongs to the Youth Fund and there is no exposure.

40 Group statement of financial position

40.1 Categories of financial instruments

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

Inflation Adjusted - audited At 31 December 2019	**At fair value through profit or loss ZWLm**	**At amortised cost ZWLm**	**Non-financial assets/ liabilities ZWLm**	**Total ZWLm**
Assets				
Investment property	-	-	4 422.3	4 422.3
Property and equipment	-	-	1 054.4	1 054.4
Intangible assets	-	-	64.9	64.9
Deferred acquisition costs	-	-	9.3	9.3
Reinsurers' share of insurance contract provisions	-	-	84.2	84.2
Investments and securities	5 348.4	778.4	-	6 126.8
Deferred tax assets	-	-	6.3	6.3
Current tax assets	-	-	14.3	14.3
Loans and advances	-	1 489.5	-	1 489.5
Other assets	-	573.4	420.9	994.3
Cash and cash equivalents	-	1 707.5	-	1 707.5
	5 348.4	**4 548.8**	**6 076.6**	**15 973.8**
Liabilities				
Insurance contract liabilities	-	-	8 450.7	8 450.7
Investment contract liabilities	591.2	-	-	591.2
Provisions	-	-	51.9	51.9
Deferred tax liabilities	-	-	299.4	299.4
Current tax payable	-	-	2.4	2.4
Amounts due to group companies	-	163.1	-	163.1
Amounts owed to bank depositors	-	2 561.6	-	2 561.6
Borrowed funds	-	897.6	-	897.6
Other liabilities	-	333.2	300.4	633.6
	591.2	**3 955.5**	**9 104.8**	**13 651.5**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2019

40 Group statement of financial position (cont'd)

40.1 Categories of financial instruments (cont'd)

Inflation Adjusted - audited At 31 December 2018	At fair value through profit or loss ZWLm	At amortised cost ZWLm	Non-financial assets/ liabilities ZWLm	Total ZWLm
Assets				
Investment property	-	-	2 578.2	2 578.2
Property and equipment	-	-	638.9	638.9
Intangible assets	-	-	73.9	73.9
Deferred acquisition costs	-	-	6.1	6.1
Reinsurers' share of insurance contract provisions	-	-	33.8	33.8
Investments and securities	15 959.7	1 292.5	-	17 252.2
Deferred tax assets	-	-	12.0	12.0
Current tax assets	-	-	7.5	7.5
Loans and advances	-	4 854.7	-	4 854.7
Other assets	-	459.1	597.6	1 056.7
Cash and cash equivalents	-	1 004.5	-	1 004.5
	15 959.7	**7 610.8**	**3 948.0**	**27 518.5**
Liabilities				
Insurance contract liabilities	-	-	12 784.8	12 784.8
Investment contract liabilities	1 298.0	-	-	1 298.0
Provisions	-	-	99.9	99.9
Deferred tax liabilities	-	-	363.1	363.1
Current tax payable	-	-	2.6	2.6
Amounts due to group companies	-	519.3	-	519.3
Amounts owed to bank depositors	-	6 338.2	-	6 338.2
Borrowed funds	-	331.2	-	331.2
Other liabilities	-	652.8	-	652.8
	1 298.0	**7 841.5**	**13 250.4**	**22 389.9**
Historical Cost - unaudited				
At 31 December 2019				
Assets				
Investment property	-	-	4 422.3	4 422.3
Property and equipment	-	-	846.3	846.3
Intangible assets			9.4	9.4
Deferred acquisition costs	-	-	1.7	1.7
Reinsurers' share of insurance contract provisions	-	-	54.4	54.4
Investments and securities	5 348.4	778.4	-	6 126.8
Deferred tax assets	-	-	7.0	7.0
Current tax assets	-	-	14.3	14.3
Loans and advances	-	1 489.5	-	1 489.5
Other assets	-	573.4	121.3	694.7
Cash and cash equivalents	-	1 707.5	-	1 707.5
	5 348.4	**4 548.8**	**5 476.7**	**15 373.9**
Liabilities				
Insurance contract liabilities	-	-	8 301.8	8 301.8
Investment contract liabilities	591.2	-		591.2
Provisions	-	-	51.9	51.9
Deferred tax liabilities	-	-	308.8	308.8
Current tax payable	-	-	2.4	2.4
Amounts due to group companies	-	163.1	-	163.1
Amounts owed to bank depositors	-	2 561.6	-	2 561.6
Borrowed funds	-	897.6	-	897.6
Other liabilities	-	333.2	26.1	359.3
	591.2	**3 955.5**	**8 691.0**	**13 237.7**

40 Group statement of financial position (cont'd)

40.1 Categories of financial instruments (cont'd)

Historical Cost - unaudited At 31 December 2018	At fair value through profit or loss ZWLm	At amortised cost ZWLm	Non-financial assets/ liabilities ZWLm	Total ZWLm
Assets				
Investment property	-	-	411.5	411.5
Property and equipment	-	-	96.6	96.6
Intangible assets	-	-	8.0	8.0
Deferred acquisition costs	-	-	0.6	0.6
Reinsurers' share of insurance contract provisions	-	-	4.8	4.8
Investments and securities	2 570.0	225.3	-	2 795.3
Deferred tax assets	-	-	1.4	1.4
Current tax assets	-	-	0.6	0.6
Loans and advances	-	780.5	-	780.5
Other assets	-	73.9	61.7	135.6
Cash and cash equivalents	-	161.0	-	161.0
	2 570.0	**1 240.7**	**585.2**	**4 395.9**
Liabilities				
Insurance contract liabilities	-	-	2 049.9	2 049.9
Investment contract liabilities	208.9	-	-	208.9
Provisions	-	-	16.2	16.2
Deferred tax liabilities	-	-	58.0	58.0
Current tax payable	-	-	0.4	0.4
Amounts due to group companies	-	85.3	-	85.3
Amounts owed to bank depositors	-	1 006.9	-	1 006.9
Borrowed funds	-	53.3	-	53.3
Other liabilities	-	91.6	-	91.6
	208.9	**1 237.1**	**2 124.5**	**3 570.5**

40.2 Fair values of financial assets and liabilities

Determination of fair value

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

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

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

Loans and advances

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

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

40 Group statement of financial position (cont'd)

40.2 Fair values of financial assets and liabilities (cont'd)

Investments and securities

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

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

Investment contract liabilities

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

Other financial assets and liabilities

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

Fair value hierarchy

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

The 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.

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

Analysis of instruments at fair value

At 31 December 2019	Level 1 ZWLm	Level 2 ZWLm	Level 3 ZWLm	Total ZWLm
Financial assets measured at fair value				
Investment and securities	4 711.0	801.7	614.1	6 126.8
Total financial assets measured at fair value	**4 711.0**	**801.7**	**614.1**	**6 126.8**
Financial liabilities				
Investment contract liabilities	-	-	591.2	591.2
Total financial liabilities measured at fair value	**-**	**-**	**591.2**	**591.2**

40 Group statement of financial position (cont'd)

40.2 Fair values of financial assets and liabilities (cont'd)

Analysis of instruments at fair value (cont'd)

At 31 December 2018 - Inflation adjusted	Level 1 ZWLm	Level 2 ZWLm	Level 3 ZWLm	Total ZWLm
Financial assets measured at fair value				
Investment and securities	13 184.4	3 481.1	586.7	17 252.2
Total financial assets measured at fair value	**13 184.4**	**3 481.1**	**586.7**	**17 252.2**
Financial liabilities				
Investment contract liabilities	-	-	1 298.0	1 298.0
Total financial liabilities measured at fair value	**-**	**-**	**1 298.0**	**1 298.0**
At 31 December 2018 - Historical cost				
Financial assets measured at fair value				
Investment and securities	2 162.3	535.3	97.7	2 795.3
Total financial assets measured at fair value	**2 162.3**	**535.3**	**97.7**	**2 795.3**
Financial liabilities				
Investment Contract liabilities	-	-	208.9	208.9
Total financial liabilities measured at fair value	**-**	**-**	**208.9**	**208.9**

The movement in level 3 instruments for the year can be analysed as follows:

Inflation adjusted - audited At 31 December 2019	Opening balance ZWLm	Gains/losses recognised in profit or loss ZWLm	Purchases and issues ZWLm	Sales and settlements ZWLm	Inflation adjustment ZWLm	Transfers out of level 3 to other categories ZWLm	Closing balance ZWLm
Financial assets measured at fair value							
Designated (fair value through profit or loss)	586.7	407.4	130.8	-	(510.8)	-	614.1
Total financial assets measured at fair value	**586.7**	**407.4**	**130.8**	**-**	**(510.8)**	**-**	**614.1**
At 31 December 2018							
Designated (fair value through profit or loss)	284.8	236.1	159.6	(73.6)	(20.2)	-	586.7
Total financial assets measured at fair value	**284.8**	236.1	159.6	**(73.6)**	**(20.2)**	**-**	**586.7**
Historical cost - unaudited At 31 December 2019							
Financial assets measured at fair value							
Designated (fair value through profit or loss)	97.7	407.4	109.0	-	-		614.1
Total financial assets measured at fair value	**97.7**	**407.4**	**109.0**	**-**	**-**	**-**	**614.1**
At 31 December 2018							
Designated (fair value through profit or loss)	43.8	38.2	25.7	(10.0)	-		97.7
Total financial assets measured at fair value	**43.8**	**38.2**	**25.7**	**(10.0)**	**-**	**-**	**97.7**

40 Group statement of financial position (cont'd)

40.2 Fair values of financial assets and liabilities (cont'd)

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

Valuation Technique	Significant unobservable input	Average range of unobservable inputs
Discounted Cash flow (DCF)	- Risk-adjusted discount rate - Equity risk premium - Company specific premium - Nominal free risk rate - Terminal growth rate	33%-36.6% 18.46% 1%-10% 14%-15.5% 1%-3%
Price Earnings(PE)	PE ratio/multiple:Discount applied - Country risk discount - Lack of marketability adjustment - Size discount	 22.9% 13.6%-17.4% 20%-26.9%

Most unobservable inputs are based on USD parameters due to the instability in the value of the ZWL$ and the need to use a stable valuation base.

Effect of changes in significant unobservable assumptions to reasonable possible alternatives
Favourable and unfavourable changes are determined on the basis of changes in the value of the financial asset or liability as a result of varying the levels of the unobservable parameters using statistical techniques. When parameters are not amenable to statistical analysis, quantification of uncertainty is judgemental. When the fair value of a financial asset or liability is affected by more than one unobservable assumption, the figures shown reflect the most favourable or most unfavourable change from varying the assumptions individually.

The valuations of the private equity investments are performed on an asset-by-asset basis using a valuation methodology appropriate to the specific investment and in line with industry guidelines. In determining the valuation of the investment the principal assumption used is the valuation multiples applied to the main financial indicators (such as adjusted earnings). The source of these multiples may include multiples for comparable listed companies which have been adjusted for discounts for non-tradability and valuation multiples earned on transactions in comparable sectors.

The valuations of asset-backed securities are determined by discounted cash flow models that generate the expected value of the asset, incorporating benchmark information on factors such as prepayment patterns, default rates, loss severities, and the historical performance of the underlying assets. The outputs from the models used are calibrated with reference to similar securities for which external market information is available

The following table summarises the significant inputs to value instruments categorised as Level 3 hierarchy in the Group's continuing businesses and their sensitivity to changes in the inputs used.

					Sensitivity	
Types of financial instruments	31 December 2019 ZWLm	31 December 2018 ZWLm	Valuation Technique Used	Significant unobservable inputs	31 December 2019 ZWLm	31 December 2019 ZWLm
Investments and securities	614.1	97.7	Market Approach Discounted Cash Flows	PE Multiple Cost of equity Terminal Growth rate	**Favourable** 62.6 **Unfavourable** (60.7)	**Favourable** 8.3 **Unfavourable** (7.5)

41 Financial risk management

The Group is exposed to financial risk through its financial assets, financial liabilities, reinsurance assets, investment contracts with discretionary participating features, and insurance liabilities. In particular, the key financial risk is that the proceeds from its financial assets may not be sufficient to fund the obligations arising from its insurance and investment contracts. The most important components of financial risk are interest rate risk, liquidity risk, equity price risk, currency risk, and credit risk. These risks arise from open positions in interest rate (both fair value and cash flow interest rate risk) and equity products, all of which are exposed to general and specific market movements.

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

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

41 Financial risk management (cont'd)

Capital Adequacy	2019 ZWLm	2018 ZWLm
Old Mutual Life Assurance Company Zimbabwe Limited (OMLAC)		
Shareholders equity (excess assets)	925.8	442.0
Regulatory capital adequacy requirement	75.0	5.0
Central Africa Building Society (CABS)		
Shareholders equity	809.3	194.4
Regulatory Capital	665.9	186.4
Total risk weighted assets	2 573.2	1 040.1
Capital adequacy ratio	26%	18%
Regulatory capital adequacy ratio	12%	12%
Old Mutual Investment Group Zimbabwe (Private) Limited (OMIG)		
Shareholders equity	28.4	3.7
Regulatory capital adequacy requirement	6.0	0.5
Old Mutual Securities (Private) Limited (OMSEC)		
Shareholders equity	2.4	1.2
Regulatory capital adequacy requirement	0.2	0.2
RM Insurance Holdings Limited (RMI)		
Shareholders equity	160.6	51.3
Regulatory capital adequacy requirement	37.5	2.5
Old Mutual Finance (Private) Limited (OMFIN)		
Shareholders equity	8.5	2.2
Regulatory capital adequacy requirement	0.0	0.0
CABS Custodial Services (Private) Limited.		
Shareholders equity	4.0	2.4
Regulatory capital adequacy requirement	0.5	0.5

OMLAC

OMLAC is regulated by the Insurance and Pensions Commission (IPEC). The internal capital adequacy requirement (CAR) has been calculated based on the Prudential Authority of South Africa's Financial Soundness Standards for Insurers (Solvency Assessment and Management SAM) framework. This provides a buffer against future experience being worse than assumed, of which adverse investment experience is the most significant. For the Guaranteed Fund product into which the majority of policyholder funds are invested, the shareholder's support will only be called upon if the Bonus Smoothing Reserve falls below negative 15% of the liabilities after reducing surrender values in accordance with underlying asset values, reducing interim bonuses (if necessary to zero), declaring low or if necessary zero bonuses, and if the circumstances warrant it, removing part or all of previously declared non vested bonuses to the extent consistent with the Principles and Practices of Financial Management. The nature and extent of the action that would be taken will depend on the severity of the decline in asset values and the circumstances at that time.

The investment resilience CAR is the single most significant component of the Company's CAR. The calculation of this component is based on the asset profile and the proportion of vested and non-vested liabilities.

CABS

The Society's lead regulator (Reserve Bank of Zimbabwe) sets and monitors capital requirements for the Society on a quarterly basis through quarterly BSD1 Returns. As at 31 December 2019, RBZ required the Society to maintain a minimum capital adequacy ratio of 12% as measured by the ratio of total capital to risk weighed assets, with effect from 31 December 2020 the required capital will increase to a minimum of the equivalent of US$30 million.

OMIG

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

41 Financial risk management (cont'd)

OMSEC

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

RMI

Old Mutual Insurance Company (OMICO), RMI's principal subsidiary, is regulated by the Insurance and Pensions Commission (IPEC) which sets and monitors capital requirements for the company. The company met the regulatory requirements regarding capitalisation.

OMFIN

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

CABSCUS

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

Capital management policies

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

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

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

Insurance risks

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

Equity price risk

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

Credit risk

Credit risk is the risk that an asset, in the form of a monetary claim against a counterparty, may not result in a cash receipt (or equivalent) in accordance with the terms of a contract.

The Group is exposed to credit risk through its money market investments, cash and cash equivalents and loans and advances. Credit risk is managed by placing limits on exposure to a single counterparty or groups of counterparties. These limits are based on credit ratings of the counterparties conducted within the various operating companies. Credit risk is monitored with reference to credit ratings with limits placed on exposure where credit risk is below acceptable levels and through holding security from the counterparty.

Credit risk associated with property rentals is managed through a credit vetting process, the requirement for rental deposits, and close monitoring of the tenants' book.

41 Financial risk management (cont'd)

	Inflation adjusted audited		Historical cost unaudited	
	Group 2019 ZWLm	Group 2018 ZWLm	Group 2019 ZWLm	Group 2018 ZWLm
Overall credit risk				
Short term funds and securities	801.7	3 325.8	801.7	535.3
Reinsurers' share of insurance contract provisions	84.2	33.8	54.4	4.8
Cash and cash equivalents	1 707.5	1 004.5	1 707.5	161.0
	2 593.4	**4 364.1**	**2 563.6**	**701.1**

Exposure to credit risk

Carrying amount	Loans and advances			
	Group 2019 ZWLm	Group 2018 ZWLm	Group 2019 ZWLm	Group 2018 ZWLm
Impaired				
Gross amount	1 547.5	5 078.6	1 547.5	817.3
Allowance for impairment	(58.0)	(223.9)	(58.0)	(36.8)
Carrying amount	**1 489.5**	**4 854.7**	**1 489.5**	**780.5**

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

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

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

Loans and Advances Renegotiated
Restructuring of loans include extended repayment arrangements, modifications, and deferral of repayments. Restructuring policies and practices are based on indicators and criteria that in the judgement of management, indicate that repayments will most likely continue. These policies are kept under continuous review.

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

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

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

The Group holds collateral and other credit enhancements against certain of its credit exposures. The following table sets out the principal types of collateral held against different types of financial assets.

41 Financial risk management (cont'd)

Collateral held and other credit enhancements	31 December 2019	31 December 2018	Principal type of collateral held
Percentage of exposure subject to collateral requirements			
Type of credit exposure			
Treasury Bills	0%	0%	None
Fixed deposits	100%	100%	Treasury Bills
Mortgage loans		100%	100%
Property			
Corporate loans		100%	100%
Property and guarantees			
Consumer loans	85%	85%	Insurance

The Group's policy is to pursue timely realisation of the collateral in an orderly manner. The Group does not generally use the non-cash collateral for its own operations.

Settlement risk

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

Regulatory Loan Loss Provisioning

Provisioning is determined on the basis of account classification whereby provisions are uniformly determined for specific grades. The Society establishes an allowance for impairment based on the class of each loan and in line with the RBZ guidelines on provisions. The provisioning methodology is summarised below:

31 December 2019- Inflation adjusted					
Class	**Type**	**Provisioning criteria**	**Gross loans ZWLm**	**Allowance for impairment ZWLm**	**Net loans ZWLm**
Grade A,B,C	Pass	1-2% general provision	1 268.1	28.5	1 239.6
Grade D.E.F.G	Special mention	3-10% general provision	247.1	11.4	235.7
Grade H	Sub standard	20% specific provision on balance less security value	3.5	1.7	1.8
Grade I	Doubtful	50% of total outstanding balance less security value	4.6	2.9	1.7
Default	Loss	100% of total outstanding balance less security held	24.2	13.5	10.7
		Portfolio total	**1 547.5**	**58.0**	**1 489.5**
31 December 2018					
Grade A.B.C	Pass	1-2% general provision	3 738.3	32.7	3 705.6
Grade D.E.F.G	Special mention	3-10% general provision	1 046.4	50.4	996.0
Grade H	Sub standard	20% specific provision on balance less security value	49.0	21.1	27.9
Grade I	Doubtful	50% of total outstanding balance less security value	45.0	12.5	32.5
Default	Loss	100% of total outstanding balance less security held	199.9	107.2	92.7
		Portfolio total	**5 078.6**	**223.9**	**4 854.7**

41 Financial risk management (cont'd)

Regulatory Loan Loss Provisioning (cont'd)

31 December 2019 - Historical Class	Type	Provisioning criteria	Gross loans ZWLm	Allowance for impairment ZWLm	Net loans ZWLm
Grade A,B,C	Pass	1-2% general provision	1 268.1	28.5	1 239.6
Grade D.E.F.G	Special mention	3-10% general provision	247.1	11.4	235.7
Grade H	Sub standard	20% specific provision on balance less security value	3.5	1.7	1.8
Grade I	Doubtful	50% of total outstanding balance less security value	4.6	2.9	1.7
Default	Loss	100% of total outstanding balance less security held	24.2	13.5	10.7
		Portfolio total	**1 547.5**	**58.0**	**1 489.5**
31 December 2018					
Grade A.B.C	Pass	1-2% general provision	601.6	6.0	595.6
Grade D.E.F.G	Special mention	3-10% general provision	168.4	8.1	160.3
Grade H	Sub standard	20% specific provision on balance less security value	7.9	3.4	4.5
Grade I	Doubtful	50% of total outstanding balance less security value	7.2	2.0	5.2
Default	Loss	100% of total outstanding balance less security held	32.2	17.3	14.9
		Portfolio total	**817.3**	**36.8**	**780.5**

The Group also takes into account provisions requirement of IFRS 9 (Financial Instruments) and makes the most prudent provisions for its loans and advances based on the two methods. Where the regulatory provisions are higher than the IFRS 9 impairment, the excess is treated as an appropriation from retained earnings.

Currency risk

The Group has exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. To the extent possible, exchange rate risk on foreign payables is mitigated by generating business which earns foreign currency and seeking to invest in foreign currency denominated assets to the extent that regulations allow for this.

The table below shows the Group's exposure to foreign currency exchange risk at 31 December 2019.

	USD	ZAR	GBP	EURO	BWP	Total - ZWLm
At 31 December 2019						
Cash and cash equivalents	17.0	14.1	1.3	1.2	0.1	16.7

A complete list of the Group's assets and liabilities denominated in foreign currency is shown on note 63. The table below shows the Group's closing exchange rates which were used in the financial statements.

	USD	ZAR	GBP	EURO	BWP
At 31 December 2019	16.7743	1.1900	22.0000	18.8100	1.5800
At 31 December 2018	1.0000	14.4117	1.2690	1.1438	0.0933

Foreign currency risk

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

41 Financial risk management (cont'd)

Foreign currency risk (cont'd)	2019 ZWLm	2018 ZWLm
Foreign liabilities		
Life Assurance	77.1	3.7
General Insurance	6.7	0.3
Banking	1,510.0	64.1
Holding Company and other	303.5	4.2
	1 897.3	**72.3**
Of the amount disclosed above, the exposure to fellow group companies was:	**43.6**	**5.1**

Interest rate risk

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

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

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

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

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

Inflation adjusted/Historical cost 2019	0 to 3 months ZWLm	3 to 12 months ZWLm	Over a year ZWLm	Total ZWLm
Interest bearing investments	323.2	217.8	237.4	778.4
Loans and advances	198.2	408.4	940.9	1 547.5
	521.4	**626.2**	**1 178.3**	**2 325.9**

Loans and advances-Concentration-Gross	Low and high density housing ZWLm	Individuals ZWLm	Commercial and industrial ZWLm	Total ZWLm
	233.0	218.8	1 095.7	1 547.5

Inflation adjusted 2018	0 to 3 months ZWLm	3 to 12 months ZWLm	Over a year ZWLm	Total ZWLm
Interest bearing investments	641.0	860.0	1 871.8	3 372.8
Loans and advances	753.0	1 500.0	2 825.6	5 078.6
	1 394.0	**2 360.0**	**4 697.4**	**8 451.4**

41 Financial risk management (cont'd)

Interest rate risk (cont'd)

Loans and advances-Concentration-Gross	Low and high density housing ZWLm	Individuals ZWLm	Commercial and industrial ZWLm	Total ZWLm
	1 579.5	1 378.5	2 120.6	5 078.6

Historical cost 2018	0 to 3 months ZWLm	3 to 12 months ZWLm	Over a year ZWLm	Total ZWLm
Interest bearing investments	103.3	138.4	279.6	521.3
Loans and advances	121.3	241.5	454.5	817.3
	224.6	**379.9**	**734.1**	**1 338.6**

Loans and advances-Concentration-Gross	Low and high density housing ZWLm	Individuals ZWLm	Commercial and industrial ZWLm	Total ZWLm
	254.3	222.0	341.0	817.3

Liquidity risk

Liquidity risk is the risk that cash may not be available at a reasonable cost to pay obligations when due. The tables below set out the carrying amounts, by maturity, of the Group's financial instruments that are exposed to liquidity risk.

Maturity profile of financial assets and liabilities exposed to liquidity risk:

Inflation adjusted -2019	0 to 3 months ZWLm	3 to 12 months ZWLm	Over a year ZWLm	Total ZWLm
Cash and cash equivalents	1 707.5	-	-	1 707.5
Investments and securities	834.2	1 117.8	4 174.8	6 126.8
Loans and advances	198.2	408.4	882.9	1 489.5
Insurance contract liabilities	(284.5)	(831.4)	(7 334.8)	(8 450.7)
Amounts owed to bank depositors	(2 224.0)	(230.5)	(107.1)	(2 561.6)
Credit lines	(139.9)	(214.3)	(543.4)	(897.6)
Insurance and other payables	(62.5)	(491.6)	(79.5)	(633.6)
	29.0	**(241.6)**	**(3 007.1)**	**(3 219.7)**
Historical cost 2019				
Cash and cash equivalents	1 707.5	-	-	1 707.5
Investments and securities	834.2	1 117.8	4 174.8	6 126.8
Loans and advances	198.2	408.4	882.9	1 489.5
Insurance contract liabilities	(247.3)	(719.7)	(7 334.8)	(8 301.8)
Amounts owed to bank depositors	(2 224.0)	(230.5)	(107.1)	(2 561.6)
Credit lines	(139.9)	(214.3)	(543.4)	(897.6)
Insurance and other payables	(62.5)	(263.7)	(33.1)	(359.3)
	66.2	**98.0**	**(2 960.7)**	**(2 796.5)**

41 Financial risk management (cont'd)

Interest rate risk
Maturity profile of financial assets exposed to liquidity risk:

	0 to 3 months ZWLm	3 to 12 months ZWLm	Over a year ZWLm	Total ZWLm
Inflation adjusted 2018				
Cash and cash equivalents	1 004.5	-	-	1 004.5
Investment and securities	478.0	2 754.9	161.4	3 394.3
Loans and advances	753.2	1 499.6	2 822.7	5 075.5
Amounts owed to bank depositors	(5 205.3)	(348.4)	(784.5)	(6 338.2)
Credit lines	(28.5)	(68.0)	(234.7)	(331.2)
Insurance and other payables	(444.7)	(2.2)	(205.9)	(652.8)
	(3 442.8)	**3 835.9**	**1 759.0**	**2 152.1**
Historical cost 2018				
Cash and cash equivalents	161.0	-	-	161.0
Investment and securities	51.7	443.6	26.0	521.3
Loans and advances	121.3	241.5	454.5	817.3
Amounts owed to bank depositors	(826.6)	(55.4)	(124.9)	(1 006.9)
Credit lines	(4.6)	(10.9)	(37.8)	(53.3)
Insurance and other payables	(58.4)	-	(33.1)	(91.5)
	(555.5)	**618.7**	**284.7**	**347.9**

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

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

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

Exposure to liquidity risk
The key measure used by the Group for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose, net liquid assets are considered as including cash and cash equivalents and short term dealing and investment securities for which there is an active and liquid market less any deposits from banks, other borrowing, and liabilities maturing within the same short term period. Details of the liquidity ratio as at 31 December 2019 are given below for CABS, the Banking subsidiary.

41 Financial risk management (cont'd)

Exposure to liquidity risk (cont'd)	2019	2018
Liquidity ratio (CABS)	41%	41%
Regulatory Minimum (CABS)	30%	30%

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

Sensitivity analysis

A 15 percent movement of the listed equities as at 31 December 2019 would have changed equity and profit by ZWL$121.1 million. The movement would represent a 5% impact on the inflation adjusted profit and equity. This analysis assumes that all other variables remain constant.

A 5 percent change of interest rates as at 31 December 2019 would have changed equity and profit by ZWL$113.3 million. On the inflation adjusted results, the movement would represent a 4% impact on profit and 5% impact on equity . This analysis assumes that all other variables remain constant.

42 Insurance risk management

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

For accounting purposes, insurance risk is defined as risk other than financial risk. Contracts issued by the Group may include both insurance and financial risk; contracts with significant insurance risk are classified as insurance contracts, while contracts with no or insignificant insurance risk are classified as investment contracts. The Group's approach to financial risk management has been described in note 41.

Risk management objectives and policies for mitigating insurance risk

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

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

42 Insurance risk management (cont'd)

Terms and conditions of insurance contracts

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

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

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

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

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

Management of insurance risks

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

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

Summary of key valuation assumptions (statutory basis)

42 Insurance risk management (cont'd)

Management of insurance risks (cont'd)
Below are the key actuarial valuation assumptions per product

Product			2019 ZWLm	2018 ZWLm
Old Mutual Funeral Plan				
	Valuation interest rate		6.5%	6.5%
	Expense inflation		4.0%	4.0%
	Effective interest rate for assurance		6.5%	6.5%
	Mortality basis		Zim92	Zim92
	Renewal costs per annum		$20	$11.8
	Lapse rates			
		Year 1	80.0%	40.0%
		Year 2	40.0%	20.0%
		Year 3	30.0%	15.0%
		Year 4+	8.0%	4.0%
Old Mutual Life Plan				
	Valuation interest rate		6.5%	6.5%
	Expense inflation		4.0%	4.0%
	Effective interest rate for assurance		6.5%	6.5%
	Mortality basis		Zim92	Zim92
	Renewal costs per month		$183.5	$142.4
	Lapse rates			
	Late rate:	Year 1	40.0%	40.0%
		Year 2	20.0%	20.0%
		Year 3	10.0%	10.0%
		Year 4+	2.0%	2.0%
Savings Plan				
	Valuation interest rate		5.9%	5.9%
	Expense inflation		4.0%	4.0%
	Mortality basis		Zim92	Zim92
	Renewal Costs per month-premium paying		$195.0	$123.0
	Renewal Costs per month-premium paid up		$195.0	$123.0
	Late rate:			
		Year 1	20.0%	20.0%
	Surrender rate:			
		Year 2	10.0%	10.0%
		Year 3	10.0%	10.0%
		Year 4+	10.0%	10.0%
Old Mutual Term Plan				
	Valuation interest rate		6.5%	6.5%
	Expense inflation		4.0%	4.0%
	Effective interest rate for assurance		6.5%	6.5%
	Mortality basis		Zim92	Zim92
	Renewal costs per month		$183.5	$63.5
	Lapse rates			
		Year 1	40.0%	40.0%
		Year 2	20.0%	20.0%
		Year 3	10.0%	10.0%
		Year 4+	2.0%	2.0%
Pension Plus				
	Mortality		a(90)	a(90)
	Valuation interest rate per annum		5.9%	5.9%
	After-retirement interest rate		3.5%	3.5%
	Administration fee-per policy per annum		$48.0	$48.0

GLA IBNR reserves	
2019	Bornhutter-Fergusson IBNR reserve calculation
2018	85% of premiums earned in the last 2.8 months

42 Insurance risk management (cont'd)

Statement of impact of assumptions change 2019

Lapse rates: Lapse rates for the Funeral Plan were reviewed to reflect current experience and expected future experience. The lapse change resulted in a release of reserves equal to ZWL$9.3 million. Expenses: The expense assumptions were increased for Retail Products to reflect current experience and expected future experience. This resulted in an increase in reserves of ZWL$15.6 million Reserving methodology: The methodology of reserving for Incurred But Not yet Reported (IBNR) claims on Group Life Assurance (GLA) Product was changed from a multiple of premiums to using run-off triangles. This resulted in a reduction of GLA IBNR claims reserves by ZWL$5.8 million.

43 Investment property

	Inflation adjusted Audited		Historical Cost Unaudited	
	Company 2019 ZWLm	Company 2018 ZWLm	Company 2019 ZWLm	Company 2018 ZWLm
Company				
Carrying amount at beginning of year	3.7	3.3	0.6	0.5
Net gain from fair value adjustments	9.5	0.6	9.5	0.1
Inflation adjustment	(3.1)	(0.2)	-	-
Carrying amount at end of year	**10.1**	**3.7**	**10.1**	**0.6**
Comprising:				
Freehold property	**10.1**	**3.7**	**10.1**	**0.6**

The fair value of freehold property leased to third parties under operating leases is ZWL$10.1 million.

The carrying amount of investment property is the fair value of property as determined annually by internal professional valuers, having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued. Fair values are determined by having regard to recent market transactions for similar properties in the same location as the investment property. The Company's current lease arrangements, which are entered into on an arm's length basis and which are comparable to those for similar properties in the same location, are taken into account. Investment properties, being residential, were fair valued using the Comparison Approach. The fair value of the Group's properties are categorised into Level 2 of the fair value hierarchy (quoted prices of similar assets).

44 Investment in subsidiary companies

	Number of issued ordinary & preference shares	% interest	Inflation adjusted Audited 2019 Carrying value of shares ZWLm	Historical Cost Unaudited 2019 Carrying value of shares ZWLm
Total				
Unlisted - subsidiaries				
Old Mutual Life Assurance Company Zimbabwe Limited	13 184 355	100%	358,7	40,6
Central Africa Building Society	15 000 000	100%	184,2	20,9
Old Mutual Investment Group Zimbabwe (Private) Limited	10 000	100%	47,7	39,9
Three Anchor Investments (Private) Limited T/A CABS Custodial Services (Private) Limited	1 200	100%	28,1	3,2
Old Mutual (Zimbabwe) Foundation Trust	100	100%	-	-
Capital Growth Investment Trust	10 000	100%	-	-
Old Mutual Property Zimbabwe (Private) Limited	1 700	100%	58,9	8,4
Old Mutual Securities (Private) Limited	577	70%	21,9	4,4
Old Mutual Shared Services (Private) Limited	1 700	100%	115,4	56,7
MCZ (Private) Limited T/A Old Mutual International Services Organisation	10 000 783	70%	-	-
RM Insurance Holdings Limited	940 520	58,63%	34,4	8,2
Old Mutual Finance (Private) Limited	40 002	100%	42,1	12,0
			891,4	**194,3**

	Number of issued ordinary & preference shares	% interest	Inflation adjusted Audited 2019 Carrying value of shares ZWLm	Historical Cost Unaudited 2019 Carrying value of shares ZWLm
Total				
Unlisted - subsidiaries				
Old Mutual Life Assurance Company Zimbabwe Limited	13 184 355	100%	358.6	40.6
Central Africa Building Society	15 000 000	100%	184.0	20.8
Old Mutual Investment Group Zimbabwe (Private) Limited	100	100%	8.8	1.0
Three Anchor Investments (Private) Limited T/A Old Mutual Custodial Services	1 200	100%	28.1	3.2
Old Mutual (Zimbabwe) Foundation Trust	100	100%	-	-
Capital Growth Investment Trust	10 000	100%	-	-
Old Mutual Property Zimbabwe (Pvt) Ltd	100	100%	56.9	6.4
Old Mutual Securities (Private) Limited	167	70%	19.8	2.3
Old Mutual Shared Services (Private) Limited	602	100%	44.7	5.1
MCZ (Private) Limited T/A Old Mutual International Services Organisation	10 000 783	70%	-	-
RM Insurance Holdings Limited	940 520	50.67%	12.9	1.5
Old Mutual Finance (Private) Limited	10 000	100%	26.2	3.0
			740.0	**83.9**

44 Investment in subsidiary companies (cont'd)

The non-controlling interests share of profit for the financial year has been calculated on the basis of the Group's effective ownership in RM Insurance Holdings Limited and Old Mutual Securities (Private) Limited, being the principal subsidiaries where non-controlling interests exist.

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

45. Property and equipment

Company	Right of Use Asset ZWLm	Motor vehicles ZWLm	Computer equipment ZWLm	Fixtures & fittings ZWLm	Total ZWLm
Inflation adjusted 2019					
Carrying amount at beginning of year	-	0.2	0.1	-	0.3
Additions	0.4	2.2	0.5	0.2	3.3
Disposals	-	(0.3)	-	-	(0.3)
Disposals accumulated depreciation	-	0.3	-	-	0.3
Depreciation charge for the year	(0.2)	(0.2)	(0.1)	-	(0.5)
Carrying amount at end of year	**0.2**	**2.2**	**0.5**	**0.2**	**3.1**
Cost/Valuation	0.4	4.8	0.7	0.3	6.1
Accumulated depreciation	(0.2)	(2.6)	(0.2)	(0.1)	(3.0)
Carrying amount at end of year	**0.2**	**2.2**	**0.5**	**0.2**	**3.1**
Inflation adjusted 2018					
Carrying amount at beginning of year		0.5	0,1	-	0,6
Additions		-	-	-	-
Disposals		-	-	-	-
Disposals accumulated depreciation		-	-	-	-
Depreciation charge for the year		(0,3)	-	-	(0,3)
Carrying amount at end of year		**0.2**	**0,1**	**-**	**0,3**
Cost/Valuation		2,9	0,2	0,1	3,2
Accumulated depreciation		(2,7)	(0,1)	(0,1)	(2,9)
Carrying amount at end of year		**0.2**	**0,1**	**-**	**0,3**

45. Property and equipment (cont'd)

Company	Right of Use Asset ZWLm	Motor vehicles ZWLm	Computer equipment ZWLm	Fixtures & fittings ZWLm	Total ZWLm
Historical cost 2019					
Carrying amount at beginning of year	-	0.1	-	-	0.1
Additions	0.4	0.9	0.2	0.1	1.6
Disposals	-	(0.2)	-	-	(0.2)
Disposals accumulated depreciation	-	0.2	-	-	0.2
Depreciation charge for the year	(0.2)	(0.1)	-	-	(0.3)
Carrying amount at end of year	**0.2**	**0.9**	**0.2**	**0.1**	**1.4**
Cost/Valuation	0.4	1.0	0.2	0.3	1.9
Accumulated depreciation	(0.2)	(0.1)	(0.0)	(0.2)	(0.5)
Carrying amount at end of year	**0.2**	**0.9**	**0.2**	**0.1**	**1.4**
Historical cost 2018					
Carrying amount at beginning of year		0.1	-	-	0.1
Additions		0.1	-	-	0.1
Disposals		-	-	-	-
Disposals accumulated depreciation		-	-	-	-
Depreciation charge for the year		(0.1)	-	-	(0.1)
Carrying amount at end of year		**0.1**	**-**	**-**	**0.1**
Cost/Valuation		0.4	-	0.2	0.6
Accumulated depreciation		(0.3)	-	(0.2)	(0.5)
Carrying amount at end of year		**0.1**	**-**	**-**	**0.1**

46 Investments and securities

Company	2019 ZWLm Inflation adjusted/ Historical cost	2018 ZWLm Inflation adjusted	2018 ZWLm Historical cost
46.1 Analysis of investments			
At fair value through profit or loss			
Equity securities (see analysis in note 46.2 below)	291.5	1 552.9	249.9
Unit trusts	3.7	21.1	3.4
At amortised cost			
Debentures	0.8	134.1	21.6
Deposits and money market securities	3.1	-	-
	299.1	**1 708.1**	**274.9**
46.2 Spread of equity securities by sector			
At fair value through profit or loss			
Commodities	21.9	198.2	31.9
Consumer	109.5	904.1	145.5
Financial	103.8	81.2	13.1
Properties	6.4	62.1	10.0
Manufacturing	22.9	221.9	35.7
Mining	0.1	7.5	1.2
Unquoted	26.9	77.9	12.5
	291.5	**1 552.9**	**249.9**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 2019

46 Investments and securities (cont'd)

	Inflation adjusted Audited		Historical Cost Unaudited	
	Company 2019 ZWLm	Company 2018 ZWLm	Company 2019 ZWLm	Company 2018 ZWLm
46.3 Movements of investment and securities				
Opening balance	1 708.1	1 560.2	274.9	176.7
Fair value movements through profit and loss	65.1	712.1	65.1	87.2
Interest earned	7.6	8.2	2.2	1.3
Additions	30.3	204.8	6.6	33.0
Disposals	(85.0)	(144.7)	(49.7)	(23.3)
Inflation adjustment	(1 427.0)	(632.5)	-	-
	299.1	**1 708.1**	**299.1**	**274.9**

Unquoted equities were included at fair value.

47 Amounts due by or (to) group companies

	Inflation adjusted/ Historical cost		Inflation adjusted		Historical cost	
Company	2019 ZWLm Due by	2019 ZWLm Due to	2018 ZWLm Due by	2018 ZWLm Due to	2018 ZWLm Due by	2018 ZWLm Due to
Old Mutual Life Assurance Company Zimbabwe Limited	0.2	-	-	-	-	-
Old Mutual Zimbabwe Holdco Limited	-	(46.3)	-	(167.2)	-	(26.9)
Old Mutual Investment Group Zimbabwe (Private) Limited	-	-	-	10.6	-	1.7
Old Mutual (Zimbabwe) Foundation Trust	2.3	-	-	-	-	-
Old Mutual Securities (Private) Limited	1.0	-	-	-	-	-
Old Mutual Shared Services (Private) Limited	2.4	-	-	(0.9)	-	(0.1)
Old Mutual Properties (Private) Limited	2.1	-	0.9	-	0.1	-
Old Mutual Insurance Company (Private) Limited	-	-	-	-	-	-
CABS Custodial Services (Private) Limited	-	(0.1)	(0.4)	-	(0.1)	-
Central Africa Building Society	0.8	-	-	-	-	-
Old Mutual Finance (U.K) Plc	-	(10.7)	-	(66.7)	-	(10.7)
The OMZIL Client Pension Exgratia Trust	4.4	(8.2)	68.5	(50.6)	11.1	(8.2)
The OMZIL Indigenisation Employee Share Trust	0.2	(13.5)	21.7	(83.8)	3.5	(13.5)
The OMZIL Management Incentive Share Trust	-	(10.1)	12.6	(61.4)	2.1	(9.9)
Old Mutual Finance (Private) Limited	-	(2.1)	-	-	-	-
Old Mutual Life Assurance Company SA Limited	-	(3.4)	-	-	-	-
Frittlewell (Private) Limited	0.1	-	0.3	-	-	-
Old Mutual Africa Holdings	0.5	-	6.9	-	1.1	-
RM Insurance Holdings Limited	0.3	-	3.1	-	0.5	-
	14.3	**(94.4)**	**113.6**	**(420.0)**	**18.3**	**(67.6)**

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

		Inflation adjusted/ Historical cost 2019 ZWLm	Company Inflation adjusted 2018 ZWLm	Historical cost 2018 ZWLm
48	**Other assets**			
	Other	25.5	2.3	0.4
		25.5	**2.3**	**0.4**
49	**Cash and cash equivalents**			
	Cash at bank and on hand	32.1	131.5	21.2
		32.1	**131.5**	**21.2**
50	**Share-based payments**			
50.1	**Indigenisation Transactions**			
	Costs associated with Indigenisation transaction			
	Management Incentive Scheme	0.1	0.6	0.1
		0.1	**0.6**	**0.1**

	2019 Number of shares	2018 Number of shares
Movements relating to the share awards during the year are as follows:		
OMZIL Management Incentive Scheme		
Opening balance of shares	189 238	308 310
Exercised during the year	(189 238)	(119 072)
Closing balance of shares	-	**189 238**

50.2 Share based payments reserve

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

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

50.3 Cash-settled share-based employee compensation plans

Broad Based Employee Share Plan (BBESP)

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

Deferred delivery entitlements	2019 Number of shares	2018 Number of shares
Outstanding, at beginning of year	395	-
Issued during the year	150	395
Transfer in	1 625	-
Forfeited during the year	(297)	-
Outstanding at end of year	**1 873**	**395**

51 Provisions

Company Inflation adjusted	Employee related provisions ZWLm	Other ZWLm	Total ZWLm
2019			
Balance at beginning of year	2.2	0.2	2.4
Amount utilised	(5.0)	(1.5)	(6.5)
Charge	6.4	3.1	9.5
Balance at end of year	**3.6**	**1.8**	**5.4**
2018			
Balance at beginning of year	2.1	(0.2)	1.9
Amount utilised	(3.8)	(2.1)	(5.9)
Charge	3.9	2.5	6.4
Balance at end of year	**2.2**	**0.2**	**2.4**
Historical cost 2019			
Balance at beginning of year	0.3	0.1	0.4
Amount utilised	(0.4)	(1.4)	(1.8)
Charge	3.7	3.1	6.8
Balance at end of year	**3.6**	**1.8**	**5.4**
2018			
Balance at beginning of year	0.3	-	0.3
Amount utilised	(0.6)	(0.3)	(0.9)
Charge	0.6	0.4	1.0
Balance at end of year	**0.3**	**0.1**	**0.4**

52 Deferred tax liabilities - Inflation adjusted (audited)

	At beginning 2019 ZWLm	Income statement charge ZWLm	At end 2019 ZWLm
Company			
Deferred tax liability			
Fair value adjustments	18.4	(14.3)	4.1
	18.4	**(14.3)**	**4.1**
Capital gains			4.1

	At beginning 2018	Income statement charge	At end 2018
Deferred tax liability			
Fair value adjustments	12.7	5.7	18.4
	12.7	**5.7**	**18.4**
Capital gains			18.4

Deferred tax liabilities - Historical

	At beginning 2019 ZWLm	Income statement charge ZWLm	At end 2019 ZWLm
Deferred tax liability			
Fair value adjustments	3.0	0.7	3.7
	3.0	**0.7**	**3.7**
Capital gains			3.7

	At beginning 2018	Income statement charge	At end 2018
Deferred tax liability			
Fair value adjustments	2.1	0.9	3.0
	2.1	**0.9**	**3.0**
Capital gains			3.0

53 Other payables	2019 Inflation adjusted ZWLm	2018 Inflation adjusted ZWLm	2019 Historical cost ZWLm	2018 Historical cost ZWLm
Dividend payable	25.4	157.8	25.4	25.4
Kurera-Ukondla Fund	7.7	48.1	7.7	7.7
Other liabilities	63.7	44.0	63.7	7.1
	96.8	**249.9**	**96.8**	**40.2**

54 Share capital and premium

Authorised share capital	**ZWL**	**ZWL**	**ZWL**	**ZWL**
292 953 125 ordinary shares of ZWL$0.0000032 each	8 248	8 248	937	937
249 035 156 'A' class ordinary shares of ZWL$0.0000032 each	7 015	7.015	797	797
83 011 718 'B' class ordinary shares of ZWL$0.0000032 each	2 350	2.350	267	267
1 preference share of ZWL$1 each	9	9	1	1
Issued share capital				
249 035 156 'A' class ordinary shares of ZWL$0.0000032 each	7 015	7.015	797	797
83 011 718 'B' class ordinary shares of ZWL$0.0000032 each	2 350	2.350	267	267
1 preference share of ZWL$1 each	9	9	1	1
	9 374	**9 374**	**1 065**	**1 065**

54 Share capital and premium (cont'd)

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

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

Shares held by the entity
The number of shares held by the entity and its subsidiaries, including within policyholder funds is 47 206 186 shares.

	No of shares 2019	No of shares 2018
Opening balance	54 815 233	56 195 619
Disposals	(7 609 047)	(1 380 386)
Shares bought back	-	-
Closing balance	**47 206 186**	**54 815 233**

55 Post employment benefits obligation

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

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

National Social Security Authority Scheme
This scheme was promulgated under the National Social Security Authority Act 1989. The Company's obligation under the scheme is limited to specific contributions as legislated from time to time and is presently ZWL$49 per month per employee. The Group agreed to keep the employee contributions at ZWL$6 per month and pay any contributions above ZWL$6 on behalf of the employees.

Old Mutual Post Retirement Medical Aid Subsidy Fund
The fund is a defined contribution plan for the Company's full-time employees.

	2019 ZWLm	2018 ZWLm
Contributions recognised as an expense for the year		
- Old Mutual Staff Pension Fund	0.2	-
- National Social Security Authority Scheme	-	-
56 Capital commitments		
Authorised	**2.8**	**0.5**
Authorised and contracted for	-	-

57 Related party disclosures

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

Other Group companies consist of subsidiaries, associates as well as other subsidiaries of Old Mutual Limited.

57 Related party disclosures (cont'd)

Transactions with holding company and other group companies:

	Inflation adjusted Audited		Historical Cost Unaudited	
Subsidiaries	**2019 ZWLm**	**2018 ZWLm**	**2019 ZWLm**	**2018 ZWLm**
Old Mutual Zimbabwe Holdco Limited				
Nature of transactions: Dividends declared	75.2	159.9	15.0	18.8
Old Mutual Investment Group Zimbabwe (Pvt) Ltd				
Nature of transactions: Asset Management Fees	7.2	7.8	2.4	1.3
Dividend income	-	46.6	-	7.5
Central Africa Building Society				
Nature of transactions; Interest earned in investments	1.9	5.0	1.9	0.8
Dividend income	-	155.3	-	25.0
CABS Custodial Services (Private) Limited				
Nature of transactions: Custody Fees	0.1	1.9	0.0	0.3
Dividend income	1.0	6.2	1.0	1.0
Old Mutual Shared Services (Pvt) Ltd				
Nature of transactions: Administration and internal Audit Fees	7.4	6.7	2.5	1.1

Loans due by or to subsidiaries and other group companies

Loans due by or to subsidiaries or other group companies within Zimbabwe accrue interest at market related interest rates and are repayable on demand.

All the Company's principal subsidiaries together with loans due by or to them are listed in note 44 and 47.

58 Company statement of financial position

58.1 Categories of financial instruments

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

Inflation Adjusted - (audited) At 31 December 2019	At fair value through profit or loss ZWLm	At amortised cost ZWLm	Non-financial assets/ liabilities ZWLm	Total ZWLm
Assets				
Investment property	-	-	10.1	10.1
Investments in subsidiary companies	-	-	891.4	891.4
Property and equipment	-	-	3.1	3.1
Intangible assets	-	-	0.5	0.5
Investments and securities	295.2	3.9	-	299.1
Amounts due by group companies	-	14.3	-	14.3
Current tax receivable	-	-	0.9	0.9
Other assets	-	25.5	-	25.5
Cash and cash equivalents	-	32.1	-	32.1
	295.2	**75.8**	**906.0**	**1 277.0**
Liabilities				
Provisions	-	-	5.4	5.4
Deferred tax liabilities	-	-	4.1	4.1
Amounts due to group companies	-	94.4	-	94.4
Other payables	-	96.8	-	96.8
	-	**191.2**	**9.5**	**200.7**
At 31 December 2018				
Assets				
Investment property	-	-	3.7	3.7
Investments in subsidiary companies	-	-	740.0	740.0
Property and equipment	-	-	0.3	0.3
Investments and securities	1 574.0	134.1	-	1 708.1
Amounts due by group companies	-	-	113.6	113.6
Current tax receivable	-	-	3.9	3.9
Other assets	-	2.3	-	2.3
Cash and cash equivalents	-	131.5	-	131.5
	1 574.0	**267.9**	**861.5**	**2 703.4**
Liabilities				
Provisions	-	-	2.4	2.4
Deferred tax liabilities	-	-	18.4	18.4
Amounts due to group companies	-	420.0	-	420.0
Other payables	-	249.9	-	249.9
	-	**669.9**	**20.8**	**690.7**

58 Company statement of financial position (cont'd)

58.1 Categories of financial instruments (cont'd)

Historical Cost - Unaudited At 31 December 2019	At fair value through profit or loss ZWLm	At amortised cost ZWLm	Non-financial assets/ liabilities ZWLm	Total ZWLm
Assets	.			
Investment property	-	-	10.1	10.1
Investments in subsidiary companies	-	-	194.3	194.3
Property and equipment			1.4	1.4
Intangible assets	-	-	0.3	0.3
Investments and securities	295.2	3.9	-	299.1
Amounts due by group companies	-	14.3	-	14.3
Current tax assets	-	-	0.9	0.9
Other assets	-	25.5	-	25.5
Cash and cash equivalents	-	32.1	-	32.1
	295.2	**75.8**	**207.0**	**578.0**
Liabilities				
Provisions	-	-	5.4	5.4
Deferred tax liabilities	-	-	3.7	3.7
Amounts due to group companies	-	94.4	-	94.4
Other liabilities	-	96.8	-	96.8
	-	**191.2**	**9.1**	**200.3**
At 31 December 2018				
Assets				
Investment property	-	-	0.6	0.6
Investments in subsidiary companies	-	-	83.9	83.9
Property and equipment			0.1	0.1
Investments and securities	253.3	21.6	-	274.9
Amounts due by group companies	-	18.3	-	18.3
Current tax assets	-	-	0.6	0.6
Other assets	-	0.4	-	0.4
Cash and cash equivalents	-	21.2	-	21.2
	253.3	**61.5**	**85.2**	**400.0**
Liabilities				
Provisions	-	-	0.4	0.4
Deferred tax liabilities	-	-	3.0	3.0
Amounts due to group companies	-	67.6	-	67.6
Other liabilities	-	40.2	-	40.2
	-	**107.8**	**3.4**	**111.2**

Analysis of instruments at fair value	Inflation adjusted/Historical cost			
At 31 December 2019	Level 1 ZWLm	Level 2 ZWLm	Level 3 ZWLm	Total ZWLm
Financial assets measured at fair value				
Investments and securities	268.3	-	26.9	295.2
Total financial assets measured at fair value	**268.3**	**-**	**26.9**	**295.2**

	Inflation adjusted - Audited			
At 31 December 2018	Level 1 ZWLm	Level 2 ZWLm	Level 3 ZWLm	Total ZWLm
Financial assets measured at fair value				
Investments and securities	1 496.2	-	77.8	1 574.0
Total financial assets measured at fair value	**1 496.2**	**-**	**77.8**	**1 574.0**

58 Company statement of financial position (cont'd)

58.1 Categories of financial instruments (cont'd)

	Historical Cost - Unaudited			
At 31 December 2018	Level 1 ZWLm	Level 2 ZWLm	Level 3 ZWLm	Total ZWLm
Financial assets measured at fair value				
Investments and securities	240.8	-	12.5	253.3
Total financial assets measured at fair value	**240.8**	**-**	**12.5**	**253.3**

The movement in level 3 instruments for the year can be analysed as follows:

At 31 December 2019	Opening balance ZWLm	Gains/losses recognised in profit or loss ZWLm	Purchases and issues ZWLm	Sales and settlements ZWLm	Transfers into level 3 from other categories ZWLm	Transfers out of level 3 to other categories ZWLm	Closing balance ZWLm
Financial assets measured at fair value							
Designated (fair value through profit or loss)	12.5	14.4	-	-	-	-	26.9
Total financial assets measured at fair value	12.5	14.4	-	-	-	-	26.9
At 31 December 2018							
Designated (fair value through profit or loss)	10.4	2.1	-	-	-	-	12.5
Total financial assets measured at fair value	10.4	2.1	-	-	-	-	12.5

The level 3 investment consists of a minority shareholding in Nedbank Zimbabwe, the investment was valued using a relative valuation model.

	Inflation adjusted Audited		Historical Cost Unaudited	
59 Notes to the group statement of cash flows	**Group 2019 ZWLm**	Group 2018 ZWLm	**Group 2019 ZWLm**	Group 2018 ZWLm
59.1 Non-cash movements and adjustments to profit before tax				
Depreciation and amortisation	144.5	140.5	17.2	10.7
Revaluation surplus shadow accounting	228.6	3.7	228.6	0.6
Net fair value gains for the year included in profit before tax	(7 373.1)	(6 452.9)	(7 058.1)	(929.5)
Charges to provisions and post employment benefits obligation	51.9	99.1	55.0	10.0
Share-based payments charge	5.6	3.9	5.6	0.6
Movement in policyholder liabilities	6 790.8	4 684.2	6 639.0	797.2
Unrealised exchange (gains)/losses	(111.6)	(1.9)	(106.5)	(0.3)
	(263.3)	**(1 523.4)**	**(219.2)**	**(110.7)**

59 Notes to the group statement of cash flows (cont'd)	Inflation adjusted Audited		Historical Cost Unaudited	
	Group 2019 ZWLm	Group 2018 ZWLm	Group 2019 ZWLm	Group 2018 ZWLm
59.2 Changes in working capital				
Insurance, other assets, and amounts due by group companies	3 427.6	580.8	(1 268.1)	(93.5)
Insurance, other payables, and amounts due to group companies	(3 585.6)	(577.1)	2 744.5	227.8
Reinsurer's share of insurance contract liabilities	(50.4)	4.1	(49.6)	(1.5)
Deferred acquisition costs	(3.2)	0.6	(1.0)	0.1
Inflation adjustment	5 304.7	2 215.0	-	-
	5 093.1	**2 223.4**	**1 425.8**	**132.9**
59.3 Taxation paid				
Taxation payable at beginning of year	(4.9)	(101.6)	(15.9)	(12.3)
Income tax charge for the year	109.9	(38.5)	(22.9)	(29.2)
Taxation payable at end of year	(11.9)	4.9	(11.9)	15.9
	93.1	**(135.2)**	**(50.7)**	**(25.6)**
59.4 Dividends paid				
Dividends payable at beginning of year	(352.9)	(267.8)	(56.8)	(43.1)
Dividends declared during the year	(182.7)	(299.0)	(55.4)	(37.5)
Dividends payable at end of year	71.7	352.9	71.7	56.8
Inflation adjustment	361.4	67.3	-	-
	(102.5)	**(146.6)**	**(40.5)**	**(23.8)**
60 Notes to the company statement of cash flows				
60.1 Non-cash movements and adjustments to profit before tax				
Depreciation and amortisation	0.5	0.3	0.3	0.1
Net fair value gains for the year included in profit before tax	(279.2)	(635.2)	(172.7)	(122.7)
Charges to provisions	5.0	0.5	4.9	0.1
Share-based payments charge	-	0.6	-	0.1
Inflation adjustment	568.1	208.9	-	-
	294.4	**(424.9)**	**(167.5)**	**(122.4)**
60.2 Changes in working capital				
Insurance. other assets, and amounts due by group companies	49.3	133.3	(15.8)	9.6
Insurance. other payables, and amounts due to group companies	340.9	284.5	23.4	14.9
	390.2	**417.8**	**7.6**	**24.5**
60.3 Taxation paid				
Taxation payable at beginning of year	(14.6)	(15.4)	(2.3)	(1.6)
Income tax charge for the year	(13.3)	(43.9)	(1.8)	(7.3)
Taxation payable at end of year	3.2	14.6	2.7	2.3
	(24.7)	**(44.7)**	**(1.4)**	**(6.6)**
60.4 Dividends paid				
Dividends payable at beginning of year	(349.6)	(239.1)	(56.3)	(38.5)
Dividends declared during the year	(196.7)	(298.2)	(59.8)	(36.1)
Dividends payable at end of year	71.7	349.6	71.7	56.3
Inflation adjustment	338.0	47.2	-	-
	(136.6)	**(140.5)**	**(44.4)**	**(18.3)**

61 Going concern

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will continue its operations for the foreseeable future. The Group has recognised a loss after tax of ZWL$2.6 billion on an inflation adjusted basis for the year ended 31 December 2019 (2018: Profit after tax of ZWL$427.1 million) and, as at that date, current liabilities exceed current assets by ZWL$212.6 million (2018: current assets exceeded current liabilities by ZWL$393.1 million). The Company recognised a loss after tax of ZWL$782.8 million for the year ended 31 December 2019 (2018: Profit after tax of ZWL$642.9 million) and, as at that date, current assets exceed current liabilities by ZWL$346.4 million (2018: current assets exceeded current liabilities by ZWL$1,957.1 million).

Further, Zimbabwe has been affected by COVID-19 which was declared a global pandemic by the World Health Organisation (WHO) on 11 March 2020. As assessment of the possible effects of COVID-19 on the going concern of the Company is discussed under the subsequent event note 64.3.

For the Group, inflation adjusted total assets declined from ZWL$27.5 billion in 2018 to ZWL$16.0 billion in 2019 as the nominal growth in assets on the historical cost and fair value basis of accounting (250%) was exceeded by inflation for the 2019 full year of 521.2%. The restated total equity of ZWL$2.3 billion was lower than the restated comparable of ZWL$5.1 billion due mainly to the impact of net asset growth lagging inflation. As for the Company, inflation adjusted total assets declined from ZWL$2.7 billion in 2018 to ZWL$1.3 billion. The restated total equity of ZWL$1.1 billion was lower than the restated comparable of ZWL$2 billion.

The business core pillars and foundations remained in place, as evidenced by growth in total customer numbers from 1.2 million to 1.3 million, the diversified sources of revenue generated, and positive operating margins in most business segments.

The financial position of the Group, its cash flows, liquidity position, and borrowing facilities are described above. In addition, notes 2 and 41 to the financial statements include the Group's objectives, policies, and processes for managing its capital; its financial risk management objectives; details of its financial instruments and its exposures to credit risk and liquidity risk. The Group has considerable financial resources together with long-term contracts with a number of customers and suppliers across different geographic areas and industries.

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

	Inflation adjusted Audited		Historical Cost Unaudited	
	Group 2019 ZWLm	Group 2018 ZWLm	Group 2019 ZWLm	Group 2018 ZWLm
62 Assets held under fiduciary capacity				
Managed third party funds	1 744.7	5 345.1	1 744.7	860.7

Managed funds

The Group holds a custodianship responsibility in respect of assets owned by certain pension funds and private clients. Funds under management represent assets being managed on behalf of investors and these are kept off balance sheet. Total funds under management (including Group funds) as at 31 December 2019 were ZWL$9.2 billion (2018: ZWL$3.5 billion).

63 Currency Sensitivity Analysis

The table below is a sensitivity analysis of the effect of using different exchange rates to convert foreign currency balances to local reporting currency. The scenarios presented compare the impact of using closing rate at 1:16.7743 (which was the closing rate as at 31 December 2019); 1:25, and 1:40.

63 Currency Sensitivity Analysis (cont'd)

Foreign currency denominated Assets/Liabilities as at 31 Dec 2019	2019 Group USDm	2019 Group ZWLm Translated @ 1:16.7743	2019 Group ZWLm Translated @ 1:25	2019 Group ZWLm Translated @ 1:40
Assets				
Investments and securities	99.8	1 674.1	2 495.0	3 992.0
Loans and advances	31.5	528.4	787.5	1 260.0
Other assets	32.0	536.8	800.0	1 280.0
Cash and cash equivalents	54.0	905.8	1 350.0	2 160.0
Total assets	**217.3**	**3 645.1**	**5 432.5**	**8 692.0**
Liabilities				
Long-term business policyholder liabilities	89.8	1 506.3	2 245.0	3 592.0
Borrowed funds	53.5	897.4	1 337.5	2 140.0
Amounts owed to group companies	2.6	43.6	65.0	104.0
Amounts owed to bank depositors	32.6	546.8	815.0	1 304.0
Other payables	24.5	411.0	612.5	980.0
Total liabilities	**203.0**	**3 405.1**	**5 075.0**	**8 120.0**
Net assets	**14.3**	**240.0**	**357.5**	**572.0**

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

Refer to note 25.2.1 for the accounting treatment of other obligations to the related parties outside Zimbabwe.

64 Subsequent events

64.1 Group restructuring

At the end of 2018 the OMZIL Group embarked upon a restructuring. The restructure was designed to generate operating efficiencies by streamlining the group legal entity and operating structure through cutting down on the number of legal entities and grouping the business operations broadly into three clusters, namely, Insurance, Banking, and Wealth Management. In addition, the restructure was intended to ensure that compliance was achieved with various in-country regulatory requirements as captured in the Banking Amendment Act and the Insurance and Pensions Commission (IPEC) Governance Directive.

This exercise was completed at the end of October 2019 and has resulted in a number of group entities, with effect from 1 January 2020, either being divisionalised under OMLAC, CABS, and OMIG, being transferred to become subsidiaries of those companies, or being dissolved. The outcome is as follows:

- OMPIC becoming a division of OMLAC
- OMP becoming a division of OMIG
- CABSCUS becoming a division of CABS
- OMFIN becoming a subsidiary of CABS; and
- OMSS being dissolved and its functions either being decentralised or assumed by the holding company OMZIL.

64.2 Movement of fair value of listed shares.

Subsequent to year end, the value of the Zimbabwe Stock Exchange (ZSE) all share index had increased by about 112%. This had significant impact on the Group's profits given the level of the investment in listed equities. This subsequent increase in the ZSE values resulted in the Group's listed equities increasing by $3.5 billion as at 31 March 2020, while profits for that period have been positively impacted by $1.1 billion. The Group's subsidiaries remain well capitalised.

64 Subsequent events (cont'd)

64.3 Impact of Coronavirus disease 2019 (COVID-19)

COVID-19 was declared a global pandemic by the World Health Organisation (WHO) on 11 March 2020. The first cases in Zimbabwe were diagnosed on 20 and 21 March 2020, and the first fatality was announced on 23 March 2020. On 27 March 2020, the Government of Zimbabwe announced a 21 day lockdown period, commencing on 30 March 2020 during which the public would be expected to stay at home and business activity would be limited only to essential services. The lockdown was subsequently extended to 21 May 2020 and has since been extended indefinitely. However, significant relaxations have been announced to the lockdown as originally designed such as, certain businesses being allowed to open subject to prescribed health and safety measures. A significant amount has been spent on IT hardware to support remote working as well as on sanitary equipment such as gloves, masks, and sanitisers.

In addition, the use of digital and electronic means of transacting, particularly through internet and mobile platforms is well embedded across the Group. In particular, the following services continued to be available during the lockdown:

- Online and mobile banking to make payments
- Ability to transact through point of sale networks
- Processing of insurance claims and payment of death and funeral benefits.

The Real Time Gross Settlement (RTGS) system and the Zimbabwe Stock Exchange (ZSE) remained operational enabling us to continue to service our customers during a period where face to face contact has had to be limited. The global economy is likely to be negatively impacted by the pandemic and Zimbabwe will not be an exception to this. We are not at this stage able to assess or quantify the impact of any lasting economic downturn caused by the pandemic on the business. Potential areas of short to medium term risk for the business include:

- Increased mortality rates due to COVID-19 which will impact on death and funeral claims
- Cashflow challenges may force clients to delay pension and group life assurance contributions
- Cashflow challenges may force clients to reduce insurance cover or default on premiums for business in force
- Cash outflows from managed funds may increase as clients seek to cover liquidity needs due to the business lockdown or a longer lasting economic down-turn
- Reduced business activity on the part of our clients may lead to defaults on loan payment obligations in the banking and micro-finance businesses or contractual rental payments in the property business
- There could be selling pressure on the stock market which may drive the value of listed equities down, negatively impacting on funds under management, asset management fees, brokerage fees as well as levels of capital held by the business, given the levels of exposure to the ZSE.
- Tight liquidity conditions in the economy in general will affect the availability of funds available for lending

The Group has put in place the following key measures amongst others to reinforce its Liquidity and Capital Adequacy Position in the foreseeable future:

- continued management of client relations to maintain and grow the current portfolio;
- continued proactive monitoring of facilities to mitigate migrations into a non-performing status;
- continued critical credit assessment of new loan disbursements;
- continued mobilisation of diverse deposits with staggered maturity profiles;
- retention of earnings and suspension of dividends.

Based on the above assessment, COVID-19 will not have a significant impact on the Group's ability to continue to operate as a going concern. The pandemic is still in its infancy and as such the directors cannot reliably estimate its future impact on the Group. However, mitigants have been put in place to safeguard the Group's going concern position.

The occurrence of the COVID-19 pandemic is a non-adjusting subsequent event for the financial year ended 31 December 2019.

From an actuarial point of view, we do not anticipate any assumption changes during the first half of 2020. The COVID-19 experience for Africa seems to be at the beginning of the curve. Whilst we expect a decline in new business and a worsening of persistence and potentially an impact on mortality and per policy expenses, it is difficult to gauge what the extent of this impact will be. Since there is such a broad range of outcomes that can materialise, more time is required to fully assess the implications and make any decisions thereafter, once we have more clarity. At this point, we do not anticipate that we will see any mortality impact in the Life business' June 2020 valuation. Furthermore, assumption setting has a long term focus and changes in assumption will not necessarily be determined by one event.

64 Subsequent events (cont'd)

64.4 Litigation against CABS in respect of Statutory Instruments 133 of 2016 and 122a of 2017

Sometime in 2018, a customer of CABS approached the High Court seeking an order for the payment of US$142 000 in cash or into a Nostro Foreign Currency Account of their nomination. In the alternative, the customers also sought a declaration setting aside the Exchange Control Directive Number RT 120/2018 which was issued by the Reserve Bank of Zimbabwe. If the declaration was set aside, the customers sought that the Reserve Bank of Zimbabwe and the Minister of Finance and Economic Development should pay the amount claimed.

The Exchange Control Directive RT 120/2018

This directive instructed banks to separate USD balances from RTGS balances and bond notes, and required the opening of RTGS Foreign Currency Account (FCA) for local electronic money transfers and bond note transactions and the Nostro FCA for actual foreign currency transactions. The Bank's customer was challenging this separation and argued that they wanted to be paid in USD as they argued that their initial deposits were made in USD prior to the introduction of bond notes and other forms of local currency.

The High Court Judgement

On the 14th of May 2020, the High Court ruled in favour of the bank's customers and ordered the Bank to pay them US$142 000 together with interest thereon at the rate of 5% per annum to be calculated from the 17th of October 2018 to the date of payment in full. The High Court also declared that Exchange Control Directive Number RT 120/2018 was unconstitutional and therefore invalid. The Bank, the Reserve Bank, and the Minister of Finance and Economic Development were ordered to pay costs of suit jointly and severally.

Effect of the High Court Judgement

The effect of the judgement is that the Bank has been ordered to pay the customer the sum of US$142 000 plus interest and RBZ Directive RT 120/2018 has been set aside. What was set aside by the High Court is the directive only. Therefore, without setting aside the SI 33 of 2019 as codified in the Finance Act Number 2 of 2019, which provides that all the debts should be paid in local currency at a one to one rate, all deposits in the bank, except those that are in the FCA Nostro accounts remain in the local currency.

Appeal to the Supreme Court and its effect on the operation of the High Court ruling

The Bank has filed an appeal against the High Court judgement in the Supreme Court. Therefore, with effect from the 20th of May 2020, the High Court judgement has been suspended and is of no effect until the outcome of the appeal. The RBZ and Ministry of Finance have also issued a statement that they will appeal against the judgement.

The directors believe, based on legal advice that has been given, that the appeal has good prospects of success.

64.5 Registration of legacy debts

Post year-end, the RBZ approved the registration of a further USD$82 million in legacy debts as highlighted in note 25.2.1.

NOTES

DESIGN AND LAYOUT BY VPCG

OLDMUTUAL